Louisiana School Employees' Retirement System

A Component Unit of the State of Louisiana

Financial Statement Audit
For the Years Ended June 30, 2018, and 2017
Issued September 28, 2018

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TABLE OF CONTENTS

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 27, 2018

Independent Auditor's Report

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana School Employees' Retirement System (System), a component unit of the State of Louisiana, as of and for the years ended June 30, 2018, and June 30, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2018, and June 30, 2017, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in note 4 to the financial statements, the total pension liability for the System was $2,614,250,388 and $2,562,633,003 as of June 30, 2018, and June 30, 2017, respectively. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2018, and June 30, 2017, could be understated or overstated. Our opinion is not modified with respect to this matter.

As disclosed in note 5 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equities and investments in real assets. Where a publicly-listed price is not available, the management of the System uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of investments. Our opinion is not modified with respect to this matter.

As disclosed in notes 1-J and 10 to the financial statements, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – superseding portions of GASB Statement No. 45 and GASB Statement No. 57, for the year ended June 30, 2018. The adoption of these standards required the Board to record its proportionate share of other postemployment benefits related to its participation in a defined-benefit, multiple-employer other postemployment benefit plan, restating the previous year. As a result of the implementation, the System's net position decreased by $3,670,610 as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 11 and the Schedule of Changes in Net Pension Liability, Schedule of Employers' Net Pension Liability, Schedule of Employer Contributions, Schedule of Investment Returns, and Schedule of the Employer's Proportionate Share of the Total Collective OPEB Liability on pages 42 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the years ended June 30, 2018, and June 30, 2017, we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The Statement of Changes in Reserve Balances, Schedule of Per Diem Paid to Trustees, Schedule of Administrative Expenses, and Schedule of Investments, included on pages 50 through 57, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Changes in Reserve Balances, Schedule of Per Diem Paid to Trustees, Schedule of Administrative Expenses, and Schedule of Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Changes in Reserve Balances, Schedule of Per Diem Paid to Trustees, Schedule of Administrative Expenses, and Schedule of Investments are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

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LSERS 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is management’s discussion and analysis of the financial performance of Louisiana School Employees' Retirement System (System). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The System experienced net investment income of $118,140,167 at June 30, 2018; this is a 50.65% decrease from net investment income of $239,412,332 at June 30, 2017. In fiscal year 2018, the System achieved an annual return of 6.62%, as compared to 14.37% for fiscal year 2017. The largest and most notable portion of the decrease came from U.S., international and emerging market equities.

- Member contributions increased by $204,090, or 0.92%. The increase is attributable to an increase in the number of member contributing at the 8.0% tier.

- Employer contributions increased by $188,971, or 0.23%, resulting from an increase of the employer contribution rate by 0.3% and an increase in the aggregate number of retirees. The retiree replacements are generally hired at a lower salary rate. The employer contribution rate established by the System's actuary and approved by the Public Retirement Systems’ Actuarial Committee is projected a year in advance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the System’s basic financial statements, which are comprised of three components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

The report also contains required supplemental information in addition to the basic financial statements.

The statements of fiduciary net position provide the pension fund’s assets, liabilities, and results in the net position restricted for pension benefits. They disclose the financial position of the System as of June 30, 2018, and 2017.

The statements of changes in fiduciary net position report the results of the pension fund operations during the year, disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's total net position on the statement of fiduciary net position.

FINANCIAL ANALYSIS

The System provides retirement benefits to all eligible school bus operators, school janitors, school custodians, school maintenance employees, school bus aides, or other regular school employees who actually work on a school bus helping with the transportation of school children. Member contributions, employer contributions, and earnings on investments fund these benefits.

Comparative Statements of Fiduciary Net Position
For the Fiscal Years as of June 30, 2018, and 2017

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Assets:			
Cash	$ 51,848,421	$ 50,717,071	$ 48,358,258
Receivables	20,594,024	20,926,080	23,800,704
Investments	1,881,749,052	1,856,098,527	1,698,918,409
Collateral held under securities lending	109,782,579	91,268,757	94,214,928
Capital assets, net of depreciation	3,238,751	3,163,915	3,104,897
Other assets	318,358	388,922	429,220
Total assets	2,067,531,185	2,022,563,272	1,868,826,416
Deferred outflows of resources	217,499	-	-
Liabilities:			
Accounts payable and other liabilities	11,478,611	8,588,517	6,801,241
Obligations under securities lending	109,782,579	91,268,757	94,214,928
Total liabilities	121,261,190	99,857,274	101,016,169
Deferred inflows of resources	374,454	-	-
Net Position Restricted for Pensions	$ 1,946,113,040	$ 1,922,705,998	$ 1,767,810,247

Comparative Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2018, and 2017

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016
Additions:			
Contributions	$ 103,952,543	$ 103,559,482	$ 109,436,269
Net Investment Income (Loss)	118,140,167	239,412,332	(10,422,226)
Total Additions	222,092,710	342,971,814	99,014,043
Deductions:			
Total Deductions	195,015,058	188,076,063	182,659,977
Change in Fiduciary Net Position	$ 27,077,652	$ 154,895,751	$ (83,645,934)
Net position restricted for pensions - beginning of year	$ 1,922,705,998	$ 1,767,810,247	$ 1,851,456,181
Cumulative effect of change in accounting principle[1]	(3,670,610)	-	-
Net position restricted for pensions - end of year	$ 1,946,113,040	$ 1,922,705,998	$ 1,767,810,247

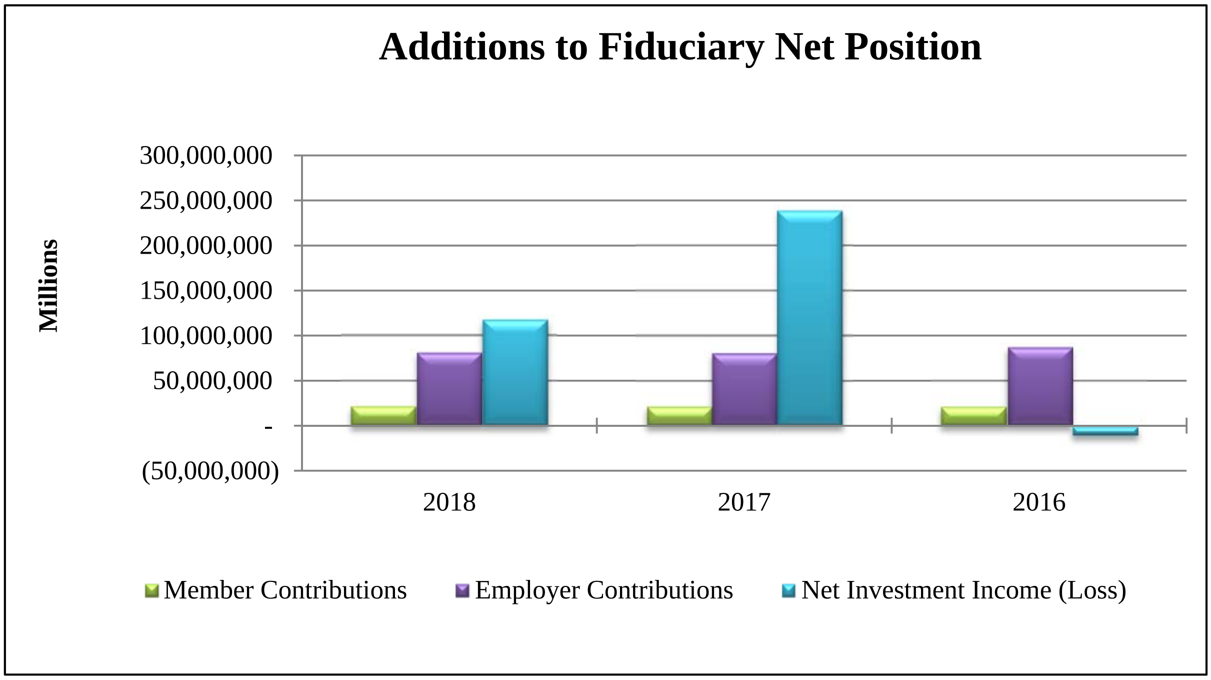
[1] **Change in accounting principle**: The System adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The change in accounting principle resulted in a restatement of beginning net position as disclosed in note 1.J of the financial statements.

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from employer and member contributions and net investment income (loss). For the year ended June 30, 2018, employer contributions increased $188,971, or 0.23%, while member contributions increased $204,090, or 0.92%. The System experienced net investment income of $118,140,167 for the fiscal year ending June 30, 2018, as compared to net investment income of $239,412,332 for fiscal year ending 2017. The decrease in net investment income was attributed to fiscal year 2018 performance of 6.62% as compared to performance of 14.37% in fiscal year 2017. On June 30, 2018, and 2017, the market values of investments were $1.882 billion and $1.856 billion, respectively. The difference in market value reflects an increase in assets of $25.6 million.

For the year ended June 30, 2017, employer contributions decreased $6,271,226, or 7.2%, while member contributions increased $394,439, or 1.8%. The decrease in employer contributions resulted from a 2.9% decrease in the employer contribution rate and an increase in the aggregate number of retirees. The System experienced net investment income of $239,412,332 for the fiscal year ending June 30, 2017, as compared to net investment loss of $10,422,226 for fiscal year ending June 30, 2016. This increase in net investment income was attributed to fiscal year 2017 performance of 14.37% as compared to performance of -0.19% in fiscal year 2016. On June 30, 2017, the market value of plan assets was $1.856 billion. On June 30, 2016, plan assets were $1.699 billion. The difference in market value reflects a price change increase of $157 million.

Additions to Fiduciary Net Position	2018	2017	2016
Member Contributions	$ 22,365,936	$ 22,161,846	$ 21,767,407
Employer Contributions	81,586,607	81,397,636	87,668,862
Net Investment Income (Loss)	118,140,167	239,412,332	(10,422,226)
Total	$ 222,092,710	$ 342,971,814	$ 99,014,043



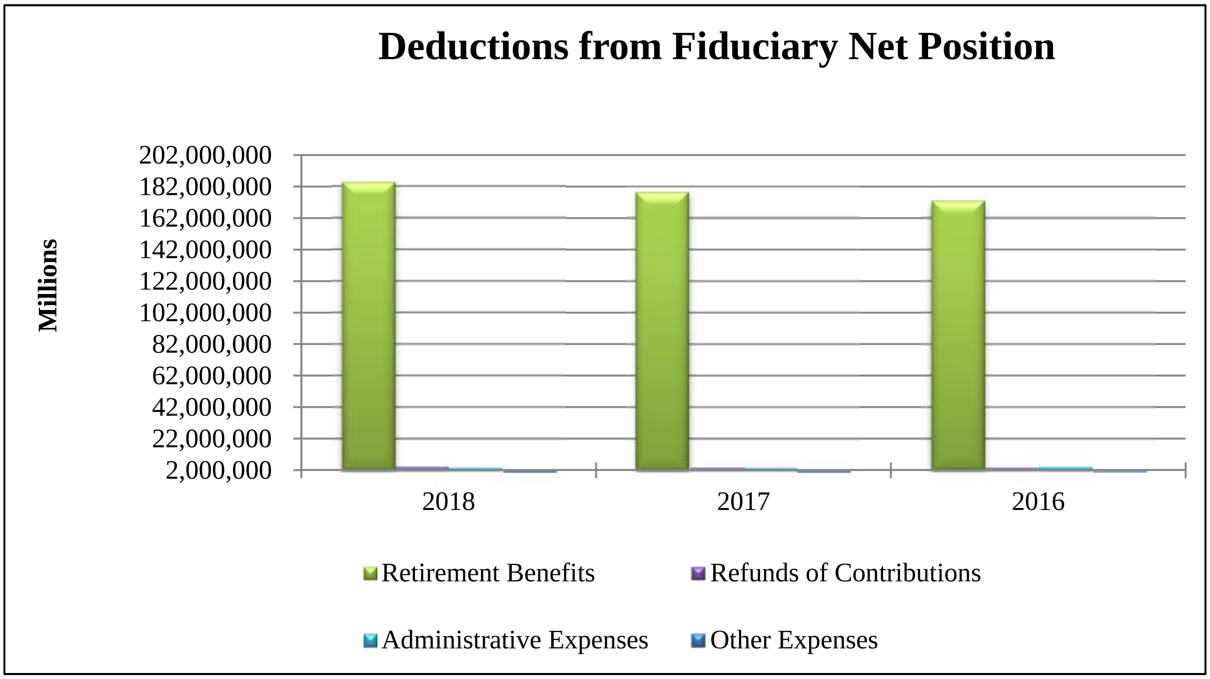
Deductions from Fiduciary Net Position

Deductions from fiduciary net position include mainly retirement, death, and survivor benefits, refunds of contributions, and administrative expenses. For the year ended June 30, 2018, deductions from fiduciary net position totaled $195,015,058. The deductions increased 3.69% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable.

For the year ended June 30, 2017, deductions from fiduciary net position totaled $188,076,063. The deductions increased 2.97% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable. A cost-of-living adjustment (COLA) of 1.9% to eligible retirees and beneficiaries was effective July 1, 2016, resulting from Act 512 of the 2016 Regular Legislative Session.

The cost of administering System benefits per member during 2018 and 2017 was $133 and $129, respectively.

Deductions from Fiduciary Net Position	2018	2017	2016
Retirement Benefits	$ 185,260,310	$ 179,085,508	$ 173,565,398
Refunds of Contributions	4,843,590	4,231,413	4,139,711
Administrative Expenses	4,104,342	3,954,563	4,620,063
Other Expenses	806,816	804,579	334,805
Total	$ 195,015,058	$ 188,076,063	$ 182,659,977

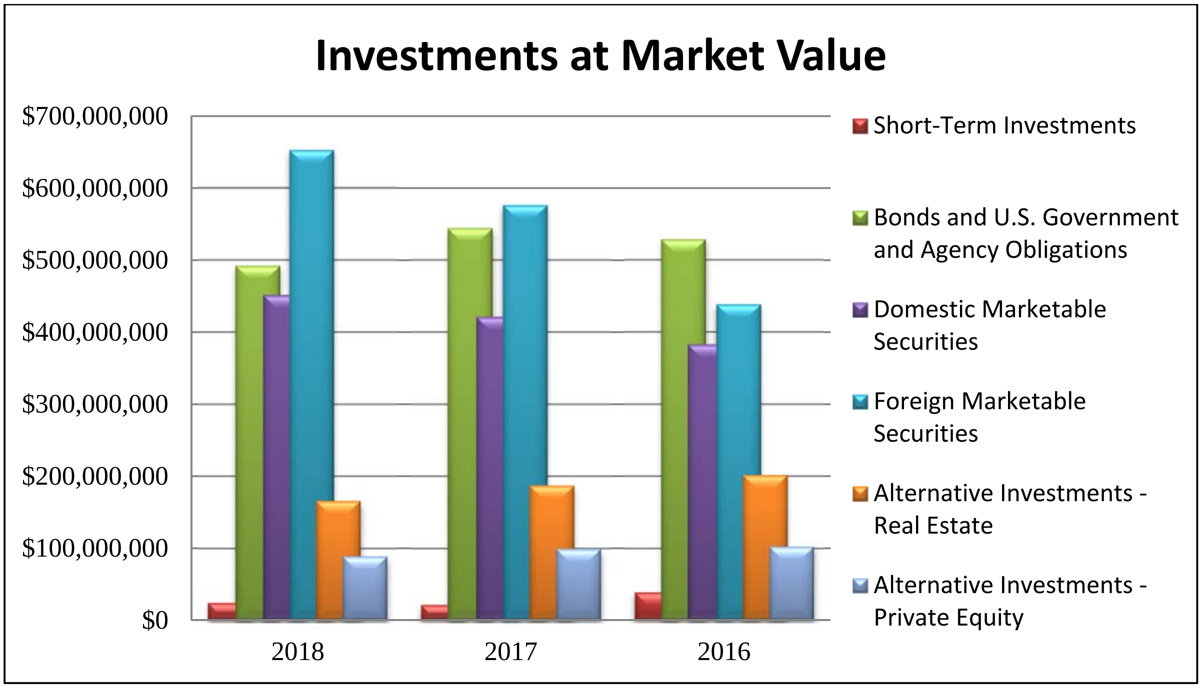


INVESTMENTS

The System is responsible for the prudent management of funds held in trust for the exclusive benefit of its members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2018, were $1,881,749,052 as compared to $1,856,098,527 at June 30, 2017, or an increase of $25,650,525.

The System's investments in various asset classes at the end of the 2018, 2017, and 2016 fiscal years are indicated in the following table:

Investments	2018	2017	2016
Short-Term Investments	$ 25,384,396	$ 22,716,298	$ 39,874,095
Bonds and U.S. Government and Agency Obligations	493,094,320	545,325,450	529,610,281
Domestic Marketable Securities	452,678,406	422,453,380	383,902,918
Foreign Marketable Securities	653,990,591	577,245,480	439,495,585
Alternative Investments - Real Estate	166,802,172	188,120,848	202,689,531
Alternative Investments - Private Equity	89,799,167	100,237,071	103,345,999
Total	$1,881,749,052	$1,856,098,527	$1,698,918,409



REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for any additional financial information can be addressed to Louisiana School Employees' Retirement System, Accounting Division, P.O. Box 44516, Baton Rouge, Louisiana 70804-4516.

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM STATE OF LOUISIANA — **Statement A**

Statements of Fiduciary Net Position
June 30, 2018, and 2017

	2018	2017
ASSETS:		
Cash	$ 51,848,421	$ 50,717,071
Receivables:		
Member contributions	3,128,879	3,027,763
Employer contributions	12,290,970	12,012,526
Privatization receivable	1,134,045	1,266,486
Accrued interest and dividends	2,458,603	2,101,000
Investment receivable	967,131	1,972,580
Other	614,396	545,725
Total receivables	20,594,024	20,926,080
Investments, at fair value:		
Short-term investments	25,384,396	22,716,298
U.S. Government and agency obligations	41,468,135	39,990,335
Bonds - domestic	293,041,699	320,524,954
Bonds - foreign	158,584,486	184,810,161
Marketable securities - domestic	452,678,406	422,453,380
Marketable securities - foreign	653,990,591	577,245,480
Alternative investments - private equity	89,799,167	100,237,071
Alternative investments - real estate	166,802,172	188,120,848
Total investments	1,881,749,052	1,856,098,527
Collateral held under securities lending program	109,782,579	91,268,757
Capital assets, net of depreciation	3,238,751	3,163,915
Other assets	318,358	388,922
Total assets	2,067,531,185	2,022,563,272
DEFERRED OUTFLOW OF RESOURCES:		
Deferred outflows related to OPEB	217,499	-
Total deferred outflows of resources	217,499	-
LIABILITIES:		
Accounts payable	547,508	1,263,908
Benefits payable	412,656	238,932
Refunds payable	579,429	228,286
Accrued expenses and benefits	1,978,414	656,887
Investment payable	874,580	2,712,026
Other post employment benefits obligation	7,086,024	3,488,478
Obligations under securities lending program	109,782,579	91,268,757
Total liabilities	121,261,190	99,857,274
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to OPEB	374,454	-
Total deferred inflows of resources	374,454	-
NET POSITION RESTRICTED FOR PENSIONS	$ 1,946,113,040	$ 1,922,705,998

The accompanying notes are an integral part of these statements.

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM STATE OF LOUISIANA **Statement B**

Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2018, and 2017

	2018	2017
ADDITIONS:		
Contributions:		
Member contributions	$ 22,140,933	$ 21,874,930
Irregular contributions - members	225,003	286,916
Employer contributions	80,258,243	78,768,502
Irregular contributions - employers	1,328,364	2,629,134
Total contributions	103,952,543	103,559,482
Investment income (loss):		
Income (loss) from investment activities		
Net appreciation (depreciation) in fair value of investments	110,658,549	228,797,500
Interest	5,690,177	5,461,609
Dividends	7,776,979	7,418,251
Alternative investment income	4,526,102	7,267,308
Total income (loss) from investment activities	128,651,807	248,944,668
Less expenses from investment activities		
Investment advisory fee	(7,052,344)	(5,585,532)
Alternative investment expenses	(3,493,947)	(4,169,482)
Custodian and bank fees	(334,967)	(212,825)
Total expenses from investment activities	(10,881,258)	(9,967,839)
Net income (loss) from investment activities	117,770,549	238,976,829
Security Lending Activities		
Security Lending Income	1,742,992	938,241
Security Lending Expense	(1,373,374)	(502,738)
Net income from securities lending activities	369,618	435,503
Net investment income (loss)	118,140,167	239,412,332
Total additions	222,092,710	342,971,814
DEDUCTIONS:		
Retirement benefits paid	185,260,310	179,085,508
Refunds of contributions	4,843,590	4,231,413
Administrative expenses	4,104,342	3,954,563
Depreciation and amortization expense	269,934	240,764
Transfer to (from) other systems - employee	136,392	91,006
Transfer to (from) other systems - employer and interest	400,490	472,809
Total deductions	195,015,058	188,076,063
NET INCREASE (DECREASE)	27,077,652	154,895,751
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year before restatement	1,922,705,998	1,767,810,247
Cumulative effect of change in accounting principle (GASB 75, Note 1.J)	(3,670,610)	-
Beginning of year after restatement	1,919,035,388	-
End of year	$ 1,946,113,040	$ 1,922,705,998

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The State of Louisiana School Employees’ Retirement System (System) was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes as a cost-sharing, multiple-employer defined benefit pension plan. The System is administered by a board of trustees made up of 12 members composed of the president of the Louisiana School Bus Operators' Association, a member of the House Retirement Committee (or designee), the Commissioner of the Division of Administration, the chairman of the Senate Retirement Committee (or designee), the Secretary of State, the State Treasurer, two retirees elected by the retirees of the System, and a resident of each of the four districts of the System elected by the members of the System for a term of four years each.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of the System are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In addition, these financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* and GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and related standards. These standards provide for the inclusion of a management discussion and analysis and for supplementary information.

B. REPORTING ENTITY

GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* which amends Statement No. 14, *The Financial Reporting Entity.* The definition of the reporting entity is based primarily on the notion of financial accountability.

In determining financial accountability for legally-separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the System. The System also considered whether there are organizations that are fiscally dependent on it. There are no component units of the System.

The System is a component unit of the State of Louisiana, and its financial statements are included in the financial statements of the State of Louisiana.

C. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period that the employee is compensated for services performed. Benefits paid and refunds are recognized when due and payable in accordance with the terms of the System. Interest income is recognized when earned and dividends are recognized at the declaration date. Expenses are recognized in the period incurred.

D. INVESTMENTS

The System's investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which requires investments to be valued at fair value, described as an exit price, using valuation techniques that are appropriate under the circumstances and for which sufficient data is available. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement established a hierarchy of inputs to valuation techniques used to measure fair value which includes three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs – other than quoted prices – that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability.

Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in partnerships is calculated as the Fund's percentage of ownership of the partner's capital reported by the partnership.

The System reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well.

The System invests in foreign currency forward contracts. The changes in the market value of these investment derivative instruments are reported as gains and losses in the period in which the change occurs.

The real estate held for investment consists of the leasing of office space and in real estate funds. The investments are valued at fair market value which is based upon appraised value.

The System invests in private equity limited partnerships. These investments are valued at market value, which is estimated by the General Partner of each partnership. Because of the inherent uncertainties in estimating fair value of privately held securities, it is at least reasonably possible that the estimates will change in the near term. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated.

E. CAPITAL ASSETS

Land, building, equipment, furniture, and computer software (intangible asset) are carried at historical costs. Depreciation or amortization is computed by the straight-line method based upon useful lives of 40 years for the building and three to 10 years for software, equipment, and furniture. Property and equipment are included as capital assets in the financial statements and disclosed in Note 8. Intangible assets are included as other assets in the financial statements and disclosed in Note 8.

F. COMPENSATED ABSENCES

The employees of the System accumulate annual and sick leave at varying rates based upon years of state service. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employees' rate of pay. Upon retirement, unused annual leave in excess of 300 hours and sick leave may be converted to service credit subject to restrictions of the retirement system to which the employee belongs.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

H. TAX QUALIFICATION

The System is a Tax Qualified Plan under IRS Code Section 401(a).

I. PER DIEM PAID TO TRUSTEES

Per diem paid to board member trustees, as presented in Schedule 7, was established at $75 per day in accordance with R.S. 11:181.

J. ADOPTION OF NEW ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* was implemented by the System for the fiscal year ended June 30, 2018. This statement changed the accounting and financial reporting of postemployment benefits other than pensions (OPEB) that are provided to employees who participate in the state's multiple-employer OPEB plan described in Note 10. The cumulative effect of applying this statement is reported as a restatement of the beginning net position at July 1, 2017 (see below). The restatement of all prior-year deferred outflows and inflows was not practical, so only deferred outflows related to benefit payments made subsequent to June 30, 2016, were recorded at implementation.

Net position at July 1, 2017	$ 1,922,705,998
GASB Statement No. 75 - Increase to OPEB Liability	(3,909,167)
GASB Statement No. 75 - Beginning Deferred Outflows	238,557
Net position at July 1, 2017, as restated	$ 1,919,035,388

2. PLAN DESCRIPTION

The System is the administrator of a cost-sharing, multiple-employer defined benefit pension plan and is a component unit of the State of Louisiana included in the State's CAFR as a Pension Trust Fund. The System was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes. The accompanying statements present information only as to transactions of the program of the System as authorized by Louisiana Revised Statutes. The local government and other contributors to the System consisted of 68 school boards and 30 other agencies for the years ended June 30, 2018, and June 30, 2017.

The System provides retirement benefits to non-teacher school employees excluding those classified as lunch workers within the public school system of Louisiana. At June 30, 2018, and 2017, plan membership consisted of:

	2018	2017
Retirees and beneficiaries currently receiving benefits	13,482	13,354
Terminated employees entitled to benefits but not yet receiving them	339	311
Terminated vested employees who have not withdrawn contributions (DROP)	631	622
Fully-vested, partially, and nonvested active employees	12,033	12,055
Terminated due a refund	4,475	4,268
Total Participants	30,960	30,610

Eligibility Requirements

Membership is mandatory for all persons employed by a Louisiana parish or city school board who work more than 20 hours per week as a school bus operator, school janitor, school custodian, school maintenance employee, school bus aide, a monitor or attendant, or any other regular school employee who actually works on a school bus helping with the transportation of schoolchildren. If a person is employed by and is eligible to be a member of more than one public agency within the state, he must be a member of each such retirement system. Members are vested after 10 years of service or five years if enrolled after June 30, 2010.

All temporary, seasonal, and part-time employees as defined in Federal Regulations 26 CFR 31:3121(b)(7)-2 who have less than 10 years of creditable service are not eligible for membership in the System. Any employee whose employment falls below 4.1 hours per day or 20.1 hours per week and who is not vested will be eligible to receive a refund of their contributions.

Benefits

Benefit provisions are authorized and amended under Louisiana Revised Statutes. Benefit provisions are dictated by R.S. 11:1141 - 11:1153. A member who joined the System on or before June 30, 2010, is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 20 years of creditable service regardless of age with an actuarially-reduced benefit, or 10 years of creditable service and is at least age 60. A member who joined the System on or after July 1, 2010, is eligible for normal retirement if he has at least five years of creditable service and is at least age 60, or 20 years of creditable service regardless of age with an actuarially-reduced benefit. A member who joined the System on or after July 1, 2015 is eligible for normal retirement if he has at least five years of creditable service and is at least age 62, or 20 years of creditable service regardless of age with an actuarially-reduced benefit.

For members who joined the System prior to July 1, 2006, the maximum retirement benefit is an amount equal to 3 1/3% of the average compensation for the three highest consecutive years of membership service, subject to the 10% salary limitation, multiplied by the number of years of service plus a supplementary allowance of $2.00 per month for each year of service, limited to 100% of final average compensation. For members who joined the System on or after July 1, 2006, through June 30, 2010, 3 1/3% of the average compensation is used to calculate benefits; however, the calculation consists of the five highest consecutive years of membership service, subject to the 10% salary limitation.

For members who join the System on or after July 1, 2010, 2 1/2% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15% salary limitation. The supplemental allowance was eliminated for members entering the System on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled, and is certified as disabled by the Medical Board. A vested person with 20 or more years of creditable service, who has withdrawn from active service prior to the age at which he is eligible for retirement benefits, is eligible for a disability benefit until normal retirement age. A member who joins the System on or after July 1, 2006, must have at least 10 years of service to qualify for disability benefits.

Upon the death of a member with five or more years of creditable service, the System provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

Members of the System may elect to participate in the Deferred Retirement Option Plan (DROP), and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in DROP, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in DROP. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund Account.

The System maintains subaccounts within this account reflecting the credits attributed to each participant in the System. Interest credited and payments from the DROP account are made in accordance with R.S. 11:1152(F)(3). Upon termination of participation in both the System and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements.

The System also provides for deferred benefits for vested members who terminate before being eligible for retirement. The benefits become payable once the member reaches the appropriate age for retirement.

Effective January 1, 1996, the state legislature authorized the System to establish an Initial Benefit Retirement Plan (IBRP) program. IBRP is available to members who have not participated in DROP and who select certain benefit options. Thereafter, these members are ineligible to participate in the DROP. The IBRP program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from IBRP account are made in accordance with R.S. 11:1152(F)(3).

3. CONTRIBUTIONS AND RESERVES

<u>Contributions</u>

Contributions for members are established by state statute at 7.5% of their annual covered salary for members employed prior to July 1, 2010, and 8.0% for members employed subsequent to

July 1, 2010. Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution. The actuarially determined contribution rate for the years ended June 30, 2018, and June 30, 2017, was 27.6% and 27.3%, respectively.

Administrative costs are included in aggregate normal cost.

Reserves

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for specific future use. The nature and purpose of these reserves is explained below:

(A) Administrative: The Administrative Fund Reserve provides for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the investment earnings and is made as needed. The Administration Fund Reserve for each year ending June 30, 2018, and June 30, 2017, is $0. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

(B) Experience Account Fund: The Experience Account was created by HB 658 of 2007, to be used to fund cost-of-living adjustments (COLA)/permanent benefit increases (PBI). It is credited with an amount not to exceed 50% of the prior year's actuarial calculated excess net investment experience gain in excess of $15 million (indexed) and debited any COLA/PBI granted. The balance in the experience account accrues interest at the average actuarial yield on the System's portfolio and is capped at the amount necessary to grant one PBI, until the System is 80% funded. The Experience Account Fund as of June 30, 2018, and June 30, 2017, is $4,911,217, and $4,562,632, respectively.

(C) Amortization Conversion Account: The Amortization Conversion Account was created to supplement employer contributions for the fiscal years ending June 30, 2015, through June 30, 2019. The initial funding of the account was the result of a transfer from the Experience Account Fund in the amount of $19,640,033. The shortfall in supplemental contributions, during the respective years, is to be funded from the Amortization Conversion Account. All funds remaining in the Amortization Conversion Account, as of June 30, 2019, shall be amortized as a gain. The Amortization Conversion Account balance as of June 30, 2018, and June 30, 2017, is $6,838,575 and $11,106,470, respectively.

(D) Annuity Savings: The Annuity Savings was created by state law and is credited with contributions made by members of the System. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Survivor Benefit Reserve. When a member retires, the amount of his accumulated contributions is transferred to Pension Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2018, and June 30, 2017, is $181,402,809 and $179,419,740, respectively.

(E) Pension Accumulation Fund: The Pension Accumulation Fund was created by state law and consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other reserves. The Pension Accumulation Fund as of June 30, 2018, and June 30, 2017, is $88,694,523 and $107,629,786, respectively.

(F) Annuity Reserve: The Annuity Reserve was created by state law and consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased members also received benefits from this reserve account. The Annuity Reserve as of June 30, 2018, and June 30, 2017, is $1,595,879,615 and $1,550,957,758, respectively.

(G) Deferred Retirement Option Account: The Deferred Retirement Option account was created by state law and consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option account as of June 30, 2018, and June 30, 2017, is $67,200,259 and $67,670,714, respectively.

(H) Initial Benefit Retirement Plan Reserve: The Initial Benefit Retirement Plan Reserve was created by state law and consists of the reserves for all participants who elect to take a lump-sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front if 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2018, and June 30, 2017, is $1,186,042 and $1,358,898, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS

The components of the net pension liability of the System's employers determined in accordance with GASB No. 67 as of June 30, 2018, and June 30, 2017, are as follows:

	2018	2017
Total pension liability	$ 2,614,250,388	$ 2,562,633,003
Plan fiduciary net position	1,946,113,040	1,922,705,998
Employers' net pension liability	$ 668,137,348	$ 639,927,005
Plan fiduciary net position as a % of the total pension liability	74.44%	75.03%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The required Schedule of Employers' Net Pension Liability on page 43 presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2018, and 2017 is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

The actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018, and 2017 are as follows:

Valuation Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return (Discount Rate)	7.0625% annum, net of investment expenses, including inflation	7.125% annum, net of investment expenses, including inflation
Inflation Rate	2.5% annum	2.625% annum
Mortality Rate	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Employee Tables RP-2014 Sex Distinct Disabled Tables	RP-2000 Sex Distinct Mortality Table RP-2000 Disabled Lives Mortality Table
Expected Remaining Service Lives	3 years, closed period	3 years, closed period
Cost of Living Adjustments	Not substantively automatic The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The present value and accrued liabilities include one future COLA, though not yet authorized by the legislature by including the recognition of the existing balance in the Experience Account together with the present value of future contributions to the Account up to the maximum permissible value of the Account based upon current amount limitations.	Not substantively automatic The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted cost of living increases. The present value and accrued liabilities include one future COLA, though not yet authorized by the legislature by including the recognition of the existing balance in the Experience Account together with the present value of future contributions to the Account up to the maximum permissible value of the Account based upon current amount limitations.
Salary Increases	2013-2017 experience study, 3.25%	2008-2012 experience study, ranging from 3.075% to 5.375%

The total pension liability recognizes that a portion of future investment gains will be used to fund the system's Experience Account. Since neither the existing funds in the account nor future deposits to the account may be used to pay for existing benefits, the liability was added for one future cost of living increase to the system's liabilities. However, since it will take an act of the legislature to pay a cost of living increase from the Experience Account and such an act will be dependent upon a range of economic and political factors, no pattern of future increases can be forecast on a reliable basis. Hence, no liability for payments beyond that of one future COLA is included in the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up), and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation, of 2%, and an adjustment for the effect of rebalancing/diversification. The resulting long-term arithmetic nominal expected return is 7.76% as of June 30, 2018, and 8.10% for June 30, 2017.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018, and 2017, is summarized in the following table:

	Asset Type	**Long-Term Expected Real Rate of Return 2018**	**Long-Term Expected Real Rate of Return 2017**
Fixed Income	Core Fixed Income	1.68%	2.02%
	High Yield	4.13%	4.43%
	Emerging Markets Debt	4.42%	4.71%
	Global Fixed Income	1.63%	1.38%
Equity	US Equity	6.15%	6.44%
	Developed Equity	7.11%	7.40%
	Emerging Markets Equity	9.41%	9.42%
	Global REITs	5.77%	5.77%
Alternative	Private Equity	10.28%	10.47%
	Hedge Fund of Funds	3.94%	3.75%
	Real Estate	4.90%	5.00%
Real Assets	Timber	5.67%	5.67%
	Oil & Gas	10.57%	10.57%
	Infrastructure	6.25%	6.25%

The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially-determined rates approved by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.0625% for June 30, 2018, and 7.125% for June 30, 2017, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Changes in Discount Rate		
		2018	
	1.0% Decrease	Discount Rate	1.0% Increase
	6.0625%	7.0625%	8.0625%
2018 Net Pension Liability	$917,194,337	$668,137,348	$455,243,472

	Changes in Discount Rate		
		2017	
	1.0% Decrease	Discount Rate	1.0% Increase
	6.1250%	7.1250%	8.1250%
2017 Net Pension Liability	$877,264,691	$639,927,005	$436,109,522

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

The System had the following deposits, cash equivalents and investments at June 30, 2018, and June 30, 2017:

	2018	**2017**
Deposits (bank balance)	$ 52,247,657	$ 50,843,803
Cash equivalents	25,384,396	22,716,298
Investments	1,856,364,656	1,833,382,229
Total	$ 1,933,996,709	$ 1,906,942,330

A. DEPOSITS

The System's bank deposits were entirely covered by federal depository insurance and by pledged securities. The pledged securities were held at the Federal Reserve in joint custody.

B. CASH EQUIVALENTS

For the years ended June 30, 2018, and June 30, 2017, cash equivalents in the amount of $25,384,396 and $22,716,298, respectively, consisted of commercial paper, agency discount notes, repurchase agreements, time deposits, U.S. Treasury bills, certificates of deposit, bank notes, corporate obligations, and agency bonds. The funds are managed and held by a separate money manager and are in the name of the System. At June 30, 2018, and June 30, 2017, foreign currency included in cash equivalents of $177,648 and $277,068, respectively, is not covered by federal depository insurance or pledged collateral.

C. INVESTMENTS

In accordance with Louisiana Revised Statute 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the System "shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income." Notwithstanding the Prudent-Man Rule, the System shall not invest more than 65% of the total portfolio in equity investments.

The System's policy regarding the allocation of invested assets is established and amended by the System's Board. The System shall be managed at all times in accordance with Louisiana statues and any other applicable law. The policy states that the investment of the System's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the System's administrative expenses. The System's investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.

The following was the System's asset allocation policy as of June 30, 2018, and June 30, 2017:

	Asset Type	Target Allocation 2018	Target Allocation 2017
Fixed Income	Core Fixed Income	8.00%	8.00%
	High Yield	5.00%	5.00%
	Emerging Markets Debt	7.00%	7.00%
	Global Fixed Income	10.00%	10.00%
Equity	U.S. Equity	20.00%	20.00%
	Developed Equity	18.00%	18.00%
	Emerging Markets Equity	10.00%	10.00%
	Global REITs	3.00%	3.00%
Alternative	Private Equity	5.00%	5.00%
	Hedge Fund of Funds	3.00%	3.00%
	Real Estate	5.00%	5.00%
Real Assets	Timber	2.00%	2.00%
	Oil & Gas	2.00%	2.00%
	Infrastructure	2.00%	2.00%
	Total	100.00%	100.00%

Investment Valuation and Fair Value Hierarchy:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as described in Note 1. The System has the following recurring fair value measurements as of June 30, 2018 and June 30, 2017, respectively:

Investments Reported at Fair Value at June 30, 2018

		Fair Value Hierarchy		
	6/30/2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
Government Mortgage Backed Securities	$ 41,468,135	$ -	$ 41,468,135	$ -
Corporate Bonds	162,461,278	92,450,634	70,010,644	-
Other Fixed Income	130,580,421	98,933,594	-	31,646,827
Foreign Bonds	158,584,486	122,688,856	35,895,630	-
Short-Term Investments	25,384,396	-	563,549	24,820,847
Total Debt Securities	518,478,716	314,073,084	147,937,958	56,467,674
Equity Securities				
Domestic Stock	63,287,329	63,287,329	-	-
Domestic Equity	389,391,077	60,140,866	-	329,250,211
Foreign Stock	151,646,974	151,646,974	-	-
Foreign Equity	502,343,617	196,586,975	-	305,756,642
Total Equity Securities	1,106,668,997	471,662,144	-	635,006,853
Alternative Assets and Real Estate				
Alternative Investments - Real Estate	100,390,169	27,352,780	-	73,037,389
Total Alternative Assets and Real Estate	100,390,169	27,352,780	-	73,037,389
Total Investments by Fair Value Level	$ 1,725,537,882	$ 813,088,008	$ 147,937,958	$ 764,511,916
Investments Measured at the Net Asset Value (NAV)				
Alternative Investments - Private Equity	$ 89,799,167			
Alternative Investments - Real Estate	66,412,003			
Total Investments Measured at the NAV	$ 156,211,170			
Total Investments at Fair Value	$ 1,881,749,052			
Investment Derivatives (Note 7)				
Foreign Currency Forward Contracts (Short-Term)	$ 360,156	$ 360,156		
Total Investment Derivatives	$ 360,156	$ 360,156	$ -	$ -

Investments Reported at Fair Value at June 30, 2017

	6/30/2017	Fair Value Hierarchy: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities				
U.S. Treasury	$ 145,215	$ 145,215	$ -	$ -
Government Mortgage Backed Securities	39,845,120	-	39,845,120	-
Corporate Bonds	181,660,811	109,609,865	72,050,946	-
Other Fixed Income	138,864,143	95,566,324	-	43,297,819
Foreign Bonds	184,810,161	134,307,605	50,502,556	-
Short-Term Investments	22,716,298	-	-	22,716,298
Total Debt Securities	568,041,748	339,629,009	162,398,622	66,014,117
Equity Securities				
Domestic Stock	56,610,635	56,610,635	-	-
Domestic Equity	365,842,745	55,615,279	-	310,227,466
Foreign Stock	124,725,332	124,725,332	-	-
Foreign Equity	452,520,148	196,273,756	-	256,246,392
Total Equity Securities	999,698,860	433,225,002	-	566,473,858
Alternative Assets and Real Estate				
Alternative Investments - Real Estate	81,858,492	39,674,251	-	42,184,241
Total Alternative Assets and Real Estate	81,858,492	39,674,251	-	42,184,241
Total Investments by Fair Value Level	$ 1,649,599,100	$ 812,528,262	$ 162,398,622	$ 674,672,216
Investments Measured at the Net Asset Value (NAV)				
Alternative Investments - Private Equity	$ 100,237,071			
Alternative Investments - Real Estate	106,262,356			
Total Investments Measured at the NAV	$ 206,499,427			
Total Investments at Fair Value	$ 1,856,098,527			
Investment Derivatives (Note 7)				
Foreign Currency Forward Contracts (short-term)	$ (400,127)	$ (400,127)		
Total Investment Derivatives	$ (400,127)	$ (400,127)	$ -	$ -

Valuation Techniques:

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix and market-corroborate pricing and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quote prices. Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data. Derivative instruments classified in Level 1 are valued using prices quoted in active markets for those derivatives.

The unfunded commitments and redemption terms, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2018, are presented in the following table.

Investment Type	Fair Value 2018	Unfunded Commitments[a]	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real Estate - Quarterly	$ 56,698,068		Quarterly	90 days
Real Estate - Lock Up	9,713,935	$ 13,992,887	N/A	N/A
Total Real Estate	66,412,003			
Private Equity	89,799,167	48,158,811	N/A	N/A
Total Investments at the NAV	$ 156,211,170			

[a]Additional unfunded commitments of $45 million as of June 30, 2018, are excluded from the above table due to no capital calls as of June 30, 2018, resulting in a NAV of $0.

The unfunded commitments and redemption terms, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017, are presented in the following table.

Investment Type	Fair Value 2017	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real Estate - Quarterly	$ 102,391,854		Quarterly	90 days
Real Estate - Lock Up	3,870,502	$ 1,841,022	N/A	N/A
Total Real Estate	106,262,356			
Private Equity	100,237,071	26,643,347	N/A	N/A
Total Investments at the NAV	$ 206,499,427			

Private Equity Funds – This type includes private equity funds that invest diversely across private equity sub-strategies including buyouts, credit/distressed debt, venture capital/growth equity, natural resources, and emerging markets via primary partnerships, co-investments, and secondary transactions. The fair values of the investments in this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital. These are illiquid investments with a length of investment of 10-15 years.

Real Estate Funds – Quarterly & Lock Up – This type includes real estate funds that invest diversely primarily in major property types including office, residential, retail, industrial, hotel, and self-storage properties. The fair values of the investments in this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital. Returns are generated by income and capital appreciation. The lock up investments are illiquid investments with a length of investment of 10-15 years.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2018, and June 30, 2017, the System had the following debt investment securities and maturities:

Debt Investments as of June 30, 2018

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**5 to 10**	**More Than 10**
Government Mortgage Backed Securities	$ 41,468,135		$ 15,171	$ 148,226	$ 41,304,738
U.S. Government & Agency Obligations	$ 41,468,135		$ 15,171	$ 148,226	$ 41,304,738
Corporate Bonds[a]	$ 162,461,278	$ 3,511,437	$ 43,897,065	$ 114,749,924	$ 302,852
Other Fixed Income[b]	130,580,421		98,933,594	31,646,827	
Domestic Bonds	$ 293,041,699	$ 3,511,437	$ 142,830,659	$ 146,396,751	$ 302,852
Foreign Bonds[c]	$ 158,584,486	$ 1,269,319	$ 13,537,464	$ 10,942,239	$ 132,835,464
Collateral Held Under Securities Lending Program	$ 109,782,579	$109,782,579			

[a] Includes one collective investment trust (CIT) totaling $92,450,634 with a weighted average maturity of 6.31 years.
[b] Includes two CIT totaling $130,580,421 with weighted average maturities of 3.50 years and 8.39 years.
[c] Includes one CIT totaling $122,688,856 with a weighted average maturity of 12.05 years.

Debt investments as of June 30, 2017

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**5 to 10**	**More Than 10**
U.S. Treasury	$ 145,215		$ 49,242	$ 95,973	
Government Mortgage Backed Securities	39,845,120		20,021	183,015	$ 39,642,084
U.S. Government & Agency Obligations	$ 39,990,335		$ 69,263	$ 278,988	$ 39,642,084
Corporate Bonds[a]	$ 181,660,811		$ 50,931,575	$ 130,579,042	$ 150,194
Other Fixed Income[b]	138,864,143		95,977,184	42,886,959	
Domestic Bonds	$ 320,524,954		$ 146,908,759	$ 173,466,001	$ 150,194
Foreign Bonds[c]	$ 184,810,161	$ 118,819	$ 24,490,086	$ 147,642,886	$ 12,558,370
Collateral Held Under Securities Lending Program	$ 91,268,757	$ 91,268,757			

[a] Includes one collective investment trust (CIT) totaling $109,609,865 with a weighted average maturity of 6.06 years.
[b] Includes three CIT totaling $138,864,143 with weighted average maturities of 4.47 years, 4.88 years, and 8.26 years.
[c] Includes one CIT totaling $134,307,605 with a weighted average maturity of 10.63 years.

The System invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments held in a trust in the name of the System or in external investment pools are not exposed to custodial credit risk. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

At June 30, 2018, and 2017, for collateral held under securities lending in the amounts of $109,782,579 and $91,268,757, respectively, and noncash collateral in the amount of $3,008,195 and $577,691, respectively, the System is exposed to custodial credit risk since these investments are not in the name of the System. The System has no formal investment policy regarding custodial credit risk.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The System's investment policy states that no more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one organization. There were no investments in any one organization that represented 5% of total investments at June 30, 2018, and June 30, 2017. The System also had no investments of any one organization that represented 5% or more of the System's fiduciary net position at June 30, 2018, and June 30, 2017.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy limits its investments to no more than 10% of corporate debt issues rated below investment grade by Moody's Investor Services, Standard & Poor's, Fitch Investor Services, or Duff & Phelps. Securities that are downgraded below the policy standard must be sold within a reasonable amount of time. In addition, the System may invest in debt instruments of the U.S. Government or its agencies. Investments directly guaranteed by the U.S. Government are not considered to have credit risk. Below is a schedule of bonds and bond funds with their applicable ratings and exposure to credit risk.

Bond Ratings at June 30, 2018

Standard & Poor's Rating	Government Mortgage Backed Securities	Corporate Bonds	Other Fixed Income	Foreign Bonds
AAA				$ 2,713,593
AA+	$ 41,468,135	$ 2,851,500	$ 31,646,827	1,433,970
AA		27,464		1,583,152
AA-		5,225,497		1,064,081
A+		120,332		1,497,027
A		12,897,399		469,991
A-		18,387,963		715,074
BBB+		12,407,466	98,933,594	2,118,715
BBB		17,992,772		524,037
BBB-		100,251		344,662
BB+				122,747,013
BB		92,450,634		
Not Rated				23,373,171
Total	$ 41,468,135	$ 162,461,278	$ 130,580,421	$ 158,584,486

Bond Ratings at June 30, 2017

Standard & Poor's Rating	U.S. Treasury	Government Mortgage Backed Securities	Corporate Bonds	Other Fixed Income	Foreign Bonds
AAA			$ 63,514		$ 3,329,423
AA+		$ 39,845,120	118,450	$ 42,886,959	1,256,374
AA			55,168		1,205,142
AA-			8,690,423		856,780
A+			117,773		1,788,023
A			19,409,944		1,490,997
A-			10,873,153	410,860	1,053,591
BBB+			14,458,466		3,624,396
BBB			15,681,055	95,566,324	824,112
BBB-			2,583,000		520,832
BB+					134,307,605
BB			109,609,865		
Not Rated	$ 145,215				34,552,886
Total	$ 145,215	$ 39,845,120	$ 181,660,811	$ 138,864,143	$ 184,810,161

Cash collateral invested under the securities lending program may be invested in regulated investment companies; U.S. or Eurodollar deposits; commercial paper rated A2, P2, or higher at the time of investment; repurchase agreements; bankers' acceptances; or similar quality money market or cash equivalent investments. The System is in compliance with the investment policy regarding cash collateral invested under the securities lending program.

Foreign Currency Risk:

The System's investment policy has a target of 28% of total investments in foreign public equity and 10% of total investments in global fixed income.

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. Foreign currency risk by currency for the years ended June 30, 2018, and June 30, 2017, are as follows:

Fair Value at June 30, 2018

Currency	Foreign Public Equity	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 3,859,288	$ 935,165		$ (928,784)	$ 3,865,669
Canadian dollar	1,788,690	1,793,451		(1,803,133)	1,779,008
Danish krone	6,190,074	197,599		(111,926)	6,275,747
Euro	23,538,940	17,614,313	$ 5,977,557	(17,549,249)	29,581,561
Hong Kong dollar	10,496,950			44,018	10,540,968
Japanese yen	25,631,523	10,809,747		(10,722,647)	25,718,623
Pound Sterling	13,704,886	3,546,822		(3,531,224)	13,720,484
Swedish krona		303,901		(304,125)	(224)
Swiss franc	11,883,636	410,040		(41,518)	12,252,158
Thailand Baht		347,354		(342,724)	4,630
Total	$ 97,093,987	$ 35,958,392	$ 5,977,557	$ (35,291,312)	$ 103,738,624

Fair Value at June 30, 2017

Currency	Foreign Public Equity	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 4,051,335	$ 1,273,373		$ (1,269,387)	$ 4,055,321
Canadian dollar	1,604,643	2,495,327		(2,516,052)	1,583,918
Danish krone	5,401,942			46,400	5,448,342
Euro	19,443,951	23,645,584	$ 7,952,394	(23,639,159)	27,402,770
Hong Kong dollar	10,511,237			33,929	10,545,166
Japanese yen	23,491,438	16,634,569		(16,653,863)	23,472,144
Mexican new peso		302,623		(291,746)	10,877
New Zealand dollar		184,481		(194,901)	(10,420)
Pound Sterling	12,316,966	5,035,647		(5,034,745)	12,317,868
Singapore dollar		429,221		(431,074)	(1,853)
South African Rand		172,664		(183,406)	(10,742)
Swedish krona	975,521	407,387		(417,141)	965,767
Swiss franc	11,013,528	631,735		(408,088)	11,237,175
Thailand Baht		488,587		(480,328)	8,259
Total	$ 88,810,561	$51,701,198	$ 7,952,394	$(51,439,561)	$97,024,592

The System's currency forwards are transacted in the over-the-counter market to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the System records the unrealized translation gain or loss.

Money-Weighted Rate of Return:

For the years ended June 30, 2018, and June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.13% and 13.82%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

6. SECURITY LENDING TRANSACTIONS

State statutes and Board of Trustees' policies permit the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System entered into a contract with a company which acts as its third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends available assets such as U.S. and non-U.S. equities, corporate bonds, and U.S. Government and Government Agency Securities. Securities are loaned versus collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. Contract terms require the agent to lend the System's U.S. securities for collateral valued at 102% of the market value of the loaned securities plus any accrued interest and to lend the System's non-U.S. securities for collateral valued at 105% of the market value of the loaned securities plus any accrued interest. At June 30, 2018 and June 30, 2017, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's agent requires it to provide borrower indemnification. The custodian's responsibility includes performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

All securities' loans can be terminated on demand by either the System or the borrower, although the average term of securities on loan as of June 30, 2018, is 112 days and as of June 30, 2017, is 60 days. Cash collateral is invested in a separately-managed account for the System, which at June 30, 2018, and June 30, 2017, has a weighted-average maturity of 15 days and 16 days, respectively. The System cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses are known to the securities lending agent.

The System has the following securities on loan:

Security Type	Fair Value of Securities on Loan June 30, 2018		Fair Value of Securities on Loan June 30, 2017	
Corporate bonds - Domestic	$	8,248,720	$	9,338,096
Marketable Securities - Domestic		97,085,062		79,388,805
Marketable Securities - Foreign		1,828,004		440,128
Total	$	107,161,786	$	89,167,029

Securities on loan at June 30, 2018, and June 30, 2017, are collateralized by cash collateral in the amount of $109,782,579 and $91,268,757, respectively, and noncash collateral in the amount of $3,008,195 and $577,691, respectively.

The term to maturity of the securities loaned is matched with the term of maturity of the investment of the cash collateral at June 30, 2018, and June 30, 2017. Such matching did exist since loans may be terminated on demand.

7. DERIVATIVES

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires investment derivatives to be recorded at fair value and requires certain disclosures.

The System's investment derivative instruments include foreign currency forward contracts entered into for the purpose of hedging cash flows due to changes in foreign currency rates associated with investments that are recorded at fair value. Interest rate risk, credit rate risk, and foreign currency risk associated with derivatives are included in Note 5. At June 30, 2018, and June 30, 2017, the System has the following derivative instruments categorized as investment derivatives:

Investment Derivatives at June 30, 2018

		Fair Value		Changes in Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Forwards:					
Foreign Exchange Contracts	$ 120,220,131	Short-Term	$ 360,156	Net App (Dep) in Fair Value	$ 360,156
Total Derivatives	$ 120,220,131		$ 360,156		$ 360,156

Investment Derivatives at June 30, 2017

		Fair Value		Changes in Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Forwards:					
Foreign Exchange Contracts	$ 157,605,680	Short-Term	$ (400,127)	Net App (Dep) in Fair Value	$ (400,127)
Total Derivatives	$ 157,605,680		$ (400,127)		$ (400,127)

8. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018, are as follows:

Asset Class	Beginning Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
Building	$ 3,903,650	$ 165,653		$ 4,069,303
Land	1,010,225			1,010,225
Furniture and Equipment	631,412	122,451		753,863
Construction in progress				
Accumulated depreciation	(2,381,372)	(213,268)		(2,594,640)
Total Capital Assets, net	$ 3,163,915	$ 74,836	$ -	$ 3,238,751
Intangibles	$ 564,396			$ 564,396
Accumulated amortization	(226,669)	$ (56,666)		(283,335)
Total Intangibles, net	$ 337,727	$ (56,666)	$ -	$ 281,061

Changes in capital assets for the year ended June 30, 2017, are as follows:

Asset Class	Beginning Balance June 30, 2016	Additions	Deletions	Ending Balance June 30, 2017
Building	$ 3,755,029	$ 148,621		$ 3,903,650
Land	1,010,225			1,010,225
Furniture and Equipment	531,594	99,818		631,412
Construction in progress	5,328		$ (5,328)	
Accumulated depreciation	(2,197,279)	(184,093)		(2,381,372)
Total Capital Assets, net	$ 3,104,897	$ 64,346	$ (5,328)	$ 3,163,915
Intangibles	$ 564,396			$ 564,396
Accumulated amortization	(169,998)	$ (56,671)		(226,669)
Total Intangibles, net	$ 394,398	$ (56,671)	$ -	$ 337,727

Depreciation expense for the years ended June 30, 2018, and 2017, was $213,268 and $184,093, respectively. Amortization expense for the years ended June 30, 2018, and 2017, was $56,666 and $56,671, respectively.

9. OPERATING LEASES

The System leases office space recorded as real estate for investment under an operating lease expiring June 30, 2021. The cost and fair value of the real estate held for investments is $2,335,090 and $2,547,302, respectively, as of June 30, 2018, and $2,257,712 and $2,197,137, respectively, as of June 30, 2017.

Minimum future rentals to be received on operating leases for the next three years and in the aggregate are:

Fiscal Year Ended June 30,	
2019	$ 350,782
2020	350,782
2021	350,782
Total mimimum payments	$ 1,052,346

The lease may be terminated under various circumstances by both parties.

10. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other post-employment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System,) or they retire from a participating employer that meets the qualifications in the Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employer(s), and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. Effective July 1, 2008, an OPEB trust fund was statutorily established; however, this plan is not administered as a trust and no plan assets have been accumulated as of June 30, 2018. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees four self-insured healthcare plans and one fully insured plan. Retired employees who have Medicare Part A and Part B coverage also have access to four fully insured Medicare Advantage plans.

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees varies according to age group.

Total Collective OPEB Liability and Changes in Total Collective OPEB Liability

At June 30, 2017, the System reported a liability of $3,488,478 as net OPEB liability. The net OPEB liability was based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB 45. As disclosed in note 1.J, the System implemented GASB 75 in fiscal year 2018 which resulted in a restatement of the OPEB liability at June 30, 2017 to $7,397,645.

At June 30, 2018, the System reported a liability of $7,086,024 for its proportionate share of the total collective OPEB liability. The total collective OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date. The System's proportionate share of the restated total collective OPEB liability at June 30, 2017, totaling $7,397,645, was determined using a roll back of the same valuation to July 1, 2016, using the discount rate applicable on that date, and assuming no experience gains or losses.

The System's proportionate share percentage is based on the employer's individual OPEB actuarial accrued liability (AAL) in relation to the total OPEB AAL liability for all participating entities included in the State of Louisiana reporting entity. At June 30, 2018, the System's proportion was 0.0815%. Because the beginning balance was restated using a roll back of the July 1, 2017 valuation assuming no experience gains or losses, there is no change to the proportion since the prior measurement date.

The total collective OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- <u>Actuarial Cost Method</u> – Entry Age Normal, level percentage of pay

- <u>Estimated Remaining Service Lives</u> – 4.48

- <u>Inflation rate</u> – Consumer Price Index (CPI) 2.8%

- <u>Salary increase rate</u> – consistent with the pension plan disclosed in note 4

- <u>Discount rate</u> – 3.13% based on June 30, 2017 Standard & Poor's 20-year municipal bond index rate

- <u>Mortality rates</u> - based on the RP-2014 Combined Healthy Mortality Table, or RP-2014 Disabled Retiree Mortality Table; both tables projected on a fully generational basis by Mortality Improvement Scale MP-2017.

- <u>Healthcare cost trend rates</u> – 7% for pre-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2029; 5.5% for post-Medicare eligible employees grading down by .25% each year, beginning in 2020-2021, to an ultimate rate of 4.5% in 2023-2024 and thereafter; the initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers Consumer Price Index, Gross Domestic Product, and technology growth.

Changes of assumptions and other inputs in the July 1, 2017 valuation reflect a change in the discount rate from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017. In addition, the restatement of the June 30, 2017 liability reflects the following changes to actuarial methodologies and assumptions in the revised July 1, 2016 valuation from the previous valuation dated July 25, 2017:

- Actuarial cost method changed from projected unit credit to entry age normal, level percent of pay, consistent with GASB 75 requirements.

- OPEB expense is now based on the changes in the total OPEB liability and either recognized immediately or amortized in accordance with GASB 75 requirements. The Annual Required Contribution is no longer calculated or recognized.

- The discount rate decreased from 3.80% to 2.71% consistent with GASB 75 requirements to reflect the 20-year tax-exempt municipal bond yield or index rate. The previous discount rate was selected by the plan sponsor.

- The mortality assumption was updated from the RP-2014 Healthy Annuitant and Employee tables for males and females with generational projections using projection scale MP-2016 to the RP-2014 Healthy Annuitant and Employee tables for males and females using projection scale MP-2017. These updates were based on information released by the Society of Actuaries in October 2017.

- The healthcare cost trend rates were updated to reflect recent trends. The previous valuation reflected initial annual healthcare cost trend rates of 7.0% and 6.0% for pre-Medicare and Medicare eligible, respectively, grading down .5% each year until an ultimate rate of 4.5% is reached.

- Salary increase rates were updated to be consistent with the pension valuation assumptions. Previously, an annual increase of 3% was assumed.

Sensitivity of the proportionate share of the total collective OPEB liability to changes in the discount rate

The following presents the System's proportionate share of the total collective OPEB liability as of June 30, 2018 using the current discount rate as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
	(2.13%)	(3.13%)	(4.13%)
Proportionate Share of Total Collective OPEB Liability	$ 8,320,417	$ 7,086,024	$ 6,112,220

<u>Sensitivity of the proportionate share of the total collective OPEB liability to changes in the healthcare cost trend rates</u>

The following presents the System's proportionate share of the total collective OPEB liability as of June 30, 2018 using the current healthcare cost trend rates as well as what the System's proportionate share of the total collective OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
	(6% decreasing to 3.5%)	(7% decreasing to 4.5%)	(8% decreasing to 5.5%)
Proportionate Share of Total Collective OPEB Liability	$ 6,107,433	$ 7,086,024	$ 8,339,823

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the System recognized OPEB expense of $296,086. At June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$0	$0
Changes of assumptions or other inputs	0	374,454
Changes in proportion and differences between benefit payments and proportionate share of benefit payments	522	0
Amounts paid by the employer for OPEB subsequent to the measurement date	216,977	0
Amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date	0	0
Total	$217,499	$374,454

Deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date will be recognized as a reduction of the total collective OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	($107,452)
2020	(107,452)
2021	(107,452)
2022	(51,576)
	($373,932)

11. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year comparative information to conform to the current year presentation. Such reclassifications had no effect on net position or change in net position.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA

Schedule of Changes in Net Pension Liability

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

	For the Fiscal Years Ended				
	June 30, 2018	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability					
Service cost	$ 45,867,897	$ 46,810,714	$ 47,736,305	$ 48,439,299	$ 48,156,347
Interest	179,235,346	176,703,036	171,263,493	174,301,726	166,628,161
Changes of benefit terms	-	-	24,227,513	-	-
Differences between expected and actual experience	(16,556,084)	(22,200,508)	(366,508)	(61,023,560)	(47,587,285)
Changes of assumptions	32,157,641	20,126,949	(29,907,056)	53,611,597	29,612,455
Benefit payments	(185,260,310)	(179,085,508)	(173,565,398)	(167,617,424)	(162,607,928)
Refunds of member contributions	(4,843,590)	(4,231,413)	(4,139,711)	(4,213,790)	(4,389,704)
Other	1,016,485	2,352,235	1,325,673	3,833,926	4,425,118
Net change in total pension liability	51,617,385	40,475,505	36,574,311	47,331,774	34,237,164
Total pension liability - beginning	2,562,633,003	2,522,157,498	2,485,583,187	2,438,251,413	2,404,014,249
Total pension liability - ending (a)	$ 2,614,250,388	$ 2,562,633,003	$ 2,522,157,498	$ 2,485,583,187	$ 2,438,251,413
Plan Fiduciary Net Position					
Contributions - member	$ 22,140,933	$ 21,874,930	$ 21,590,258	$ 20,552,109	$ 22,176,965
Contributions - employer	80,258,243	78,768,502	86,414,623	92,365,229	96,701,264
Net investment income (loss)	118,140,167	239,412,332	(10,422,226)	54,091,029	268,947,156
Benefit payments	(185,260,310)	(179,085,508)	(173,565,398)	(167,617,424)	(162,607,928)
Administrative expenses	(4,104,342)	(3,954,563)	(4,620,063)	(4,728,730)	(4,444,879)
Refunds of member contributions	(4,843,590)	(4,231,413)	(4,139,711)	(4,213,790)	(4,389,704)
Other	746,551	2,111,471	1,096,583	3,640,702	(180,701)
Net change in plan fiduciary net position	27,077,652	154,895,751	(83,645,934)	(5,910,875)	216,202,173
Plan fiduciary net position - beginning	1,922,705,998	1,767,810,247	1,851,456,181	1,857,367,056	1,641,164,883
Plan fiduciary net position - restatement	(3,670,610)	-	-	-	-
Plan fiduciary net position - ending (b)	1,946,113,040	1,922,705,998	1,767,810,247	1,851,456,181	1,857,367,056
Net pension liability - ending (a) - (b)	$ 668,137,348	$ 639,927,005	$ 754,347,251	$ 634,127,006	$ 580,884,357
Plan fiduciary net position as a percentage of total pension liability	74.44%	75.03%	70.09%	74.49%	76.18%
Covered payroll	$ 290,790,736	$ 288,529,311	$ 286,141,136	$ 279,894,633	$ 277,481,437
Net pension liability as a percentage of covered payroll	229.77%	221.79%	263.63%	226.56%	209.34%

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA

Schedule of Employers' Net Pension Liability
Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability as a Percentage of Covered Payroll
June 30, 2014	$ 2,438,251,413	$ 1,857,367,056	$ 580,884,357	76.18%	$ 277,481,437	209.34%
June 30, 2015	$ 2,485,583,187	$ 1,851,456,181	$ 634,127,006	74.49%	$ 279,894,633	226.56%
June 30, 2016	$ 2,522,157,498	$ 1,767,810,247	$ 754,347,251	70.09%	$ 286,141,136	263.63%
June 30, 2017	$ 2,562,633,003	$ 1,922,705,998	$ 639,927,005	75.03%	$ 288,529,311	221.79%
June 30, 2018	$ 2,614,250,388	$ 1,946,113,040	$ 668,137,348	74.44%	$ 290,790,736	229.77%

**LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA**

**Schedule of Employer Contributions
For the 10 Fiscal Years Ended June 30, 2018**

Fiscal Year	(a) Actuarially Determined Contribution	(b) Contributions in Relation to the Actuarially Determined Liability	(b-a) Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	$ 57,084,533	$ 55,340,199	$ (1,744,334)	$ 306,906,093	18.0%
2010	$ 69,430,399	$ 53,004,055	$ (16,426,344)	$ 297,984,547	17.8%
2011	$ 82,506,147	$ 72,151,524	$ (10,354,623)	$ 294,644,809	24.5%
2012	$ 85,437,337	$ 82,551,706	$ (2,885,631)	$ 283,844,974	29.1%
2013	$ 86,557,611	$ 85,873,201	$ (684,410)	$ 273,916,492	31.4%
2014	$ 92,515,106	$ 92,515,106	$ -	$ 277,481,437	33.3%
2015	$ 92,365,229	$ 92,365,229	$ -	$ 279,894,633	33.0%
2016	$ 86,414,623	$ 86,414,623	$ -	$ 286,141,136	30.2%
2017	$ 78,768,502	$ 78,768,502	$ -	$ 288,529,311	27.3%
2018	$ 80,258,243	$ 80,258,243	$ -	$ 290,790,736	27.6%

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA

Schedule of Investment Returns

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

Fiscal Year-End	Annual Money-Weighted Rate of Return [1]
June 30, 2014	16.66%
June 30, 2015	2.91%
June 30, 2016	0.77%
June 30, 2017	13.82%
June 30, 2018	6.13%

[1] Annual money-weighted rates of return are presented net of investment expense.

**LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA**

Schedule of the Employer's Proportionate Share of the Total Collective OPEB Liability

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

	Fiscal Year End*	
	June 30, 2018	June 30, 2017
Employer's proportion of the total collective OPEB liability	0.0815%	0.0815%
Employer's proportionate share of the total collective OPEB liability	$ 7,086,024	$ 7,397,645
Employer's covered-employee payroll	$ 1,484,579	$ 1,666,267
Employer's proportionate share of the total collective OPEB liability as a percentage of the covered-employee payroll	477.31%	443.97%

*The amounts presented for each fiscal year were determined as of the beginning of the fiscal year (on the measurement date).

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY

The total pension liability contained in this schedule was provided by the System's actuary, G.S. Curran and Company. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

The employers' net pension liability is the liability of the contributing employers to members for benefits provided through the System. Covered payroll is the payroll of all employees that are contributing to the plan.

3. SCHEDULE OF EMPLOYER CONTRIBUTIONS

The difference between the actuarially determined employer contributions and employer contributions received, and the percentage of employer contributions received to cover employee payroll is presented in this schedule.

4. SCHEDULE OF INVESTMENT RETURNS

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses the investment performance adjusted for changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE TOTAL COLLECTIVE OPEB LIABILITY

The OPEB liability is funded on a "pay-as-you-go" basis. There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement No. 75 to pay related benefits. Changes in actuarial assumptions include a change in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017.

6. ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board.

Fiscal Year End	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial Cost Method	No Change	No Change	No Change	Entry Age Normal
Amortization Method	No Change	No Change	No Change	Level dollar basis, closed
Remaining Amortization Period	1 to 28 years	2 to 29 years	3 to 30 years	4 to 30 years
Asset Valuation Method	No Change	No Change	No Change	5-year smoothed market as fully detailed below
Expected Remaining Service Lives	No Change	No Change	No Change	3 years, closed period
Inflation Rate	2.500% per annum	No Change	2.625% per annum	2.750% per annum
Investment Rate of Return (Discount Rate)	7.0625% per annum	No Change	7.125% per annum	7.00% per annum
Salary Increases	2013-2018 experience study, 3.25%	No Change	2008-2012 experience study, ranging from 3.075% to 5.375%	Salary increases were projected based on a 2008-2012 experience study of the System's members, performed by the prior actuary. The annual salary growth rates are based upon the members' years of service.
Mortality Rate	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Employee Tables RP-2014 Sex Distinct Disabled Tables	No Change	RP-2000 Sex Distinct Tables RP-2000 Disabled Lives Table	RP-2000 Sex Distinct Tables

Fiscal Year End	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Cost of Living Adjustments	No Change	Not substantively automatic. The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living adjustments. The present values and accrued liabilities include one future COLA, though not yet authorized by the legislature by including the recognition of the existing balance in the Experience Account together with the present value of future contributions to the Account up to the maximum permissible value of the Account based upon current account limitations.	Not substantively automatic. The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living adjustments. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in the actuarial liability and the plan has met the criteria and eligibility requirements outlined by Act 399 of 2014.

Asset Valuation Method Details -All assets are valued at market value adjusted to defer four-fifths of all earnings above or below the valuation interest rate in the valuation year, three-fifths of all earnings above or below the valuation interest rate in the prior year, two-fifths of all earnings above or below the valuation interest rate from two years prior, and one-fifth of all earnings above or below the valuation interest rate from three years prior. The resulting smoothed values are subject to a corridor of 85% to 115% of the market value of assets. If the smoothed value falls outside the corridor, the actuarial value is set equal to the average of the corridor limit and the smoothed value.

LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA

Statement of Changes in
Reserve Balances
For the Fiscal Years Ending June 30, 2018, and 2017

	Annuity Reserve	Annuity Savings	DROP	IBRP
Balances, July 1, 2017	$ 1,550,957,758	$ 179,419,740	$ 67,670,714	$ 1,358,898
Beginning balance adjustment (note 1.J)	-	-	-	-
Balances, July 1, 2017, restated	1,550,957,758	179,419,740	67,670,714	1,358,898
ADDITIONS:				
Contributions:				
Members		22,365,936		
Employers				
Investment income and other sources				
Transfers from Annuity Savings	16,370,860			
Transfers from Pension Accumulation		61,867		
Transfers from Survivor Benefit				
Transfers from Experience Account				
Pensions transferred from Pension Reserve			12,753,456	1,264,576
Operating transfers				
Actuarial transfers	213,167,996			
Total additions	229,538,856	22,427,803	12,753,456	1,264,576
DEDUCTIONS:				
Retirement allowances paid	170,598,967		13,223,911	1,437,432
Refunds to members		4,843,590		
Transfers to Annuity Savings				
Transfers to Pension Reserve		16,141,061		
Transfer to Survivor Benefit Account		229,799		
Transfers to Experience Account				
Transfers to Amortization Conversion				
Pensions transferred to DROP	12,753,456			
Pensions transferred to IBRP	1,264,576			
Transfers to (from) other systems		136,392		
Depreciation and amortization				
Administrative expenses				
Operating transfers				
Actuarial transfer		(906,108)		
Total deductions	184,616,999	20,444,734	13,223,911	1,437,432
Net Increase (Decrease)	44,921,857	1,983,069	(470,455)	(172,856)
Balances, June 30, 2018	$ 1,595,879,615	$ 181,402,809	$ 67,200,259	$ 1,186,042

(Continued)

Schedule 6

Pension Accumulation	Experience Account Fund	Amortization Conversion Account	Administrative Fund	Total
$ 107,629,786	$ 4,562,632	$ 11,106,470	$ -	$ 1,922,705,998
(3,670,610)	-	-	-	(3,670,610)
103,959,176	4,562,632	11,106,470	-	1,919,035,388
				22,365,936
81,586,607				81,586,607
117,791,582	348,585			118,140,167
				16,370,860
				61,867
				0
				-
				14,018,032
			4,104,342	4,104,342
4,267,895				217,435,891
203,646,084	348,585		4,104,342	474,083,702
				185,260,310
				4,843,590
61,867				61,867
				16,141,061
				229,799
				-
				-
				12,753,456
				1,264,576
400,490				536,882
269,934				269,934
4,104,342				4,104,342
			4,104,342	4,104,342
214,074,104		4,267,895		217,435,891
218,910,737		4,267,895	4,104,342	447,006,050
(15,264,653)	348,585	(4,267,895)		27,077,652
$ 88,694,523	$ 4,911,217	$ 6,838,575	$ -	$ 1,946,113,040

LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA
Statement of Changes in
Reserve Balances
For the Fiscal Years Ended June 30, 2018, and 2017

	Annuity Reserve	Annuity Savings	DROP	IBRP
Balances, July 1, 2016	$ 1,496,979,891	$ 177,523,283	$ 67,526,192	$ 1,024,821
ADDITIONS:				
Contributions:				
Members		22,161,846		
Employers				
Investment income and other sources				
Transfers from Annuity Savings	14,779,793			
Transfers from Survivor Benefit	(370,844)			
Transfers from Experience Account				
Pensions transferred from Pension Reserve			12,570,719	2,369,684
Operating transfers				
Actuarial transfers	218,761,793			
Total additions	233,170,742	22,161,846	12,570,719	2,369,684
DEDUCTIONS:				
Retirement allowances paid	164,623,703		12,426,197	2,035,607
Refunds to members		4,231,413		
Transfers to Pension Reserve	(371,231)	14,779,793		
Transfers to Experience Account				
Transfers to Amortization Conversion				
Pensions transferred to DROP	12,570,719			
Pensions transferred to IBRP	2,369,684			
Transfers to (from) other systems		(90,482)		
Depreciation and amortization				
Administrative expenses				
Operating transfers				
Actuarial transfer		1,344,665		
Total deductions	179,192,875	20,265,389	12,426,197	2,035,607
Net Increase (Decrease)	53,977,867	1,896,457	144,522	334,077
Balances, June 30, 2017	$ 1,550,957,758	$ 179,419,740	$ 67,670,714	$ 1,358,898

(Concluded)

Pension Accumulation	Experience Account Fund	Amortization Conversion Account	Administrative Fund	Total
$ 8,403,196	$ 633,076	$ 15,719,788	$ -	$ 1,767,810,247
				22,161,846
81,397,636				81,397,636
235,482,776	3,929,556			239,412,332
				14,779,793
				(370,844)
				14,940,403
			3,954,563	3,954,563
5,957,595				224,719,388
322,838,007	3,929,556		3,954,563	600,995,117
				179,085,507
				4,231,413
				14,408,562
				12,570,719
				2,369,684
654,297				563,815
240,764				240,764
3,954,563				3,954,563
			3,954,563	3,954,563
218,761,793		4,613,318		224,719,776
223,611,417		4,613,318	3,954,563	446,099,366
99,226,590	3,929,556	(4,613,318)		154,895,751
$ 107,629,786	$ 4,562,632	$ 11,106,470	$ -	$ 1,922,705,998

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA

Schedule of Per Diem Paid to Trustees
For the Fiscal Years Ending June 30, 2018, and 2017

June 30, 2018		
Trustee	Number of Meetings	Amount
Andrea Mattre	7	$ 525
Colleen Barber	12	900
Eugene Rester, Jr.	12	900
Jeffrey Faulk, Sr.	12	900
Kathy Landry	6	375
Philip Walther	12	900
Henry Yearby	12	900
Penny Brown	12	900
Totals		$ 6,300

June 30, 2017		
Trustee	Number of Meetings	Amount
Colleen Barber	11	$ 825
Eugene Rester, Jr.	12	900
Jeffrey Faulk, Sr.	12	900
Judith McKee	5	375
Kathy Landry	12	900
Philip Walther	12	900
Henry Yearby	12	900
Penny Brown	7	525
Totals		$ 6,225

The Board holds regular two-day meetings each quarter and one-day Investment Committee meetings during the months those regular meetings are not held.

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM STATE OF LOUISIANA

Schedule of Administrative Expenses
For the Fiscal Years Ending June 30, 2018, and 2017

	2018	2017
Salaries, Related Benefits, and Board Compensation:		
Salaries	$ 2,052,543	$ 1,910,700
Related benefits	1,119,313	1,082,104
Temporary labor	6,567	16,690
Compensation - board	6,300	6,225
Total salaries, related benefits, and board compensation	3,184,723	3,015,719
Travel:		
Travel - board	21,132	21,376
Travel - staff	50,269	21,123
Total travel expenses	71,401	42,499
Operating Services:		
Equipment maintenance	93,903	74,086
Equipment rent	15,445	15,233
Building	208,526	222,710
Dues and subscriptions	42,164	23,947
Postage and printing	122,675	121,306
Telephone	34,910	35,975
Insurance	36,300	34,383
Legal	18,303	121,773
Advertising	27	1,674
Records imaging	1,039	1,104
Total operating services	573,292	652,191
Supplies:		
Office	13,479	14,786
Computer	1,169	3,838
Total supplies	14,648	18,624
Professional Services:		
Medical	11,975	10,525
Actuary	135,940	104,888
Audit	70,875	70,690
Elections	0	17,022
Total professional services	218,790	203,125
Interagency transfers:		
Civil service	9,879	10,991
Total interagency transfers	9,879	10,991
Other Charges:		
Miscellaneous	26,296	10,569
Computer software	5,313	845
Total other charges	31,609	11,414
Total Expenses	$ 4,104,342	$ 3,954,563

**LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA**

**Schedule of Investments
For the Fiscal Years Ended June 30, 2018, and 2017**

	Fiscal Year Ended June 30, 2018		
	Par Value	**Original Cost**	**Market Value**
Short-Term Investments		$ 25,386,794	$ 25,384,396
U.S. Government and U.S. Government Agency Obligations:			
Government mortgage-backed securities	$ 41,051,973	$ 42,363,568	$ 41,468,135
	$ 41,051,973	$ 42,363,568	$ 41,468,135
Bonds - Domestic:			
Corporate bonds - domestic	$ 74,129,076	$ 146,149,647	$ 162,461,278
Other fixed income investments	8,080,345	120,568,384	130,580,421
	$ 82,209,421	$ 266,718,031	$ 293,041,699
Bonds - Foreign:			
Corporate bonds - foreign	$ 209,995,000	$ 7,882,424	$ 7,918,597
Government bonds - foreign	1,063,092,856	143,201,576	150,665,889
	$ 1,273,087,856	$ 151,084,000	$ 158,584,486
Marketable Securities - Domestic:			
Common stocks		$ 45,141,467	$ 63,287,329
Equity funds		283,793,302	389,391,077
		$ 328,934,769	$ 452,678,406
Marketable Securities - Foreign:			
Common stocks		$ 104,149,800	$ 151,646,974
Equity funds		432,212,953	502,343,617
		$ 536,362,753	$ 653,990,591
Alternative Investments:			
Private equity funds		$ 81,623,039	$ 89,799,167
Real estate funds		126,310,473	164,254,870
Real estate held for investment		2,335,090	2,547,302
		$ 210,268,602	$ 256,601,339
Total Investments at June 30, 2018		$ 1,561,118,517	$ 1,881,749,052

(Continued)

**LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM
STATE OF LOUISIANA**

Schedule of Investments
For the Fiscal Years Ended June 30, 2018, and 2017

	Fiscal Year Ended June 30, 2017		
	Par Value	**Original Cost**	**Market Value**
Short-Term Investments		$ 22,714,819	$ 22,716,298
U.S. Government and U.S. Government Agency Obligations:			
U.S. Treasury	$ 150,000	$ 148,454	$ 145,215
Government mortgage-backed securities	38,225,697	39,557,610	39,845,120
	$ 38,375,697	$ 39,706,064	$ 39,990,335
Bonds - Domestic:			
Corporate bonds - domestic	$ 74,137,068	$ 161,677,287	$ 181,660,811
Other fixed income investments	8,103,508	131,407,867	138,864,143
	$ 82,240,576	$ 293,085,154	$ 320,524,954
Bonds - Foreign:			
Corporate bonds - foreign	$ 49,055,000	$ 5,699,256	$ 5,750,833
Government bonds - foreign	1,872,034,605	168,217,488	179,059,328
	$ 1,921,089,605	$ 173,916,744	$ 184,810,161
Marketable Securities - Domestic:			
Common stocks		$ 32,282,375	$ 56,610,635
Equity funds		296,824,764	365,842,745
		$ 329,107,139	$ 422,453,380
Marketable Securities - Foreign:			
Common stocks		$ 86,638,163	$ 124,725,332
Equity funds		406,160,361	452,520,148
		$ 492,798,524	$ 577,245,480
Alternative Investments:			
Private equity funds		$ 90,109,482	$ 100,237,071
Real estate funds		136,760,844	185,923,711
Real estate held for investment		2,257,712	2,197,137
		$ 229,128,038	$ 288,357,919
Total Investments at June 30, 2017		$ 1,580,456,482	$ 1,856,098,527

(Concluded)

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 27, 2018

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the fiduciary net position and the related statement of changes in fiduciary net position of the Louisiana School Employees' Retirement System (System), a component unit of the State of Louisiana, as of and for the years ended June 30, 2018, and June 30, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated September 27, 2018. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions, investment valuations, and financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Thomas H. Cole

Thomas H. Cole, CPA
First Assistant Legislative Auditor

EBT:DM:BH:EFS:ch

LSERS 2018