R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2019 AND 2018

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

September 27, 2019

Board of Trustees
State of Louisiana
School Employees' Retirement System
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Louisiana School Employees' Retirement System, (the System), a component unit of the State of Louisiana, which comprise the statements of fiduciary net position as of June 30, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 System'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 System'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 State of Louisiana School Employees' Retirement System as of June 30, 2019, and the results of its operations and changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior period financial statements

The financial statements of the State of Louisiana School Employees' Retirement System as of June 30, 2018 were audited by other auditors whose report dated September 17, 2018, expressed an unmodified opinion on those statements.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for State of Louisiana School Employees' Retirement System was $2,640,451,339 and $2,614,250,388 as of June 30, 2019 and 2018, 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, 2019 and 2018 could be understated or overstated.

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 process 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the index

to report 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State of Louisiana School Employees' Retirement System's basic financial statements as a whole. The June 30, 2019 other supplementary information, as listed in the index, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates 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 audit 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 other supplementary information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The June 30, 2018 other supplementary information as listed in the index was subjected to the auditing procedures applied in the June 30, 2018 audit of the basic financial statements by other auditors, whose report on such information stated that is was fairly stated in all material respects in relation to the June 30, 2018 financial statements 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, 2019 on our consideration of the State of Louisiana School Employees' Retirement System's internal control over financial reporting and on our test of 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 the effectiveness of the System's 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 internal control over financial reporting and compliance of the State of Louisiana School Employees' Retirement System.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, LA

The following is management's discussion and analysis of the financial performance of Louisiana School Employees' Retirement System (the System) (LSERS). 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 $88,335,369 at June 30, 2019; this is a 25.23% decrease from net investment income of $118,140,167 at June 30, 2018. This decrease in investment income is attributed to a decrease in global equity market returns. In fiscal year 2019, the System achieved an annual return of 4.76%, as compared to 6.62% for fiscal year 2018. The largest and most notable portion of the decrease came from U.S., international and emerging market equities.

- Member contributions increased by $287,762 or 1.29%. The increase is attributable to an increase in the number of members contributing at the 8.0% tier.

- Employer contributions increased by $1,990,308 or 2.44%, resulting from an increase of the employer contribution rate by 0.4%. The employer contribution rate established by the System's actuary and approved by the Public Employees' 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 and other supplementary information, in addition to the basic financial statements themselves.

The statements of fiduciary net position provide the System's assets, liabilities, and results in the net position restricted for pension benefits. They disclosed the financial position of the System as of June 30, 2019 and 2018.

The statements of changes in fiduciary net position report the results of the System's 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.

LSERS FINANCIAL ANALYSIS

LSERS 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 work on a school bus helping with the transportation of school children. Member contributions, employer contributions and earnings on investments fund these benefits.

Condensed Statements of Fiduciary Net Position
June 30, 2019 and 2018

	2019	2018
Cash	$ 53,387,673	$ 51,848,421
Receivables	21,477,287	20,594,024
Investments	1,873,259,954	1,881,749,052
Collateral held under securities lending	101,205,264	109,782,579
Property and Equipment	3,301,851	3,238,751
Other assets	240,870	318,358
Total Assets	2,052,872,899	2,067,531,185
Deferred outflows of resources	222,877	217,499
Total Liabilities	111,756,792	121,261,190
Deferred inflows of resources	949,410	374,454
Net Position – Restricted for Pension Benefits	$ 1,940,389,574	$ 1,946,113,040

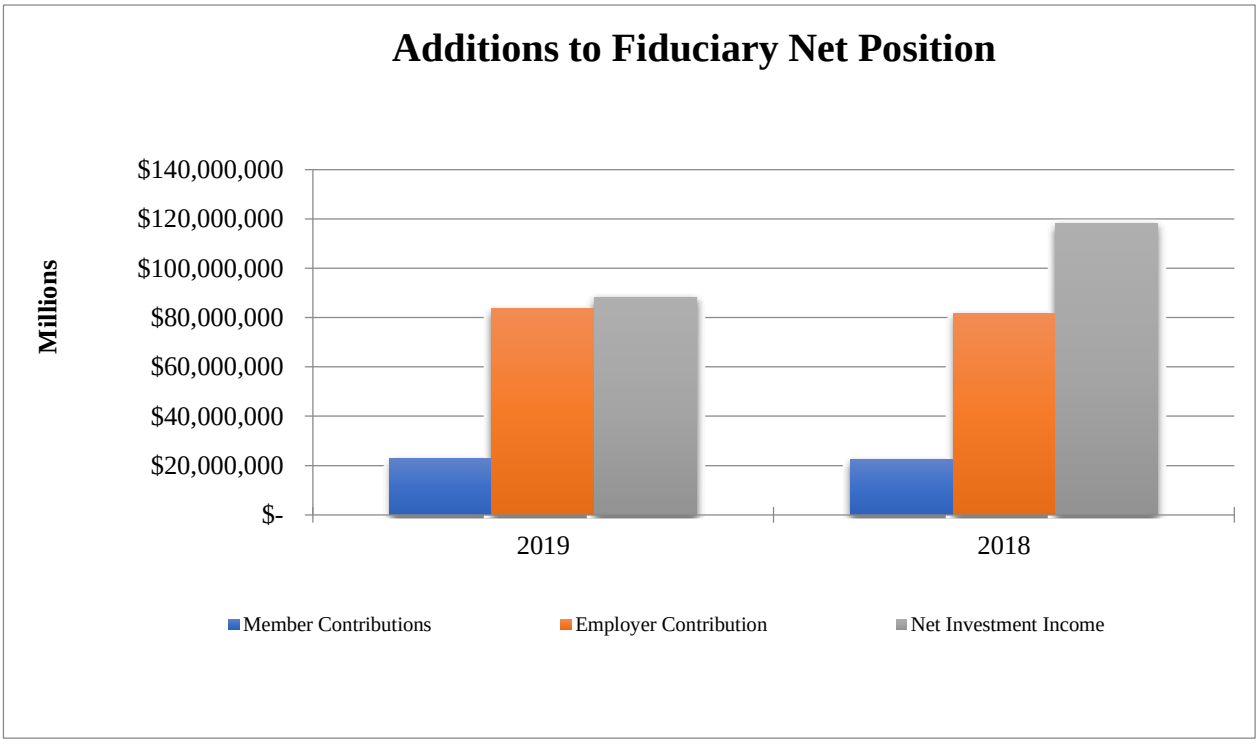
Condensed Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
Additions:		
Contributions	$ 106,230,613	$ 103,952,543
Investment Income	88,335,369	118,140,167
Total Additions	194,565,982	222,092,710
Total Deductions	200,289,448	195,015,058
Change in Fiduciary Net Position	$ (5,723,466)	$ 27,077,652
Net effect of change in accounting principle	$ -	$ (3,670,610)

ADDITIONS TO FIDUCIARY NET POSITION

Additions to LSERS fiduciary net position were derived from member and employer contributions and net investment income. Employer contributions increased $1,990,308 or 2.44% while member contributions increased $287,762 or 1.29%. The System experienced net investment income of $88,335,369 for the fiscal year ending June 30, 2019 as compared to net investment income of $118,140,167 for fiscal year ending June 30, 2018. This decrease in net investment income was attributed to fiscal year 2019 performance of 4.76% as compared to performance of 6.62% in fiscal year 2018.

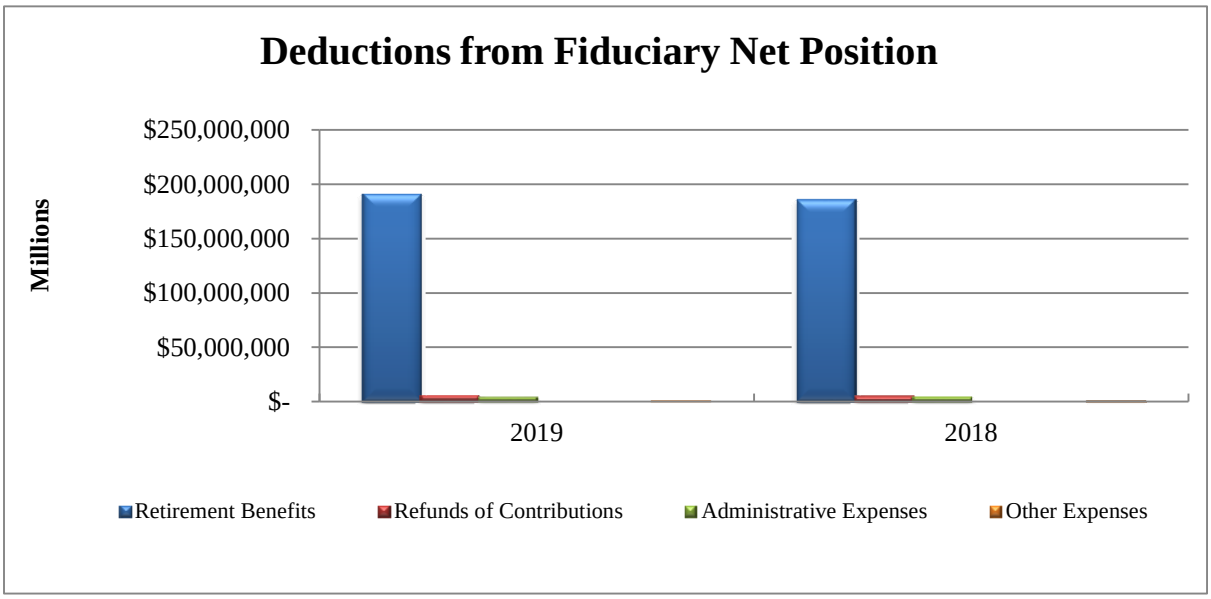
Additions to Fiduciary Net Position	2019	2018	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 22,653,698	$ 22,365,936	$ 287,762	1.29%
Employer Contributions	83,576,915	81,586,607	1,990,308	2.44%
Net Investment Income	88,335,369	118,140,167	(29,804,798)	(25.23)%
Total	$ 194,565,982	$ 222,092,710		



DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions from fiduciary net position consist mainly of retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from fiduciary net position totaled $200,289,448 in fiscal year 2019. The deductions increased 2.70% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits paid.

Deductions from Fiduciary Net Position	2019	2018	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 190,583,243	$ 185,260,310	$ 5,322,933	2.87%
Refunds of Contributions	5,711,862	4,843,590	868,272	17.93%
Administrative Expenses	3,627,519	4,104,342	(476,823)	(11.62)%
Other Expenses	366,824	806,816	(439,992)	(54.53)%
Total	$ 200,289,448	$ 195,015,058		

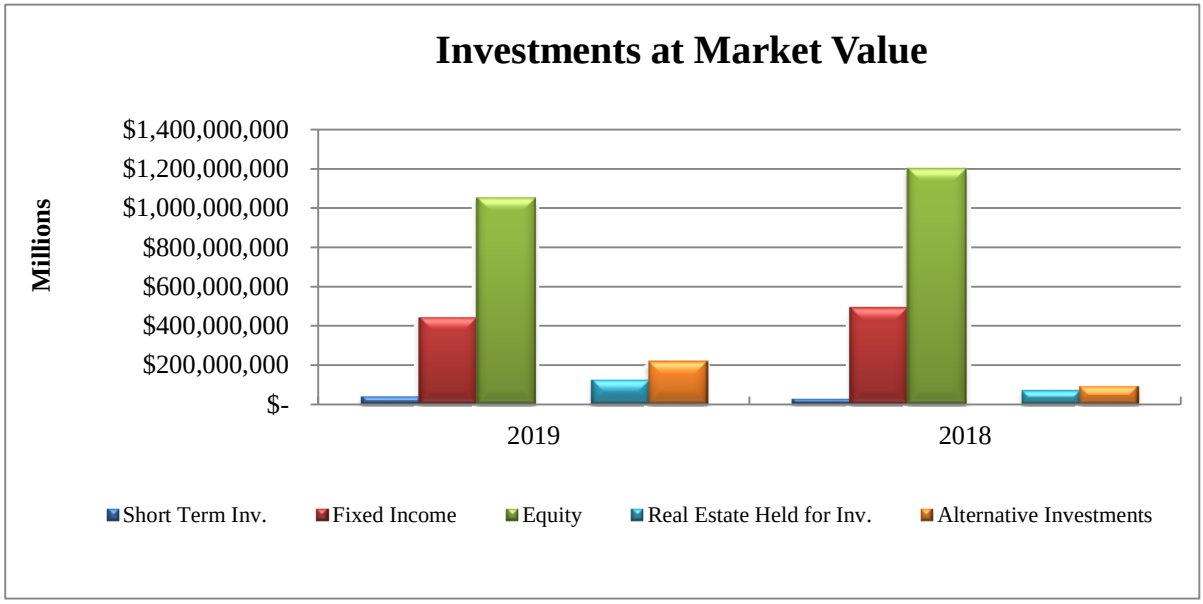


INVESTMENTS

LSERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments, at June 30, 2019 were $1,873,259,954 as compared to $1,881,749,052 at June 30, 2018, a decrease of $(8,489,098).

LSERS' investments in various asset classes at the end of the 2019 and 2018 fiscal years are indicated in the following table:

Investments	2019	2018	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 38,005,237	$ 25,384,396	$ 12,620,841	49.72%
Fixed Income	442,964,354	493,094,320	(50,129,966)	(10.17)%
Equity	1,053,831,273	1,204,511,864	(150,680,591)	(12.51)%
Real Estate	122,004,053	68,959,305	53,044,748)	76.92%
Alternative Investments	216,455,037	89,799,167	126,655,870	141.04%
Total	$ 1,873,259,954	$ 1,881,749,052		



REQUESTS FOR INFORMATION

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019 AND 2018

ASSETS	2019	2018
Cash:		
In bank	$ 53,387,673	$ 51,848,421
Receivables:		
Member contributions	2,479,475	3,128,879
Employer contributions	13,205,723	12,290,970
Privatization receivable	1,138,288	1,134,045
Accrued interest and dividends	3,000,213	2,458,603
Investment receivable	1,050,147	967,131
Other	603,441	614,396
Total receivables	21,477,287	20,594,024
Property, plant and equipment (Net of accumulated depreciation of $2,611,305 in 2019 and $2,594,640 in 2018)	3,301,851	3,238,751
Investments, at fair value:		
Short-term investments	38,005,237	25,384,396
Fixed income securities	442,964,354	493,094,320
Equity	1,053,831,273	1,204,511,864
Alternative investments	216,455,037	89,799,167
Real estate	122,004,053	68,959,305
Total investments	1,873,259,954	1,881,749,052
Collateral held under securities lending program	101,205,264	109,782,579
Other assets	240,870	318,358
Total assets	2,052,872,899	2,067,531,185
Deferred outflows of resources	222,877	217,499
LIABILITIES:		
Accounts payable	1,483,669	547,508
Accrued expenses and benefits	406,430	1,978,414
Obligations under securities lending program	101,205,264	109,782,579
Investment payable	917,826	874,580
Refunds Payable	632,377	579,429
Benefits Payable	742,078	412,656
Other post employment benefits obligation	6,369,148	7,086,024
Total liabilities	111,756,792	121,261,190
Deferred inflows of resources	949,410	374,454
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 1,940,389,574	$ 1,946,113,040

The accompanying notes are an integral part of these financial statements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
ADDITIONS:		
Contributions:		
Member contributions	$ 22,653,698	$ 22,365,936
Employer contributions	83,576,915	81,586,607
Total contributions	106,230,613	103,952,543
Investment Income:		
Net appreciation in fair value of investments	79,155,745	110,658,549
Interest	4,698,703	5,690,177
Dividends	7,353,465	7,776,979
Securities lending income	2,946,193	1,742,992
Alternative investment income	2,785,939	1,032,155
	96,940,045	126,900,852
Less Investment Expense:		
Investment advisory fee	(5,980,743)	(7,052,344)
Custodian and bank fees	(42,543)	(334,967)
Securities lending expense	(2,581,390)	(1,373,374)
	(8,604,676)	(8,760,685)
Net investment income	88,335,369	118,140,167
Total additions	194,565,982	222,092,710
DEDUCTIONS:		
Retirement benefits paid	190,583,243	185,260,310
Refunds of contributions	5,711,862	4,843,590
Administrative expenses	3,627,519	4,104,342
Depreciation and amortization expense	239,311	269,934
Transfer to other systems - employee	36,621	136,392
Transfer to other systems - employer and interest	90,892	400,490
Total deductions	200,289,448	195,015,058
NET INCREASE / (DECREASE)	(5,723,466)	27,077,652
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	1,946,113,040	1,922,705,998
Cumulative effect of change in accounting principle	-	(3,670,610)
Beginning of year, after restatement	1,946,113,040	1,919,035,388
END OF YEAR	$ 1,940,389,574	$ 1,946,113,040

The accompanying notes are an integral part of these financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of State of Louisiana School Employees' Retirement 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*. This standard provides for the inclusion of a management discussion and analysis and for supplementary information and other changes.

The System's basic financial statements were prepared in conformity with the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined pension plans. Significant changes included an actuarial calculation of total and net pension liability, increased footnote disclosures regarding the pension liabilities and other related information, and provided for additional required supplementary information schedules.

Financial Reporting Entity:

Governmental Accounting Standards Board (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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 and refunds paid 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. Expenditures are recognized in the period incurred.

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 establishes 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 invested in futures contracts and options in futures contracts. The changes in the market value of the contracts were reported as gains and losses in the period in which the change occurred.

The System invests in real estate that consists of the leasing of office space and in real estate funds. The investment in office space is valued at fair market value which is based upon appraised value. Investment in real estate funds are reported at an estimated fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments: (Continued)

The System invests in limited private equity 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 values, it is at least reasonably possible that the estimates will change in the near term.

Property and Equipment:

Land, building, equipment, furniture and computer software (reported as intangible assets), are carried at historical cost. Depreciation or amortization is computed by the straight-line method based upon useful lives of 40 years for the building and 10 years for software, equipment and furniture.

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.

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.

Tax Qualifications:

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

Per Diem Paid to Trustees:

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

2. PLAN DESCRIPTION:

The State of Louisiana School Employees' Retirement System is the administrator of a cost-sharing multiple employer defined benefit pension plan and is a component unit of the State of Louisiana and 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 (LRS). The accompanying statements present information only as to transactions of the program of the System as authorized by Louisiana Revised Statutes. The local government participating employers consisted of 70 school boards and 31 other agencies for the year ended June 30, 2019 and 68 school boards and 30 other agencies for the year ended June 30, 2018.

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, 2019 and 2018, plan membership consisted of:

	2019	2018
Retirees and beneficiaries currently receiving benefits	13,648	13,482
Terminated employees entitled to benefits but not yet receiving them	333	339
Terminated vested employees who have not withdrawn contributions (DROP)	605	631
Fully vested, partially and nonvested active employees	11,920	12,033
Terminated due a refund	4,328	4,475
TOTAL PARTICIPANTS	30,834	30,960

Eligibility Requirements:

Benefit provisions are authorized under Louisiana Revised Statutes 11:1141 - 11:1153.

Membership is mandatory for all persons employed by a Louisiana Parish or City School Board who work more than twenty hours per week as a school bus operator, school janitor, school custodian, school maintenance employee, or school bus aide, a monitor or attendant, or any other regular school employee who works on a school bus helping with the transportation of school children. Members are vested after 10 years of service or 5 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 part-time employees who work 20 hours or less per week and who are not vested will be refunded their contributions.

2. PLAN DESCRIPTION: (Continued)

Benefits:

Benefit provisions are authorized and amended under Louisiana Revised Statutes. Benefit provisions are dictated by LRS 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 5 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 5 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 limited to 100% of final average compensation plus a supplementary allowance of $2.00 per month for each year of service. 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 ten 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.

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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 the DROP Plan, active membership in 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 Deferred Retirement Option Plan 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 Louisiana Revised Statutes 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. Once the member reaches the appropriate age for retirement, benefits become payable.

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 Louisiana Revised Statutes 11:1152(F)(3).

3. CONTRIBUTIONS AND RESERVES:

Contributions:

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 actuarial required employer contribution rate for June 30, 2019 and June 30, 2018 was 28.4% and 27.8%, respectively. The actual employer contribution rate for June 30, 2019 and June 30, 2018 was 28.0% and 27.6%, respectively.

Administrative costs are included in aggregate normal cost.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are 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 Administrative Fund Reserve for each year ending June 30, 2019 and 2018 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 increased by 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 decreased by 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, 2019 and 2018 is $5,174,949 and $4,911,217, 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, 2019 and 2018 is $-0- and $6,838,575, respectively.

D) Annuity Savings:

The Annuity Savings was created by state law and is increased by 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

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Annuity Savings: (Continued)

amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity 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, 2019 and 2018 is $181,040,494 and $181,402,809, 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, 2019 and 2018 is $67,458,915 and $88,694,523, 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 receive benefits from this reserve account. The Annuity Reserve as of June 30, 2019 and 2018 is $1,619,284,892 and $1,595,879,615, 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, 2019 and 2018 is $66,072,148 and $67,200,259, respectively.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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 is 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2019 and 2018 is $1,358,176 and $1,186,042, 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, 2019 and 2018 is as follows:

	2019	2018
Total Pension Liability	$ 2,640,451,339	$ 2,614,250,388
Plan Fiduciary Net Position	1,940,389,574	1,946,113,040
Employers' Net Pension Liability	$ 700,061,765	$ 668,137,348
Plan Fiduciary Net Position as a % of the Total Pension Liability	73.49%	74.44%

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 actuarial assumptions used in the June 30, 2019 and June 30, 2018 valuations were based on a Plan Experience Study performed in 2018 based on plan data for the period July 1, 2012 through June 30, 2017. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* 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, 2019 and 2018 is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The valuation investment rate of return was reduced from 7.0625% to 7.00%, as of June 30, 2019. The reduction was made to account for the funding of administrative expenses out of investment earnings. Prior to this valuation, no explicit provision was made to fund or offset administrative expenses.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.00% and 7.0625% (Net of investment expense), respectively
Estimated remaining service lives	3 years
Inflation Rate	2.5%
Mortality	RP-2014 Healthy Annuitant Tables, RP-2014 Sex Distinct Employee Table, RP-2014 Sex Distinct Mortality Table
Salary increases members	3.25% based on a 2012-2017 experience study of the System's
Cost of living adjustments	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 outline by ACT 399 of 2014

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.

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	26%	1.07%
Equity	39%	2.93%
Alternatives	17%	1.43%
Real Estate	12%	0.73%
Real Assets	6%	0.60%
Totals	100%	6.76%
Inflation		2.00%
Expected Arithmetic Nominal Return		8.76%

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 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	30%	1.10%
Equity	51%	3.60%
Alternatives	8%	0.62%
Real Estate	5%	0.33%
Real Assets	6%	0.45%
Totals	100%	6.10%
Inflation		2.00%
Expected Arithmetic Nominal Return		8.10%

The discount rate used to measure the total pension liability was 7.00% and 7.0625% for the years ended June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed 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 PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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 7.00% and 7.0625% for June 30, 2019 and 2018, respectively, 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		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
2019 Net Pension Liability	$ 948,723,965	$ 700,061,765	$ 487,490,435

	Changes in Discount Rate		
	1% Decrease 6.0625%	Discount Rate 7.0625%	1% Increase 8.0625%
2018 Net Pension Liability	$ 917,194,337	$ 668,137,348	$ 455,243,472

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2019 and 2018:

	2019	2018
Deposits (bank balance)	$ 53,652,289	$ 52,247,657
Cash Equivalents	38,005,237	25,384,396
Investments	1,835,254,717	1,856,364,656
Total	$ 1,926,912,243	$ 1,933,996,709

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

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

Cash Equivalents:

For the years ended June 30, 2019 and 2018, cash equivalents in the amount of $38,005,237 and $25,384,396, 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, 2019 and 2018, foreign currency included in cash equivalents of $767,670 and $177,648, respectively, is not covered by federal depository insurance or pledged collateral.

Investments:

In accordance with LRS 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 sixty-five percent 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 investment shall be prudently selected and properly diversified so as to minimize the risk of large losses.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

The following was the System's asset allocation policy as of June 30, 2019 and 2018:

	Asset Type	Target Allocation 2019	Target Allocation 2018
Fixed Income	Core Fixed Income	13%	8%
	High Yield	0%	5%
	Emerging Markets Debt	0%	7%
	Global Fixed Income	0%	10%
	Opportunistic Fixed Income	13%	0%
Equity	U.S. Equity	13%	20%
	Developed equity	13%	18%
	Emerging Markets Equity	13%	10%
	Global REITS	0%	3%
Alternative	Multi-Asset Class Solutions	5%	0%
	Private Equity	12%	5%
	Hedge Fund of Funds	0%	3%
	Real Estate	12%	5%
Real Assets	Timber	0%	2%
	Oil & Gas	6%	2%
	Infrastructure	0%	2%
Total		100%	100%

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, 2019 and 2018, the System had the following investments in debt securities and maturities:

	June 30, 2019				
Investment Type	Fair Value	Less Than 1 Year	1 to 5	6 to 10	10+ Years
Government mortgage backed securities and U.S. Treasury & Govt Agency Obligations	$ 149,170,934	$ -	$ 10,071	$ 201,550	$ 148,959,313
Domestic fixed income	178,413,735	14,232,562	103,990,464	60,190,709	-
Foreign fixed income	115,379,685	-	-	-	115,379,685
Total	$ 442,964,354	$ 14,232,562	$ 104,000,535	$ 60,392,259	$ 264,338,998
Collateral held under securities lending	$ 101,205,264	$ 101,205,264	$ -	$ -	$ -

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

	June 30, 2018				
Investment Type	Fair Value	Less Than 1 Year	1 to 5	6 to 10	10+ Years
Government mortgage backed securities	$ 41,468,135	$ -	$ 15,171	$ 148,226	$ 41,304,738
Domestic fixed income	258,294,684	1,998,820	141,932,765	114,363,099	-
Foreign fixed income	193,331,501	2,781,936	14,435,357	42,975,892	133,138,316
Total	$ 493,094,320	$ 4,780,756	$ 156,383,293	$ 157,487,217	$ 174,443,054
Collateral held under securities lending	$ 109,782,579	$ 109,782,579	$ -	$ -	$ -

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, 2019 and 2018, for collateral held under securities lending in the amounts of $101,205,264 and $109,782,579, respectively, and noncash collateral received under the securities lending program in the amounts of $2,780,627 and $3,008,195, 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 or market exposure.

The System's investment policy specified the following investment parameters:

	December 31 2019	December 31 2018
Short term investments	0 - 3%	0 - 3%
Equities	30 - 60%	45 - 65%
Fixed income	15 - 40%	15 - 35%
Real estate	5 - 15%	2 - 10%
Alternative investments	9 - 35%	2 - 16%

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Concentration of Credit Risk: (Continued)

At June 30, 2019 and 2018, the components of the System's investment portfolio fell within the allowable ranges.

Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The System has no investments of any single organization that represent 5% or more of the System's investments, nor does the System hold more than 5% of any individual corporation's stock.

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. Below is a schedule of bonds and bond funds with their applicable ratings and exposure to credit risk.

June 30, 2019

	U.S. Treasury and Government Mortgage Backed Securities	Domestic Fixed Income	Foreign Fixed Income
AAA	$ -	$ -	$ -
AA+	147,665,093	3,074,430	-
AA	-	-	-
AA-	-	2,691,100	-
A+	-	2,559,550	-
A	-	10,947,572	-
A-	-	104,842,209	-
BBB+	-	5,616,915	-
BBB	-	14,215,400	-
BBB-	-	2,566,500	-
BB+	-	-	115,379,685
BB-	-	31,900,059	-
Not Rated	1,505,841	-	-
Total	$ 149,170,934	$ 178,413,735	$ 115,379,685

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

June 30, 2018

	Government Mortgage Backed Securities	Domestic Fixed Income	Foreign Fixed Income
AAA	$ -	$ -	$ 2,713,593
AA+	41,468,135	2,851,500	33,080,797
AA	-	-	1,610,616
AA-	-	5,101,075	1,188,502
A+	-	-	1,617,359
A	-	12,677,594	689,796
A-	-	17,631,483	1,471,554
BBB+	-	110,002,838	3,456,936
BBB	-	17,579,560	937,249
BBB-	-	-	444,913
BB+	-	-	122,747,014
BB-	-	92,450,634	-
Not Rated	-	-	23,373,172
Total	$ 41,468,135	$ 258,294,684	$ 193,331,501

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 marketable securities 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, 2019 and 2018 are as follows:

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2019:

Currency	Foreign Equities	Fixed Income	Alternative Investments	Cash and Other	Total
Australian dollar	$ 3,272,895	$ -	$ -	$ -	$ 3,272,895
Canadian dollar	2,364,932	-	-	1,366	2,366,298
Danish krone	6,001,959	-	-	119,716	6,121,675
Euro	23,453,651	-	4,775,167	79,831	28,308,649
Hong Kong dollar	10,996,587	-	-	-	10,996,587
Japanese yen	22,375,238	-	-	49,972	22,425,210
Pound sterling	14,356,113	-	-	3	14,356,116
Singapore dollar	1,067,711	-	-	-	1,067,711
Swiss franc	13,979,030	-	-	516,782	14,495,812
Total	$ 97,868,116	$ -	$ 4,775,167	$ 767,670	$ 103,410,953

Fair Value at June 30, 2018:

Currency	Foreign Equities	Fixed Income	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

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.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Money-Weighted Rate of Return:

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.29% and 6.13%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

6. FAIR VALUE MEASUREMENT:

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, 2019 and 2018, respectively:

		Fair Value Measurements Using		
	June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash Equivalents	$ 38,005,237	$ -	$ 375,867	$ 37,629,370
Debt Securities:				
U.S. Treasury and Government Obligations	100,214,706	100,214,706	-	-
Mortgage backed securities	48,956,228	-	48,956,228	-
Corporate bonds - domestic	64,129,897	-	64,129,897	-
Total fixed income investments	213,300,831	100,214,706	113,086,125	-
Equity Securities:				
Domestic equities	132,088,645	132,088,645	-	-
Equity funds - domestic	25,068,767	25,068,767	-	-
Foreign equities	185,390,706	185,390,706	-	-
Total equity securities	342,548,118	342,548,118	-	-
Total investments by fair value level	593,854,186	$ 442,762,824	$ 113,461,992	$ 37,629,370
Investments measured at Net Asset Value (NAV):				
Fixed Income:				
Fixed income funds - domestic	114,283,838			
Fixed income funds - foreign	115,379,685			
Equities:				
Equity funds - domestic	333,678,100			
Equity funds - foreign	377,605,055			
Alternative investments:				
Private equity funds	216,455,037			
Real estate funds	122,004,053			
Total investments at NAV	1,279,405,768			
Total investments at fair value	$ 1,873,259,954			

6. FAIR VALUE MEASUREMENT: (Continued)

Investment Valuation and Fair Value Hierarchy: (Continued)

		Fair Value Measurements Using		
	June 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:				
Cash Equivalents	$ 25,384,396	$ -	$ 563,549	$ 24,820,847
Debt Securities:				
Mortgage backed securities	41,468,135	-	41,468,135	-
Corporate bonds - domestic	66,910,456	-	66,910,456	-
Fixed income funds - domestic	38,995,818	-	38,995,818	-
Total fixed income investments	147,374,409	-	147,374,409	-
Equity Securities:				
Domestic equities	137,048,557	137,048,557	-	-
Equity funds - domestic	27,352,780	27,352,780	-	-
Foreign equities	188,363,817	188,363,817	-	-
Total equity securities	352,765,154	352,765,154	-	-
Total investments by fair value level	525,523,959	$ 352,765,154	$ 147,937,958	$ 24,820,847
Investments measured at Net Asset Value (NAV):				
Fixed Income:				
Fixed income funds - domestic	191,384,228			
Fixed income funds - foreign	154,335,683			
Equities:				
Equity funds - domestic	399,740,298			
Equity funds - foreign	452,006,412			
Alternative investments:				
Private equity funds	89,799,167			
Real estate funds	68,959,305			
Total investments at NAV	1,356,225,093			
Total investments at fair value	$ 1,881,749,052			
Investment Derivatives				
Foregn Currency Forward Contracts (Short-Term)	$ 360,156	$ 360,156	$ -	$ -
Total investment derivatives	$ 360,156	$ 360,156	$ -	$ -

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.

6. FAIR VALUE MEASUREMENT: (Continued)

Valuation Techniques: (Continued)

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, 2019, are presented in the following table.

	Net Asset Value 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate - Quarterly	$ 60,777,514	$ -	Quarterly	90 days
Real estate - Lock Up	61,226,539	97,716,644	N/A	N/A
Total real estate	122,004,053			
Private equity	216,455,037	85,676,647	N/A	N/A
Fixed income funds - Domestic	114,283,838	-	Daily, Weekly or Monthly	1-30 days
Fixed income funds - Foreign	115,379,685	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Domestic	333,678,100	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Foreign	377,605,055	-	Daily, Weekly or Monthly	1-30 days
Toal investments at the NAV	$ 1,279,405,768			

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.

	Net Asset Value 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate - Quarterly	$ 56,698,068	$ -	Quarterly	90 days
Real estate - Lock Up	12,261,237	33,992,887	N/A	N/A
Total real estate	68,959,305			
Private equity	89,799,167	73,158,811	N/A	N/A
Fixed income funds - Domestic	191,384,228	-	Daily, Weekly or Monthly	1-30 days
Fixed income funds - Foreign	154,335,683	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Domestic	399,740,298	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Foreign	452,006,412	-	Daily, Weekly or Monthly	1-30 days
Toal investments at the NAV	$ 1,356,225,093			

6. FAIR VALUE MEASUREMENT: (Continued)

Private Equity Funds:

The System invests in private equity partnerships. 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:

The System invests in real estate funds which invest in real estate domiciled in the United States. These investments aim to benefit from higher economic growth and lower debt levels in the U.S. The real estate funds that invest 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 System's ownership interest in partners' capital. Returns are generated by capital appreciation and income from lease agreements. These are illiquid investments with a length of investment of 10-15 years.

Fixed Income Funds:

The System invests in fixed income funds globally which invest in corporate bonds, government bonds, securitized bonds, high yield credit, investment grade credit, emerging market credit as well as bank loans and other financial instruments. These investments are valued at per unit net asset value, with subscription and redemption available at the fund's stated NAV at a daily, weekly or monthly frequency depending on the fund's terms. Net asset value is derived from quoted market prices unless otherwise specified in the fund's governing documents.

Equity Funds:

The System invests in equity funds globally which invest in common and preferred stocks globally across all major regional, industry, and market cap segments. These investments are valued at per unit net asset value, with subscription and redemption available at the fund's stated NAV at a daily, weekly or monthly frequency depending on the fund's terms. Net asset value is derived from quoted market prices unless otherwise specified in the fund's governing documents.

7. 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,

7. SECURITY LENDING TRANSACTIONS: (Continued)

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. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. At June 30, 2019 and 2018, 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 security 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, 2019 is 164 days and as of June 30, 2018, is 112 days. Cash collateral is invested in the lending agent's short-term investment pool, which at June 30, 2019 and 2018 has a weighted-average maturity of 21 days and 15 days, respectively. Cash collateral may also be invested separately in "term loans", in which the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the System cannot determine. 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, 2019	Fair Value of Securities on Loan June 30, 2018
Corporate bonds - domestic	$ 13,997,465	$ 8,248,720
Equities - domestic	80,746,405	97,085,062
Equities - foreign	3,988,997	1,828,004
Total	$ 98,732,867	$ 107,161,786

Securities on loan at June 30, 2019 and 2018 are collateralized by cash collateral in the amount of $101,205,264 and $109,782,579, respectively, and noncash collateral in the amount of $2,780,627 and $3,008,195, respectively.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral at June 30, 2019 and 2018. Such matching did exist since loans may be terminated on demand.

8. DERIVATIVES:

Governmental Accounting Standards Board (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 and futures contracts entered into for the purpose of maintaining market exposure for excess cash.

At June 30, 2019, the System did not have any derivative instruments categorized as investment derivatives.

At June 30, 2018, the System had the following derivative instruments categorized as investment derivatives:

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

9. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2019 are as follows:

	Beginning Balance June 30, 2018	Additions	Deletions	Ending Balance June 30, 2019
Building	$ 4,069,303	$ 115,944	$ -	$ 4,185,247
Land	1,010,225	-	-	1,010,225
Furniture and equipment	753,863	-	(36,179)	717,684
Accumulated depreciation	(2,594,640)	(182,645)	165,980	(2,611,305)
Total capital assets, net	$ 3,238,751	$ (66,701)	$ 129,801	$ 3,301,851
Intangibles	$ 564,396	$ -	$ -	$ 564,396
Accumulated amortization	(283,335)	(56,666)	-	(340,001)
Total intangibles, net	$ 281,061	$ (56,666)	$ -	$ 224,395

9. CAPITAL ASSETS: (Continued)

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

	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
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

Depreciation expense for the years ended June 30, 2019 and 2018 was $182,645 and $213,268, respectively. Amortization expense for each of the years ended June 30, 2019 and 2018 was $56,666.

10. OPERATING LEASES:

The System leases office space recorded as real estate held for investment under an operating lease expiring June 30, 2021. The cost and fair value of the real estate held for investments is $2,408,876 and $2,411,808, respectively, for the year ended June 30, 2019. The cost and fair value of the real estate held for investment is $2,335,090 and $2,547,302, respectively, for the year ended June 30, 2018.

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

JUNE 30	
2020	$ 350,782
2021	350,782
Total	$ 701,564

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

11. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all System employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an agent multi-employer OPEB Plan whose premiums are paid jointly by the employee and the System. For each of the years ended June 30, 2019 and 2018, 27 retirees were receiving postemployment benefits.

Plan Description

Employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The state administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits.

The plan does not issue a stand-alone financial report.

Benefits Provided

The OPEB Plan provides benefits such as; death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

Contributions

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and System contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving post-employment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Employer contributions to the OPEB Plan from the System were $222,877 and $216,977 for the years ended June 30, 2019 and 2018, respectively.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who began participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of

11. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Contributions (Continued)

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 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 retiree and spouses of retirees, subject to maximum values. Effective January 1, 2018, the total monthly premium for retirees varies accordingly to age group. The employer pays 50% of the individual retiree's premium. The retiree is responsible for 100% of the premium for dependents.

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

At June 30, 2019 and 2018, the System reported a liability of $6,369,148 and $7,086,024, respectively, for its proportionate share of the collective total OPEB liability. The collective total OPEB liability was measured as of July 1, 2018 and 2017, respectively, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The System's proportion of the total OPEB liability was based on a projection of the System's total OPEB liability relative to the projected total OPEB liability of all participating employers, actuarially determined. As of July 1, 2018, and 2017, the System's proportion was 0.0746% and 0.0815%, respectively.

For the year ended June 30, 2019 and 2018, the System recognized OPEB (benefit) expense of $(147,297) and $296,086, respectively. As of June 30, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

11. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2019		
Changes of assumptions	$ -	$ 429,109
Differences between expected and actual experience	-	27,763
Changes in employer's proportionate share	-	492,538
Differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	222,877	-
Total	$ 222,877	$ 949,410

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2018		
Changes of assumptions	$ -	$ 374,454
Differences between expected and actual experience	-	-
Changes in employer's proportionate share	522	-
Differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	216,977	-
Total	$ 217,499	$ 374,454

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of $222,877 and $216,977 will be recognized as a reduction of the collective total OPEB liability in the year ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended June 30	Amount
2020	$ (298,084)
2021	(298,084)
2022	(246,958)
2023	(106,284)
2024	-
Thereafter	-
	$ (949,410)

11. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Assumptions

The actuarial valuations as of July 1, 2018 and July 1, 2017, to determine the total OPEB liability, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.80%
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	2.98% and 3.13% as of July 1, 2018 and July 1, 2017, respectively, based on the S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment for females, Scale MP-2017 For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the July 1, 2018 valuation were the same as those used in the valuation as of July 1, 2017 except for the following:

1. The discount rate used to measure the total OPEB liability was decreased to 2.98% in the July 1, 2018 valuation from 3.13% as of July 1, 2017.

2. Baseline per capita costs (PCCs) were updated to reflect 2018 claims and enrollment and retiree contributions were updated based on 2019 premiums. The impact of the High Cost Excise Tax was revisited, reflecting updated plan premiums.

3. Three of the four Statewide Retirement Systems have performed recent experience studies and adopted new assumptions for the June 30, 2018 valuation, based on these studies. Demographic assumptions were updated to reflect the updated assumptions.

4. The percentage of future retirees assumed to elect medical coverage was modified based on recent plan experience.

5. Refinements were made to the valuation model to incorporate available census information, including: (a) an adjustment to liabilities to reflect the deferral of benefit commencement and the years of service accrual that occur between the DROP entry date and the DROP end date, and (b) reflection of available OGB participation service for employees who transfer between pension plans.

11. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98% as of July 1, 2018 and 3.13% as of July 1, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

Sensitivity of the System's Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the collective total OPEB liability, as well as what the System's proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rates:

June 30, 2019	1.0% Decrease (1.98%)	Current Discount Rate (2.98%)	1.0% Increase (3.98%)
System's Proportionate share of Total Collective OPEB Liability	$ 7,436,354	$ 6,369,148	$ 5,522,724

June 30, 2018	1.0% Decrease (2.13%)	Current Discount Rate (3.13%)	1.0% Increase (4.13%)
System's Proportionate share of Total Collective OPEB Liability	$ 8,320,417	$ 7,086,024	$ 6,112,220

11. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Sensitivity of the Corporation's Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the System's proportionate share of the collective total OPEB liability, as well as what the System's proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

June 30, 2019	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
System's Proportionate share of Total Collective OPEB Liability	$ 5,535,420	$ 6,369,148	$ 7,417,253

June 30, 2018	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
System's Proportionate share of Total Collective OPEB Liability	$ 6,107,433	$ 7,086,024	$ 8,339,823

Payables to the OPEB Plan:

As of June 30, 2019 and 2018, the System did not have payables for outstanding contributions to the OPEB Plan.

12. CHANGE IN ACCOUNTING PRINCIPAL:

During the year ended June 30, 2018, the System adopted Governmental Accounting Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard required the System to record its proportionate share of OPEB amounts related to its participation in a multiple employer defined benefit OPEB plan. As a result of the adoption of the new accounting standard, the System’s beginning net position decreased by $3,670,610, beginning collective total OPEB liability increased by $3,909,167 and beginning deferred outflows increased by $238,557 for the year ended June 30, 2018.

13. 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 the fiduciary net position or the change in fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	2019	2018	2017
Total Pension Liability			
Service cost	$ 43,432,578	$ 45,867,897	$ 46,810,714
Interest	180,942,769	179,235,346	176,703,036
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(17,895,179)	(16,556,084)	(22,200,508)
Changes of assumptions	14,364,127	32,157,641	20,126,949
Benefit payments	(190,583,243)	(185,260,310)	(179,085,508)
Refunds of member contributions	(5,711,862)	(4,843,590)	(4,231,413)
Other	1,651,761	1,016,485	2,352,235
Net change in total pension liability	26,200,951	51,617,385	40,475,505
Total pension liability - beginning	2,614,250,388	2,562,633,003	2,522,157,498
Total pension liability - ending (a)	2,640,451,339	2,614,250,388	2,562,633,003
Plan Fiduciary Net Position			
Contributions - member	22,382,628	22,140,933	21,874,930
Contributions - employer	82,068,712	80,258,243	78,768,502
Net investment income (loss)	88,335,369	118,140,167	239,412,332
Benefit payments	(190,583,243)	(185,260,310)	(179,085,508)
Administrative expenses	(3,866,830)	(4,104,342)	(3,954,563)
Refunds of member contributions	(5,711,862)	(4,843,590)	(4,231,413)
Other	1,651,760	746,551	2,111,471
Net change in plan fiduciary net position	(5,723,466)	27,077,652	154,895,751
Plan fiduciary net position - beginning	1,946,113,040	1,922,705,998	1,767,810,247
Cumulative effect of change in accounting principle	-	(3,670,610)	-
Plan fiduciary net position - ending (b)	1,940,389,574	1,946,113,040	1,922,705,998
Net pension liability - ending (a) - (b)	$ 700,061,765	$ 668,137,348	$ 639,927,005
Plan fiduciary net position as a percentage of total pension liability	73.49%	74.44%	75.03%
Covered payroll	$ 293,102,543	$ 290,790,736	$ 288,529,311
Net pension liability as a percentage of covered payroll	238.85%	229.77%	221.79%

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

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019
(Continued)

	2016	2015	2014
Total Pension Liability			
Service cost	$ 47,736,305	$ 48,439,299	$ 48,156,347
Interest	171,263,493	174,301,726	166,628,161
Changes of benefit terms	24,227,513	-	-
Differences between expected and actual experience	(366,508)	(61,023,560)	(47,587,285)
Changes of assumptions	(29,907,056)	53,611,597	29,612,455
Benefit payments	(173,565,398)	(167,617,424)	(162,607,928)
Refunds of member contributions	(4,139,711)	(4,213,790)	(4,389,704)
Other	1,325,673	3,833,926	4,425,118
Net change in total pension liability	36,574,311	47,331,774	34,237,164
Total pension liability - beginning	2,485,583,187	2,438,251,413	2,404,014,249
Total pension liability - ending (a)	2,522,157,498	2,485,583,187	2,438,251,413
Plan Fiduciary Net Position			
Contributions - member	21,590,258	20,552,109	22,176,965
Contributions - employer	86,414,623	92,365,229	96,701,264
Net investment income (loss)	(10,422,226)	54,091,029	268,947,156
Benefit payments	(173,565,398)	(167,617,424)	(162,607,928)
Administrative expenses	(4,620,063)	(4,728,730)	(4,444,879)
Refunds of member contributions	(4,139,711)	(4,213,790)	(4,389,704)
Other	1,096,583	3,640,702	(180,701)
Net change in plan fiduciary net position	(83,645,934)	(5,910,875)	216,202,173
Plan fiduciary net position - beginning	1,851,456,181	1,857,367,056	1,641,164,883
Cumulative effect of change in accounting principle	-	-	-
Plan fiduciary net position - ending (b)	1,767,810,247	1,851,456,181	1,857,367,056
Net pension liability - ending (a) - (b)	$ 754,347,251	$ 634,127,006	$ 580,884,357
Plan fiduciary net position as a percentage of total pension liability	70.09%	74.49%	76.18%
Covered payroll	$ 286,141,136	$ 279,894,633	$ 277,481,437
Net pension liability as a percentage of covered payroll	263.63%	226.56%	209.34%

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	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 Employee Payroll
2014	$ 2,438,251,413	$ 1,857,367,056	$ 580,884,357	76.18%	$ 277,481,437	209.34%
2015	2,485,583,187	1,851,456,181	634,127,006	74.49%	279,894,633	226.56%
2016	2,522,157,498	1,767,810,247	754,347,251	70.09%	286,141,136	263.63%
2017	2,562,633,003	1,922,705,998	639,927,005	75.03%	288,529,311	221.79%
2018	2,614,250,388	1,946,113,040	668,137,348	74.44%	290,790,736	229.77%
2019	2,640,451,339	1,940,389,574	700,061,765	73.49%	293,102,543	238.85%

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE TEN YEARS ENDED JUNE 30, 2019

Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2019	82,068,712	82,068,712	-	293,102,543	28.0%

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE SIX YEARS ENDED JUNE 30, 2019

Fiscal Year End	Annual Money-Weighted Rate of Return*
2014	16.66%
2015	2.91%
2016	0.77%
2017	13.82%
2018	6.13%
2019	4.29%

* Annual money-weighted rates of return are presented net of investment expense.

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE
OF THE COLLECTIVE TOTAL OPEB LIABILITY
FOR THE THREE YEARS ENDED JUNE 30, 2019

Fiscal Year*	System's Proportion of the Collective Total OPEB Liability	System's Proportionate Share of the Collective Total OPEB Liability	System's Covered-Employee Payroll	System's Proportionate Share of the Collective Total OPEB Liability as a % of its Covered-Employee Payroll
2019	0.0746%	$ 6,369,148	$ 1,539,687	413.67%
2018	0.0815%	7,086,024	1,484,579	477.31%
2017	0.0815%	7,397,645	1,666,297	443.96%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended

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

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 contributing employers to members for benefits provided through the System. Covered payroll is the payroll of all employees that are provided with a benefit through the System.

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 covered employee payroll is presented in this schedule.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual 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 investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE COLLECTIVE TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY:

This schedule reflects the participation of the System's employees in the State of Louisiana Postemployment Benefits Plan and its proportionate share of the collective total other postemployment liability, and the proportionate share of the collective total other postemployment benefits liability as a percentage of its covered payroll. The employers' collective total other postemployment benefit liability is the liability of the System's employees for benefits provided through the State of Louisiana Postemployment Benefits Plan. Covered employee payroll is the payroll of all employees that are provided with benefits through the plan. The amounts in the schedule for each fiscal year were determined as the prior fiscal year ended.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

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.

The current year actuarial assumptions are based on the assumptions used in the June 30, 2019 actuarial funding valuation, which were reset based on a plan experience study performed in 2018 based on plan data for the period July 1, 2012 through June 30, 2017.

7. CHANGES IN ACTUARIAL ASSUMPTIONS:

Pension Plan

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Inflation Rate	2.50% per annum	2.50% per annum	2.625% per annum	2.625% per annum	2.750% per annum
Investment Rate of Return (Discount Rate)	7.00% per annum	7.0625% per annum	7.125% per annum	7.125% per annum	7.00% per annum
Salary Increases	2013 - 2017 experience study, 3.25%	2013 - 2017 experience study, 3.25%	2008 - 2012 experience study, ranging from 3.075% to 5.375%	2008 - 2012 experience study, ranging from 3.075% to 5.375%	2008 - 2012 experience study. Salary growth rates are based upon the members' years of service
Mortality Rate	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Employee Table RP-2014 Sex Distinct Disabled Tables	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Employee Table RP-2014 Sex Distinct Disabled Tables	RP-2000 Sex Distinct Tables RP-2000 Disabled Lives Table	RP-2000 Sex Distinct Tables RP-2000 Disabled Lives Table	RP-2000 Sex Distinct Tables

OPEB Plan

The discount rate changed from 3.13% as of July 1, 2017 to 2.98% as of July 1, 2018 the State of Louisiana Postemployment Benefit Plan.

OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

June 30, 2019

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Andrea Matte	11	$ 825
Colleen Barber	13	975
Eugene Rester, Jr.	13	975
Jeffrey Faulk, Sr.	13	975
Philip Walther	7	525
Henry Yearby	12	900
Penny Brown	13	975
Totals		$ 6,150

June 30, 2018

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Andrea Matte	7	$ 525
Colleen Barber	12	900
Eugene Rester, Jr.	12	900
Jeffery Faulk, Sr.	12	900
Kathy Landry	6	375
Phillip Walther	12	900
Henry Yearby	12	900
Penny Brown	12	900
Totals		$ 6,300

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
EXPENSES:		
Salaries	$ 2,044,712	$ 2,052,543
Related benefits	826,338	1,119,313
Temporary Labor	-	6,567
Compensation - board	6,150	6,300
Total expenses	2,877,200	3,184,723
OPERATING EXPENSES:		
Travel - board	21,351	21,132
Travel - staff	53,484	50,269
Total operating expenses	74,835	71,401
OPERATING SERVICES:		
Equipment maintenance	88,040	93,903
Equipment rent	10,527	15,445
Building maintenance	182,299	208,526
Dues and subscriptions	40,977	42,164
Postage and printing	126,409	122,675
Telephone	39,000	34,910
Insurance	35,656	36,300
Legal	18,871	18,303
Advertising	1,071	27
Records imaging	800	1,039
Total operating services	543,650	573,292
SUPPLIES:		
Office	11,753	13,479
Computer	1,925	1,169
Total supplies	13,678	14,648
PROFESSIONAL SERVICES:		
Medical	8,200	11,975
Actuary	99,732	135,940
Audit	73,975	70,875
Total professional services	181,907	218,790
INTERAGENCY TRANSFERS:		
Civil Service	9,941	9,879
Total interagency transfers	9,941	9,879
OTHER CHARGES:		
Miscellaneous	(79,361)	26,296
Computer software and network maintenance	5,669	5,313
Total other charges	(73,692)	31,609
TOTAL EXPENSES	$ 3,627,519	$ 4,104,342

DHHM
certified public accountants

Duplantier
Hrapmann
Hogan &
Maher, LLP

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INDEPENDENT AUDITOR'S 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*

September 27, 2019

Board of Trustees
State of Louisiana School
Employees' Retirement System
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 statements of fiduciary net position and the related statements of changes in fiduciary net position of the State of Louisiana School Employees' Retirement System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the State of Louisiana School Employees' Retirement System's basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) of the State of Louisiana School Employees' Retirement System, 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 State of Louisiana School Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Louisiana School Employees' Retirement 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency in internal control, described in the accompanying summary of schedule of findings as item 19-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Louisiana School Employees' Retirement System's financial statements are free of 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 audit, 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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana and management, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, LA

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of State of Louisiana School Employees' Retirement System for the years ended June 30, 2019 and 2018 were unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS:

2. Internal Control over financial reporting

   Material weaknesses – none noted
   Significant deficiencies – One instance was noted and disclosed in accordance with *Government Auditing Standards*.

3. Compliance and other matters

   Noncompliance material to financial statements – none noted

FINDINGS TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

19-01

Condition

During the audit of the System's investments, it was noted that the investment activity from the custodian statements was not properly reconciled to the general ledger on a monthly basis.

Criteria

A reconciliation of investment values per the custodian statement to the general ledger should be completed and reviewed by management to ensure the investments are properly recorded on the general ledger.

Effect

Not properly reconciling investment activity to the general ledger can result in the financial statements to be misstated.

FINDINGS TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA: (Continued)

Recommendation:

We recommend that investment activity and ending investment balances per the custodian trust statements be reconciled to the general ledger, on a monthly basis, and be reviewed to ensure proper reporting of investment transactions and month end balances.

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR FINDINGS:

None.

LSERS
LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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September 30, 2019

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Response to June 30, 2019 Audit Finding on Internal Controls

Dear Mr. Purpera:

In response to the Independent Auditor's Report as of June 30, 2019 issued by Duplantier, Hrapmann, Hogan & Maher in which one deficiency was noted for internal controls, we offer the following response:

19-01 INVESTMENT RECONCILIATION MONTHLY

During the audit of the System's investments, it was noted that the investment activity from the custodian statements was not properly reconciled to the general ledger on a monthly basis. A reconciliation of investment values per the custodian statement to the general ledger should be completed and reviewed by management to ensure the investments are properly recorded on the general ledger. Not properly reconciling investment activity to the general ledger can result in the financial statements to be misstated. We recommend that investment activity and ending investment balances per the custodian trust statements and/or investment manager statements be reconciled to the general ledger, on a monthly basis, and be reviewed to ensure proper reporting of investment transactions and month end balances.

RESPONSE: LSERS concurs with the auditor's recommendation. We have implemented the recommended monthly reconciliation process, effective July 1, 2019, and are working to update written procedures accordingly.

We appreciate the feedback and recommendations provided by the auditors. We also appreciate the opportunity to strengthen internal controls. If you have any questions, please contact Chenfei Zhou, Assistant Director, at 225.925.6492 or via email at czhou@lsers.net.

Sincerely,

Charles P. Bujol
Executive Director

CPB/cz