

REPORT
STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2021 AND 2020

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2021 AND 2020

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

October 14, 2021

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, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the index to report.

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 from material misstatement.

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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, 2021 and 2020, and the results of its operations and changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for the State of Louisiana School Employees' Retirement System was \$2,718,374,040 and \$2,649,075,730 as of June 30, 2021 and 2020, 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, 2021 and 2020 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 prices are not available. These investments include private equities and investments in real assets. Where a publicly-listed price is not available, the management of the System uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of investments. Our opinion is not modified with respect to this matter.

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 the 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. The 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 in relation to the basic 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 October 14, 2021 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, Chapman, Hogan and Parker, LLP

New Orleans, LA

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 \$483,971,829 at June 30, 2021; this is an increase of \$491,031,872 relative to the net investment loss of \$(7,060,043) at June 30, 2020. This increase in investment income is attributed to positive results across all major asset classes except for longer duration US Treasury securities. In fiscal year 2021, the System achieved an annual return of 28%, as compared to -0.08% for fiscal year 2020. The largest and most notable portion of the increase came from international and emerging market investments.
- Member contributions increased by \$734,890 or 3.15%. The increase is attributable to members contributing at the 8.0% rate. The member contribution rate increased from 7.5% to 8.0% for members employed subsequent to July 1, 2010.
- Employer contributions increased by \$652,098 or 0.73%, resulting from new member enrollments with higher salaries, offset with a decrease in the employer contribution rate. 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 are 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 supplementary 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, 2021 and 2020.

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 schoolchildren. Member contributions, employer contributions and earnings on investments fund these benefits.

Condensed Statements of Fiduciary Net Position
June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 15,986,981	\$ 15,923,129	\$ 53,387,673
Receivables	25,040,913	23,188,421	21,477,287
Investments	2,210,901,434	1,817,492,494	1,873,259,954
Collateral held under securities lending	96,447,092	80,577,027	101,205,264
Capital assets, net	3,255,855	3,328,204	3,301,851
Other assets	148,695	216,398	240,870
Total Assets	<u>2,351,780,970</u>	<u>1,940,725,673</u>	<u>2,052,872,899</u>
Deferred outflows of resources	<u>749,291</u>	<u>597,030</u>	<u>222,877</u>
Total Liabilities	<u>108,362,889</u>	<u>94,344,112</u>	<u>111,756,792</u>
Deferred inflows of resources	<u>1,110,223</u>	<u>1,359,697</u>	<u>949,410</u>
Net Position – Restricted for Pension Benefits	<u>\$ 2,243,057,149</u>	<u>\$ 1,845,618,894</u>	<u>\$ 1,940,389,574</u>

Condensed Statements of Changes in Fiduciary Net Position
For the years ended June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Additions:			
Contributions	\$ 114,542,260	\$ 113,155,272	\$ 106,230,613
Investment Income (Loss)	<u>483,971,829</u>	<u>(7,060,043)</u>	<u>88,335,369</u>
Total Additions	598,514,089	106,095,229	194,565,982
Total Deductions	<u>201,075,834</u>	<u>200,865,909</u>	<u>200,289,448</u>
Change in Fiduciary Net Position	<u>\$ 397,438,255</u>	<u>\$ (94,770,680)</u>	<u>\$ (5,723,466)</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

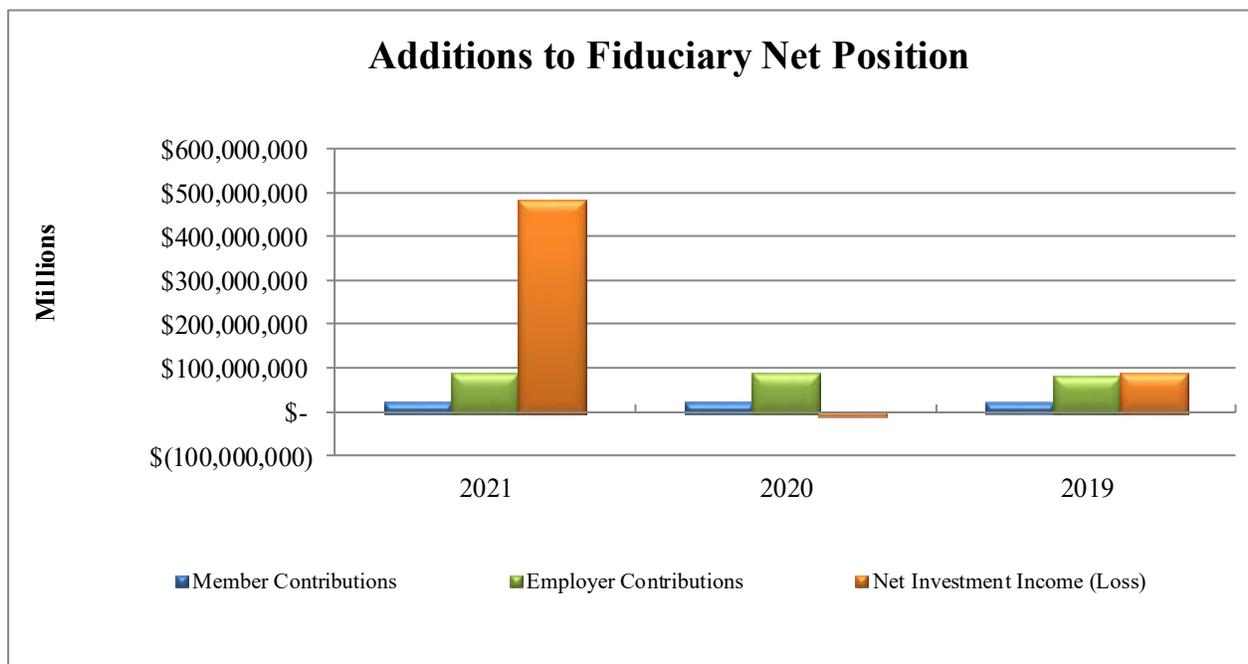
ADDITIONS TO FIDUCIARY NET POSITION

Additions to LSERS fiduciary net position were derived from member and employer contributions and net investment income. During the fiscal year ended June 30, 2021, employer contributions increased \$652,098 or 0.73% while member contributions increased \$734,890 or 3.15% over fiscal year ending June 30, 2020. The System experienced net investment income of \$483,971,829 for the fiscal year ending June 30, 2021 as compared to a net investment loss of \$(7,060,043) for fiscal year ending June 30, 2020. The increase in additions to fiduciary net position was due primarily to investment gains across most asset classes.

During the fiscal year ending June 30, 2020, employer contributions increased \$6,279,934 or 7.51% while member contributions increased \$644,725 or 2.85% over fiscal year ending June 30, 2019. The System experienced net investment loss of \$(7,060,043) for the fiscal year ending June 30, 2020 as compared to a net investment income of \$88,335,369 for fiscal year ending June 30, 2019. The decrease in additions to fiduciary net position was due primarily to losses from non-US equity investments and real asset investments.

Additions to Fiduciary

<u>Net Position</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Member Contributions	\$ 24,033,313	\$ 23,298,423	\$ 22,653,698
Employer Contributions	90,508,947	89,856,849	83,576,915
Net Investment Income (Loss)	483,971,829	(7,060,043)	88,335,369
Total	\$ <u>598,514,089</u>	\$ <u>106,095,229</u>	\$ <u>194,565,982</u>



STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

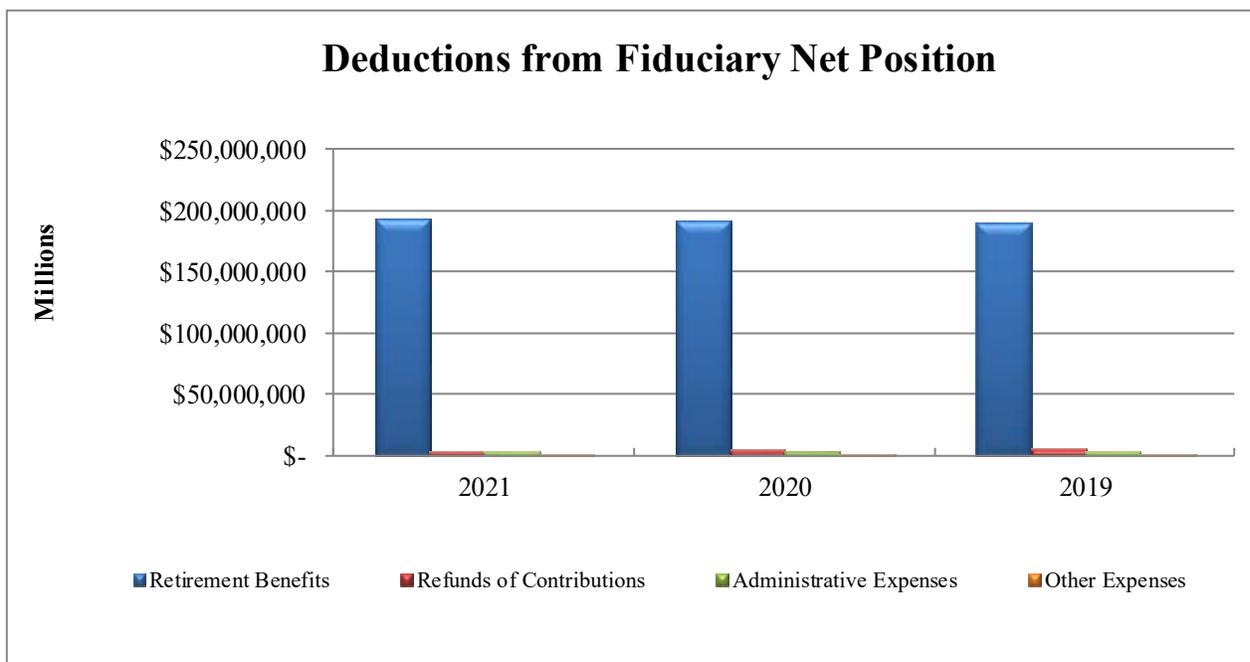
DEDUCTIONS FROM FIDUCIARY NET POSITION

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 \$201,075,834 in fiscal year 2021 as compared to \$200,865,909 in fiscal year 2020, an increase of \$209,925 or 0.10%, due to a growth in the aggregate number of retirees and the corresponding increase in pension benefits paid, offset by a decrease in refunds of contributions.

Deductions from fiduciary net position totaled \$200,865,909 in fiscal year 2020 as compared to \$200,289,448 in fiscal year 2019, an increase of \$576,461 or 0.29%, due to a growth in the aggregate number of retirees and the corresponding increase in pension benefits paid, offset by a decrease in refunds of contributions.

<u>Deductions from Fiduciary Net Position</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Retirement Benefits	\$ 192,699,081	\$ 191,516,165	\$ 190,583,243
Refunds of Contributions	3,465,564	4,460,650	5,711,862
Administrative Expenses	3,720,429	3,791,274	3,627,519
Other Expenses	1,190,760	1,097,820	366,824
Total	\$ <u>201,075,834</u>	\$ <u>200,865,909</u>	\$ <u>200,289,448</u>



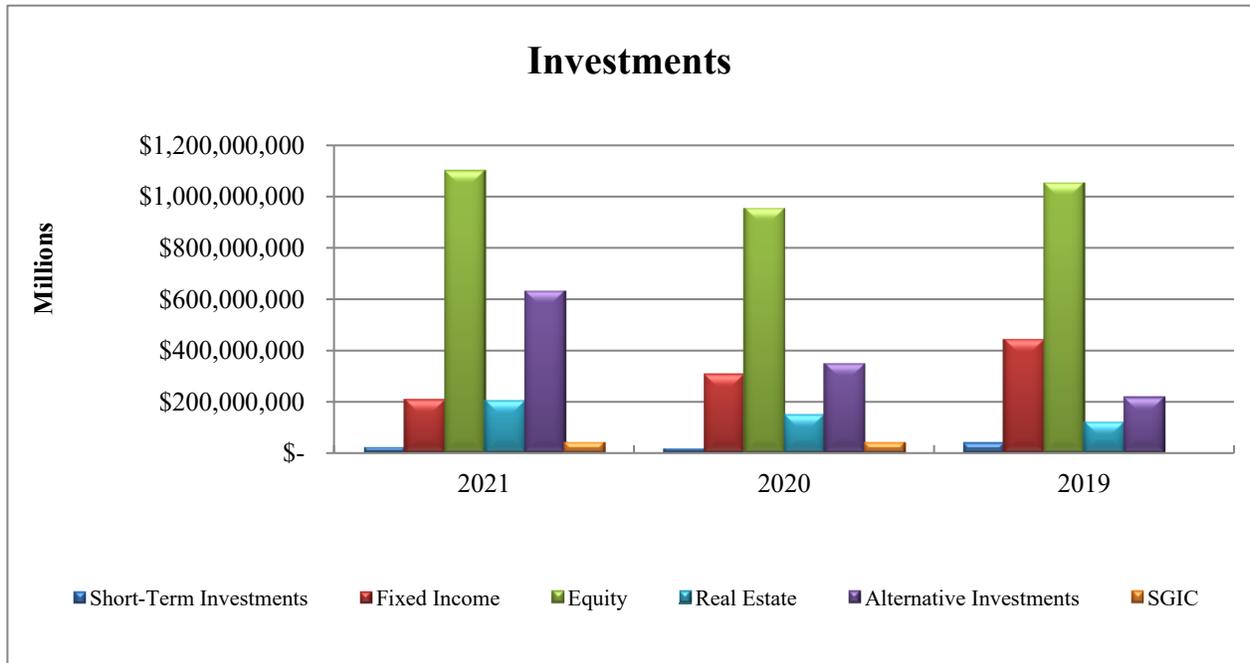
STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 were \$2,210,901,434 as compared to \$1,817,492,494 at June 30, 2020, an increase of \$393,408,940. Total investments at June 30, 2020 were \$1,817,492,494 as compared to \$1,873,259,954 at June 30, 2019, a decrease of \$(55,767,460).

LSERS' investments in various asset classes at the end of the 2021, 2020 and 2019 fiscal years are indicated in the following table:

<u>Investments - Fair Value</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short Term-Investments	\$ 21,810,629	\$ 16,521,345	\$ 38,005,237
Fixed Income	208,131,730	306,860,311	442,964,354
Equity	1,101,726,115	955,220,080	1,053,831,273
Real Estate	204,759,715	150,533,512	122,004,053
Alternative Investments	633,293,081	348,846,047	216,455,037
	<u>2,169,721,270</u>	<u>1,777,981,295</u>	<u>1,873,259,954</u>
<u>Investments - Contract Value</u>			
Synthetic Guaranteed			
Investment Contract (SGIC)	41,180,164	39,511,199	-
Total Investments	<u>\$ 2,210,901,434</u>	<u>\$ 1,817,492,494</u>	<u>\$ 1,873,259,954</u>



STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash:		
In bank	\$ 15,986,981	\$ 15,923,129
Receivables:		
Member contributions	3,471,108	2,980,817
Employer contributions	14,692,158	13,214,564
Privatization receivable	797,917	1,165,433
Accrued interest and dividends	1,884,092	2,358,344
Investment receivable	3,357,478	2,817,519
Other	838,160	651,744
Total receivables	<u>25,040,913</u>	<u>23,188,421</u>
Capital assets (Net of accumulated depreciation of \$3,008,077 in 2021 and \$2,804,464 in 2020)	<u>3,255,855</u>	<u>3,328,204</u>
Investments, at fair value:		
Short-term investments	21,810,629	16,521,345
Fixed income securities	208,131,730	306,860,311
Equities	1,101,726,115	955,220,080
Alternative investments	633,293,081	348,846,047
Real estate	204,759,715	150,533,512
Total investments, at fair value	<u>2,169,721,270</u>	<u>1,777,981,295</u>
Investments, at contract value:		
Synthetic guaranteed investment contracts	<u>41,180,164</u>	<u>39,511,199</u>
Total investments, at contract value	<u>41,180,164</u>	<u>39,511,199</u>
Total investments	<u>2,210,901,434</u>	<u>1,817,492,494</u>
Collateral held under securities lending program	96,447,092	80,577,027
Intangible assets (Net of accumulated amortization of \$452,573 in 2021 and \$396,661 in 2020)	111,823	167,735
Other assets	<u>36,872</u>	<u>48,663</u>
Total assets	<u>2,351,780,970</u>	<u>1,940,725,673</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>749,291</u>	<u>597,030</u>
LIABILITIES:		
Accounts payable	1,314,450	1,264,572
Accrued payroll expenses and benefits	400,981	346,936
Obligations under securities lending program	96,447,092	80,577,027
Investment payable	3,497,979	4,856,703
Refunds payable	105,245	578,920
Benefits payable	410,085	627,227
Other post employment benefits obligation	6,187,057	6,092,727
Total liabilities	<u>108,362,889</u>	<u>94,344,112</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,110,223</u>	<u>1,359,697</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,243,057,149</u>	<u>\$ 1,845,618,894</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ADDITIONS:		
Contributions:		
Member contributions	\$ 24,033,313	\$ 23,298,423
Employer contributions	90,508,947	89,856,849
Total contributions	<u>114,542,260</u>	<u>113,155,272</u>
Investment Income (Loss):		
Net appreciation (depreciation) in fair value of investments	468,345,756	(23,206,236)
Interest	4,613,612	7,881,143
Dividends	7,272,264	6,049,112
Securities lending income	207,168	1,483,150
Alternative investment income	19,356,738	14,811,046
Total investment income	<u>499,795,538</u>	<u>7,018,215</u>
Less Investment Expense:		
Investment advisory fee	(15,529,765)	(12,612,454)
Custodian and bank fees	(231,478)	(231,915)
Securities lending expense	(62,466)	(1,233,889)
Total investment expense	<u>(15,823,709)</u>	<u>(14,078,258)</u>
Net investment income (loss)	<u>483,971,829</u>	<u>(7,060,043)</u>
Total additions	<u>598,514,089</u>	<u>106,095,229</u>
DEDUCTIONS:		
Retirement benefits paid	192,699,081	191,516,165
Refunds of contributions	3,465,564	4,460,650
Administrative expenses	3,720,429	3,791,274
Depreciation and amortization expense	259,525	249,819
Transfer to other systems - employee	95,359	144,585
Transfer to other systems - employer and interest	835,876	703,416
Total deductions	<u>201,075,834</u>	<u>200,865,909</u>
NET INCREASE (DECREASE)	397,438,255	(94,770,680)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>1,845,618,894</u>	<u>1,940,389,574</u>
END OF YEAR	<u>\$ 2,243,057,149</u>	<u>\$ 1,845,618,894</u>

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

Synthetic Guaranteed Investment Contracts are carried at contract value as required by GASB Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments*.

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 System's percentage of ownership of the partner's capital reported by the partnership.

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

The System invests in 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 is reported at an estimated fair value.

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

Deferred Outflows and Inflows of Resources:

In addition to assets, the statements of fiduciary net position report a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The System has one item that qualifies for reporting in this category, which is amounts related to other postemployment benefits.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Outflows and Inflows of Resources: (Continued)

In addition to liabilities, the statements of fiduciary net position report a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The System has one item that meets the criterion for this category, which is amounts related to other postemployment benefits.

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 64 Parish school boards and 38 other agencies for the year ended June 30, 2021 and 64 Parish school boards and 36 other agencies for the year ended June 30, 2020.

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, 2021 and 2020, plan membership consisted of:

	<u>2021</u>	<u>2020</u>
Retirees and beneficiaries currently receiving benefits	13,699	13,657
Terminated employees entitled to benefits but not yet receiving them	487	395
Terminated vested employees who have not withdrawn contributions (DROP)	587	595
Fully vested, partially and nonvested active employees	11,700	11,925
Terminated due a refund	<u>4,649</u>	<u>4,425</u>
TOTAL PARTICIPANTS	<u><u>31,122</u></u>	<u><u>30,997</u></u>

Eligibility Requirements:

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements: (Continued)

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.

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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

Members of the System may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in 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).

Members who enter DROP or IBRP on or after January 1, 2004, are required to participate in LSERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP/IBRP participants to choose from a menu of investment options for the allocation of their DROP/IBRP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for members are established by state statute at 7.5% of their covered salary for members employed prior to July 1, 2010 and 8.0% of their covered salary 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, 2021 and June 30, 2020 was 28.5% and 30.3%, respectively. The actual employer contribution rate for June 30, 2021 and June 30, 2020 was 28.70% and 29.4%, respectively.

Administrative costs are included in aggregate normal cost.

Reserves:

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for 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 of the years ended June 30, 2021 and 2020 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, 2021 and 2020 is \$19,911,687 and \$5,413,514, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) 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 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, 2021 and 2020 is \$186,494,544 and \$183,471,325, respectively.

D) 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, 2021 and 2020 is \$302,047,604 and \$(44,253,528), respectively.

E) 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, 2021 and 2020 is \$1,664,853,121 and \$1,633,097,200, respectively.

F) DROP / IBRP Reserve:

The Deferred Retirement Option Plan was created by state law and consists of the balances 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/her benefits in a lump sum payment or by a true annuity. The Initial Benefit Retirement Plan was created by state law and consists of the balances for all participants who elect to take a lump sum benefit payment up front and subsequently

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

F) DROP / IBRP Reserve: (Continued)

receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The DROP / IBRP Reserve as of June 30, 2021 and 2020 is \$69,750,193 and \$67,890,383, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers determined in accordance with GASB Statement No. 67 as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total Pension Liability	\$ 2,718,374,040	\$ 2,649,075,730
Plan Fiduciary Net Position	<u>2,243,057,149</u>	<u>1,845,618,894</u>
Employers' Net Pension Liability	<u>\$ 475,316,891</u>	<u>\$ 803,456,836</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	82.51%	69.67%

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, 2021 and June 30, 2020 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, 2021 and 2020 is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2021 and 2020
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	6.90% (Net of investment expense) for 2021 7.00% (Net of investment expense) for 2020
Estimated remaining service lives	3 years
Inflation Rate	2.5%
Mortality	Mortality assumptions were based on the 2018 experience study (for the period 2013-2017). RP-2014 Healthy Annuitant Tables, RP-2014 Sex Distinct Employee Table, RP-2014 Sex Distinct Mortality Table
Salary increases	3.25% based on the 2018 experience study (for the period 2013-2017) of the System's members
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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	26%	0.76%
Equities	39%	2.84%
Alternatives	23%	1.87%
Real Estate	12%	0.60%
Totals	<u>100%</u>	<u>6.07%</u>
Inflation		<u>2.10%</u>
Expected Arithmetic Nominal Return		<u>8.17%</u>

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	26%	0.92%
Equities	39%	2.82%
Alternatives	23%	1.95%
Real Estate	12%	0.69%
Totals	<u>100%</u>	<u>6.38%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>8.38%</u>

The discount rate used to measure the total pension liability was 6.90% and 7.00% for the years ended June 30, 2021 and 2020, 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 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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 6.90% and 7.00% for the years ended June 30, 2021 and 2020, 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%	Discount	1%
	Decrease	Rate	Increase
	5.90%	6.90%	7.90%
2021 Net Pension Liability	\$ 732,012,989	\$ 475,316,891	\$255,897,120

	Changes in Discount Rate		
	1%	Discount	1%
	Decrease	Rate	Increase
	6.00%	7.00%	8.00%
2020 Net Pension Liability	\$1,052,409,550	\$ 803,456,836	\$590,537,830

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2021 and 2020:

	2021	2020
Deposits (bank balance)	\$ 16,784,245	\$ 16,126,174
Cash Equivalents - fair value	21,810,629	16,521,345
Investments - fair value	2,147,910,641	1,761,459,950
Synthetic Guaranteed Investment Contract - contract value	41,180,164	39,511,199
Total	\$ 2,227,685,679	\$ 1,833,618,668

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Cash Equivalents:

For the years ended June 30, 2021 and 2020, cash equivalents in the amount of \$21,810,629 and \$16,521,345, 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, 2020, foreign currency included in cash equivalents of \$275,240 is not covered by federal depository insurance or pledged collateral. At June 30, 2021, there was no foreign currency included in cash equivalents.

Synthetic Guaranteed Investment Contract:

The System provides a fully benefit-responsive Synthetic Guaranteed Investment Contract (SGIC) option for members of DROP / IBRP participating in the Self-Directed Plan. The primary objective of the SGIC is to seek to provide safety of principal while earning as high a level of return as possible. The SGIC includes a wrap contract providing book value protection for participant withdrawals prior to maturity. The SGIC seeks consistency of returns with minimal volatility, while maintaining a stable credited rate of interest. This investment is reported at contract value in the amount of \$41,180,164 and \$39,511,199, respectively, as of June 30, 2021 and 2020. Market value approximates cost.

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 statutes 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Investments: (Continued)

The following was the System's asset allocation policy as of June 30, 2021 and 2020:

	Asset Type	Target Allocation 2021	Target Allocation 2020
Fixed Income	Core Fixed Income	13%	13%
	Opportunistic Fixed Income	13%	13%
Equity	U.S. Equity	13%	13%
	International Equity	13%	13%
	Emerging Markets Equity	13%	13%
Alternative	Multi-Asset Class Solutions	5%	5%
	Private Equity	12%	12%
	Real Assets - Oil & Gas	6%	6%
Real Estate		12%	12%
Total		<u>100%</u>	<u>100%</u>

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, 2021 and 2020, the System had the following investments in debt securities and maturities:

Investment Type	June 30, 2021				
	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	\$ 137,100,511	\$ -	\$ 63,979,426	\$ 37,414,521	\$ 35,706,564
Domestic fixed income	71,031,219	2,553,659	34,980,597	33,496,963	-
Total	<u>\$ 208,131,730</u>	<u>\$ 2,553,659</u>	<u>\$ 98,960,023</u>	<u>\$ 70,911,484</u>	<u>\$ 35,706,564</u>
Collateral held under securities lending	<u>\$ 96,447,092</u>	<u>\$ 96,447,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Interest Rate Risk: (Continued)

Investment Type	June 30, 2020				
	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	\$ 141,097,193	\$ -	\$ 11,169	\$ 3,107,339	\$ 137,978,685
Domestic fixed income	72,153,600	9,136,470	31,101,406	31,915,724	-
Fixed income fund - domestic	31,719,519	-	-	31,719,519	-
Fixed income fund - foreign	61,889,999	-	-	-	61,889,999
Total	<u>\$ 306,860,311</u>	<u>\$ 9,136,470</u>	<u>\$ 31,112,575</u>	<u>\$ 66,742,582</u>	<u>\$ 199,868,684</u>
Collateral held under securities lending	<u>\$ 80,577,027</u>	<u>\$ 80,577,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021 and 2020, for collateral held under securities lending in the amounts of \$96,447,092 and \$80,577,027, respectively, and noncash collateral received under the securities lending program in the amounts of \$8,999,410 and \$6,397,400, 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 <u>2021</u>	December 31 <u>2020</u>
Short term investments	0 - 3%	0 - 3%
Equities	30 - 60%	30-60%
Fixed income	15 - 40%	15 - 40%
Real estate	5 - 15%	5 - 15%
Alternative investments	9 - 35%	9 - 35%

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Concentration of Credit Risk: (Continued)

At June 30, 2021 and 2020, 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 fixed income securities 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, 2021

	Government Mortgage Backed Securities and U.S Treasury & Govt Agency Obligations	Domestic Fixed Income
AAA	\$ -	\$ -
AA+	137,100,511	3,300,090
AA	-	2,748,750
AA-	-	-
A+	-	-
A	-	6,077,830
A-	-	18,383,539
BBB+	-	20,801,120
BBB	-	18,581,382
BBB-	-	1,121,250
BB+	-	-
BB-	-	-
Not Rated	-	17,258
Total	<u>\$ 137,100,511</u>	<u>\$ 71,031,219</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Credit Risk: (Continued)

June 30, 2020

	Government Mortgage Backed Securities and U.S Treasury & Govt Agency Obligations	Domestic Fixed Income	Fixed Income Fund - Domestic	Fixed Income Fund - Foreign
AAA	\$ -	\$ -	\$ -	\$ -
AA+	54,240,246	3,359,430	-	-
AA	-	-	-	-
AA-	-	2,835,175	-	-
A+	-	-	-	-
A	-	12,073,230	-	-
A-	-	20,823,621	-	-
BBB+	-	19,535,809	-	-
BBB	-	13,526,335	-	-
BBB-	-	-	-	-
BB+	-	-	-	61,889,999
BB-	-	-	31,719,519	-
Not Rated	86,856,947	-	-	-
Total	<u>\$ 141,097,193</u>	<u>\$ 72,153,600</u>	<u>\$ 31,719,519</u>	<u>\$ 61,889,999</u>

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 26% of total investments in foreign marketable securities.

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, 2021 and 2020 are as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2021:

Currency	Foreign Equities	Alternative Investments	Cash and Other	Total
Australian dollar	\$ 3,222,463	\$ -	\$ -	\$ 3,222,463
Canadian dollar	3,605,338	-	-	3,605,338
Danish krone	7,981,829	-	-	7,981,829
Euro	25,032,821	4,570,575	(6)	29,603,390
Hong Kong dollar	5,293,973	-	-	5,293,973
Japanese yen	21,209,857	-	-	21,209,857
Pound sterling	8,726,265	-	2	8,726,267
Singapore dollar	1,715,600	-	-	1,715,600
Swiss franc	12,243,302	-	-	12,243,302
Total	<u>\$ 89,031,448</u>	<u>\$ 4,570,575</u>	<u>\$ (4)</u>	<u>\$ 93,602,019</u>

Fair Value at June 30, 2020:

Currency	Foreign Equities	Alternative Investments	Cash and Other	Total
Australian dollar	\$ 3,333,467	\$ -	\$ -	\$ 3,333,467
Canadian dollar	1,912,837	-	-	1,912,837
Danish krone	8,240,008	-	-	8,240,008
Euro	19,701,426	3,690,291	269,556	23,661,273
Hong Kong dollar	7,344,845	-	-	7,344,845
Japanese yen	22,480,392	-	-	22,480,392
Pound sterling	9,435,029	-	3	9,435,032
Singapore dollar	997,157	-	-	997,157
Swiss franc	11,958,395	-	5,681	11,964,076
Total	<u>\$ 85,403,556</u>	<u>\$ 3,690,291</u>	<u>\$ 275,240</u>	<u>\$ 89,369,087</u>

Money-Weighted Rate of Return:

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 26.36% and (1.71)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, respectively:

	June 30, 2021	Fair Value Measurements Using		
		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	\$ 21,810,629	\$ -	\$ -	\$ 21,810,629
Fixed Income Securities:				
U.S. Treasury and Government Obligations	97,174,953	97,174,953	-	-
Mortgage backed securities	39,925,558	-	39,925,558	-
Corporate bonds - domestic	71,013,960	-	71,013,960	-
Total fixed income securities	208,114,471	97,174,953	110,939,518	-
Equity Securities:				
Domestic equities	106,808,827	106,808,827	-	-
Foreign equities	196,161,973	196,161,973	-	-
Total equity securities	302,970,800	302,970,800	-	-
Real Estate	2,533,170	-	2,533,170	-
Total investments by fair value level	535,429,070	400,145,753	113,472,688	21,810,629
Investments measured at Net Asset Value (NAV):				
Equities:				
Equity funds - domestic	279,296,729			
Equity funds - foreign	519,510,321			
Alternative investments:				
Private equity funds	633,293,081			
Real estate funds	202,226,545			
Total investments at NAV	1,634,326,676			
Investment derivatives:				
Domestic equity index futures - long	27,570	27,570	-	-
Foreign equity index futures - long	(79,305)	(79,305)	-	-
Fixed income index futures - long	17,259	17,259	-	-
Total investment derivatives	(34,476)	(34,476)	-	-
Total investments at fair value	\$ 2,169,721,270			

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

6. FAIR VALUE MEASUREMENT: (Continued)

Investment Valuation and Fair Value Hierarchy: (Continued)

	June 30, 2020	Fair Value Measurements Using		
		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	\$ 16,521,345	\$ -	\$ -	\$ 16,521,345
Fixed Income Securities:				
U.S. Treasury and Government Obligations	99,126,072	99,126,072	-	-
Mortgage backed securities	41,971,121	-	41,971,121	-
Corporate bonds - domestic	72,153,600	-	72,153,600	-
Total fixed income securities	213,250,793	99,126,072	114,124,721	-
Equity Securities:				
Domestic equities	100,310,863	100,310,863	-	-
Foreign equities	171,313,946	171,313,946	-	-
Total equity securities	271,624,809	271,624,809	-	-
Real Estate	2,492,688	-	2,492,688	-
Total investments by fair value level	503,889,635	370,750,881	116,617,409	16,521,345
Investments measured at Net Asset Value (NAV):				
Fixed Income:				
Fixed income funds - domestic	31,719,519			
Fixed income funds - foreign	61,889,999			
Equities:				
Equity funds - domestic	262,776,152			
Equity funds - foreign	420,819,119			
Alternative investments:				
Private equity funds	348,846,047			
Real estate funds	148,040,824			
Total investments at fair value	\$ 1,777,981,295	\$ -	\$ -	\$ -

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

6. FAIR VALUE MEASUREMENT: (Continued)

Investment Valuation and Fair Value Hierarchy: (Continued)

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, 2021 are presented in the following table.

	<u>2021</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate - Quarterly	\$ 66,371,053	\$ -	Quarterly	90 days
Real estate - Lock Up	<u>135,855,492</u>	120,540,762	N/A	N/A
Total real estate	202,226,545			
Private equity	633,293,081	389,370,403	N/A	N/A
Equity funds - Domestic	279,296,729	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Foreign	519,510,321	-	Daily, Weekly or Monthly	1-30 days
Total investments at the NAV	<u><u>\$ 1,634,326,676</u></u>			

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, 2020 are presented in the following table.

	<u>2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate - Quarterly	\$ 61,788,328	\$ -	Quarterly	90 days
Real estate - Lock Up	<u>86,252,496</u>	91,610,837	N/A	N/A
Total real estate	148,040,824			
Private equity	348,846,047	189,191,097	N/A	N/A
Fixed income funds - Domestic	31,719,519	-	Daily, Weekly or Monthly	1-30 days
Fixed income funds - Foreign	61,889,999	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Domestic	262,776,152	-	Daily, Weekly or Monthly	1-30 days
Equity funds - Foreign	420,819,119	-	Daily, Weekly or Monthly	1-30 days
Total investments at the NAV	<u><u>\$ 1,274,091,660</u></u>			

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

6. FAIR VALUE MEASUREMENT: (Continued)

Private Equity Funds:

The System commits capital to 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 System's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10-15 years.

Real Estate Funds:

The System commits capital to real estate funds which invest in real estate domiciled in North America and Europe. These funds invest primarily in major property types including office, residential, retail, industrial, and hotel 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. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10-15 years.

Fixed Income Funds:

The System allocates capital to funds 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, monthly, or quarterly 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 allocates capital to funds 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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. SECURITY LENDING TRANSACTIONS: (Continued)

its third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends available assets such as U.S. and non-U.S. equities, corporate bonds, and U.S. Government and Government Agency Securities. Securities are loaned versus collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. 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 111% of the market value of the securities plus any accrued interest. At June 30, 2021 and 2020, 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, 2021 is 103 days and as of June 30, 2020, is 143 days. Cash collateral is invested in the lending agent's short-term investment pool, which at June 30, 2021 and 2020 has a weighted-average maturity of 34 days and 24 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, 2021	Fair Value of Securities on Loan June 30, 2020
Corporate bonds - domestic	\$ 25,129,091	\$ 13,157,173
Equities - domestic	63,068,661	58,108,015
Equities - foreign	2,337,496	5,763,153
Treasury notes	3,599,878	1,178,301
Exchange traded	-	267,036
Total	<u>\$ 94,135,126</u>	<u>\$ 78,473,678</u>

Securities on loan at June 30, 2021 and 2020 are collateralized by cash collateral in the amount of \$96,447,092 and \$80,577,027, respectively, and noncash collateral in the amount of \$8,999,410 and \$6,397,400, 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, 2021 and 2020. Such matching did exist since loans may be terminated on demand.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. CAPITAL ASSETS:

Changes in capital assets for the year ended June 30, 2021 are as follows:

	Beginning Balance <u>June 30, 2020</u>	Additions	Deletions	Ending Balance <u>June 30, 2021</u>
Building	\$ 4,358,459	\$ 86,697	\$ -	\$ 4,445,156
Land	1,010,225	-	-	1,010,225
Furniture and equipment	763,984	44,567	-	808,551
Accumulated depreciation	<u>(2,804,464)</u>	<u>(203,613)</u>	<u>-</u>	<u>(3,008,077)</u>
Total capital assets, net	<u>\$ 3,328,204</u>	<u>\$ (72,349)</u>	<u>\$ -</u>	<u>\$ 3,255,855</u>
Intangibles	\$ 564,396	\$ -	\$ -	\$ 564,396
Accumulated amortization	<u>(396,661)</u>	<u>(55,912)</u>	<u>-</u>	<u>(452,573)</u>
Total intangibles, net	<u>\$ 167,735</u>	<u>\$ (55,912)</u>	<u>\$ -</u>	<u>\$ 111,823</u>

Changes in capital assets for the year ended June 30, 2020 are as follows:

	Beginning Balance <u>June 30, 2019</u>	Additions	Deletions	Ending Balance <u>June 30, 2020</u>
Building	\$ 4,185,247	\$ 173,212	\$ -	\$ 4,358,459
Land	1,010,225	-	-	1,010,225
Furniture and equipment	717,684	46,300	-	763,984
Accumulated depreciation	<u>(2,611,305)</u>	<u>(193,159)</u>	<u>-</u>	<u>(2,804,464)</u>
Total capital assets, net	<u>\$ 3,301,851</u>	<u>\$ 26,353</u>	<u>\$ -</u>	<u>\$ 3,328,204</u>
Intangibles	\$ 564,396	\$ -	\$ -	\$ 564,396
Accumulated amortization	<u>(340,001)</u>	<u>(56,660)</u>	<u>-</u>	<u>(396,661)</u>
Total intangibles, net	<u>\$ 224,395</u>	<u>\$ (56,660)</u>	<u>\$ -</u>	<u>\$ 167,735</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$203,613 and \$193,159, respectively. Amortization expense for the years ended June 30, 2021 and 2020 was \$55,912 and \$56,660, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

9. OPERATING LEASES:

The System leases office space recorded as real estate held for investment under an operating lease expiring June 30, 2026. The cost and fair value of the real estate held for investments is \$2,530,238 and \$2,533,170, respectively, for the year ended June 30, 2021. The cost and fair value of the real estate held for investment is \$2,489,755 and \$2,492,688, respectively, for the year ended June 30, 2020.

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

<u>June 30</u>	<u>Amount</u>
2022	\$ 358,776
2023	362,337
2024	365,898
2025	369,459
2026	373,020
	<u>\$ 1,829,490</u>

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

10. 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, 2021 and 2020, 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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 \$221,200 and \$213,921 for the years ended June 30, 2021 and 2020, 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 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:

<u>OGB Participation</u>	<u>Employer Share</u>	<u>Retiree Share</u>
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, 2021 and 2020, the System reported a liability of \$6,187,057 and \$6,092,727, respectively, for its proportionate share of the collective total OPEB liability. The collective total OPEB liability was measured as of July 1, 2020 and 2019, 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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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10. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

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, 2020, and 2019, the System's proportion was 0.0747% and 0.0789%, respectively.

For the year ended June 30, 2021 and 2020, the System recognized OPEB expense (benefit) of \$(86,205) and \$(26,366), respectively. As of June 30, 2021 and 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2021</u>		
Changes of assumptions	\$ 161,759	\$ 592,055
Differences between expected and actual experience	142,294	11,910
Changes in employer's proportionate share	217,790	502,998
Differences between employer contributions and proportionate share of contributions	6,248	3,260
Employer contributions subsequent to the measurement date	221,200	-
Total	\$ 749,291	\$ 1,110,223
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2020</u>		
Changes of assumptions	\$ -	\$ 982,157
Differences between expected and actual experience	73,676	20,968
Changes in employer's proportionate share	304,906	351,813
Differences between employer contributions and proportionate share of contributions	4,527	4,759
Employer contributions subsequent to the measurement date	213,921	-
Total	\$ 597,030	\$ 1,359,697

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$221,200 will be recognized as a reduction of the collective total OPEB liability in the year ended June 30, 2022, 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:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

Year Ended	
June 30	Amount
2022	\$ (335,923)
2023	(190,626)
2024	(50,470)
2025	(5,113)
	<u>\$ (582,132)</u>

Actuarial Assumptions:

The actuarial valuations as of July 1, 2020 and July 1, 2019, to determine the total OPEB liability, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.80% for 2020 and 2019
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	2.66% based on the June 30, 2020 S&P Municipal Bond 20-Year High Grade Rate Index
	2.79% based on the June 30, 2019 S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	6.75% – 4.50% for 2020 7.00% – 4.50% for 2019
Mortality Rates	For active lives: RP2014 Blue Collar Employee Table adjusted by 0.978 for males and 1.144 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2018, for 2020 and 2019.
	For healthy retiree lives: The RP2014 Blue Collar Healthy Annuitant Table adjusted by 1.280 for males and 1.417 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2018, for 2020 and 2019.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates (Continued) For disable retiree lives: RP2000 Disabled Tables adjusted by 1.009 for males and 1.043 for females, not projected with Mortality Improvement for 2020 and 2019.

Discount Rate:

The discount rate used to measure the total OPEB liability was 2.66% as of July 1, 2020 and 2.79% as of July 1, 2019. 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:

<u>June 30, 2021</u>	1.0% Decrease (1.66%)	Current Discount Rate (2.66%)	1.0% Increase (3.66%)
System's Proportionate share of Collective Total OPEB Liability	<u>\$ 7,251,956</u>	<u>\$ 6,187,057</u>	<u>\$5,345,761</u>

<u>June 30, 2020</u>	1.0% Decrease (1.79%)	Current Discount Rate (2.79%)	1.0% Increase (3.79%)
System's Proportionate share of Collective Total OPEB Liability	<u>\$ 7,133,535</u>	<u>\$ 6,092,727</u>	<u>\$5,269,745</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

10. 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:

<u>June 30, 2021</u>	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.0% Increase</u>
System's Proportionate share of Collective Total OPEB Liability	<u>\$ 5,330,116</u>	<u>\$ 6,187,057</u>	<u>\$7,278,086</u>

<u>June 30, 2020</u>	<u>1.0% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.0% Increase</u>
System's Proportionate share of Collective Total OPEB Liability	<u>\$ 5,269,611</u>	<u>\$ 6,092,727</u>	<u>\$7,135,600</u>

Payables to the OPEB Plan:

As of June 30, 2021 and 2020, the System did not have payables for outstanding contributions to the OPEB Plan.

11. DERIVATIVES:

The System reports derivatives in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which requires investment derivatives to be recorded at fair value and requires certain disclosures.

The System's investment derivative instruments include domestic and foreign equity index futures contracts and fixed income futures contracts. Futures contracts are commitments to purchase or sell a specific amount of an asset at a specified date for a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to

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SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2021 AND 2020

11. DERIVATIVES: (Continued)

minimize such risk. Futures are used primarily as a tool to increase or decrease market exposure to various asset classes. These derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, protect against changes in interest rates or replicate an index. The System did not invest in future during the year ended June 30, 2020. At June 30, 2021, the System has the following derivative instruments categorized as futures contracts:

Futures:	Notional Amount	Fair Value		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Domestic Equity Index Futures - Long	\$ 3,777,050	Equity	\$ 27,570	Net App (Dep) in Fair Value	\$ 27,570
Foreign Equity Index Futures - Long	\$ 5,405,005	Equity	\$ (79,305)	Net App (Dep) in Fair Value	\$ (79,305)
Fixed Income Futures - Long	\$ 4,111,336	Fixed Income	\$ 17,259	Net App (Dep) in Fair Value	\$ 17,259
Total Futures	<u>\$ 13,293,391</u>		<u>\$ (34,476)</u>		<u>\$ (34,476)</u>

Derivative Counterparty Credit Risk:

All futures contracts held by the System at June 30, 2021, were exchange-traded, thereby minimizing counterparty credit risk through the use of a futures clearing merchant. The clearing merchant acts as an intermediary who contracts with the buyer and seller to facilitate trades. The National Securities Clearing Corporation (NSCC), a subsidiary of the Depository Trust Clearing Corporation (DTCC), oversees the responsibilities and laws governing the clearing merchants.

Derivative Foreign Currency Risk:

The System's futures contracts are denominated in U.S. dollars. Therefore, the System's futures contracts are not exposed to foreign currency risk, at June 30, 2021.

Derivative Interest Rate Risk:

At June 30, 2021, the System was exposed to interest rate risk on its investments in futures. The table below illustrates the maturity periods of these derivative instruments.

Investment Type	June 30, 2021				
	Fair Value	Less Than 1 Year	1 to 5	6 to 10	10+ Years
Fixed income futures - long	\$ 17,259	\$ 17,259	\$ -	\$ -	\$ -
Total	<u>\$ 17,259</u>	<u>\$ 17,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

12. SUBSEQUENT EVENTS:

The System has evaluated subsequent events through the date these financial statements were available to be issued, October 14, 2021.

13. UNCERTAINTIES:

Certain impacts to public health conditions and the global economy related to the coronavirus (COVID-19) pandemic that has occurred, and has continued subsequent to year-end, may have a significant negative impact on the market values of the System's investments. The extent of the impact to the financial performance of the System will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, and of which are highly uncertain and cannot be predicted.

14. 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE EIGHT YEARS ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 43,775,376	\$ 43,447,024	\$ 43,432,578	\$ 45,867,897
Interest	181,783,980	181,154,463	180,942,769	179,235,346
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	15,421,605	(20,719,787)	(17,895,179)	(16,556,084)
Changes of assumptions	23,492,565	-	14,364,127	32,157,641
Benefit payments	(192,699,081)	(191,516,165)	(190,583,243)	(185,260,310)
Refunds of member contributions	(3,465,564)	(4,460,650)	(5,711,862)	(4,843,590)
Other	989,429	719,506	1,651,761	1,016,485
Net change in total pension liability	<u>69,298,310</u>	<u>8,624,391</u>	<u>26,200,951</u>	<u>51,617,385</u>
Total pension liability - beginning	<u>2,649,075,730</u>	<u>2,640,451,339</u>	<u>2,614,250,388</u>	<u>2,562,633,003</u>
Total pension liability - ending (a)	<u>2,718,374,040</u>	<u>2,649,075,730</u>	<u>2,640,451,339</u>	<u>2,614,250,388</u>
Plan Fiduciary Net Position				
Contributions - member	23,814,272	23,098,769	22,382,628	22,140,933
Contributions - employer	88,807,324	88,488,996	82,068,712	80,258,243
Net investment income (loss)	483,971,829	(7,060,043)	88,335,369	118,140,167
Benefit payments	(192,699,081)	(191,516,165)	(190,583,243)	(185,260,310)
Administrative expenses	(3,979,954)	(4,041,093)	(3,866,830)	(4,104,342)
Refunds of member contributions	(3,465,564)	(4,460,650)	(5,711,862)	(4,843,590)
Other	989,429	719,506	1,651,760	746,551
Net change in plan fiduciary net position	<u>397,438,255</u>	<u>(94,770,680)</u>	<u>(5,723,466)</u>	<u>27,077,652</u>
Plan fiduciary net position - beginning	1,845,618,894	1,940,389,574	1,946,113,040	1,922,705,998
Cumulative effect of change in accounting principle	-	-	-	(3,670,610)
Plan fiduciary net position - ending (b)	<u>2,243,057,149</u>	<u>1,845,618,894</u>	<u>1,940,389,574</u>	<u>1,946,113,040</u>
Net pension liability - ending (a) - (b)	<u>\$ 475,316,891</u>	<u>\$ 803,456,836</u>	<u>\$ 700,061,765</u>	<u>\$ 668,137,348</u>
Plan fiduciary net position as a percentage of total pension liability	82.51%	69.67%	73.49%	74.44%
Covered payroll	\$ 309,433,185	\$ 300,982,980	\$ 293,102,543	\$ 290,790,736
Net pension liability as a percentage of covered payroll	153.61%	266.94%	238.85%	229.77%

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 EIGHT YEARS ENDED JUNE 30, 2021

(Continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 46,810,714	\$ 47,736,305	\$ 48,439,299	\$ 48,156,347
Interest	176,703,036	171,263,493	174,301,726	166,628,161
Changes of benefit terms	-	24,227,513	-	-
Differences between expected and actual experience	(22,200,508)	(366,508)	(61,023,560)	(47,587,285)
Changes of assumptions	20,126,949	(29,907,056)	53,611,597	29,612,455
Benefit payments	(179,085,508)	(173,565,398)	(167,617,424)	(162,607,928)
Refunds of member contributions	(4,231,413)	(4,139,711)	(4,213,790)	(4,389,704)
Other	2,352,235	1,325,673	3,833,926	4,425,118
Net change in total pension liability	<u>40,475,505</u>	<u>36,574,311</u>	<u>47,331,774</u>	<u>34,237,164</u>
Total pension liability - beginning	<u>2,522,157,498</u>	<u>2,485,583,187</u>	<u>2,438,251,413</u>	<u>2,404,014,249</u>
Total pension liability - ending (a)	<u>2,562,633,003</u>	<u>2,522,157,498</u>	<u>2,485,583,187</u>	<u>2,438,251,413</u>
Plan Fiduciary Net Position				
Contributions - member	21,874,930	21,590,258	20,552,109	22,176,965
Contributions - employer	78,768,502	86,414,623	92,365,229	96,701,264
Net investment income (loss)	239,412,332	(10,422,226)	54,091,029	268,947,156
Benefit payments	(179,085,508)	(173,565,398)	(167,617,424)	(162,607,928)
Administrative expenses	(3,954,563)	(4,620,063)	(4,728,730)	(4,444,879)
Refunds of member contributions	(4,231,413)	(4,139,711)	(4,213,790)	(4,389,704)
Other	2,111,471	1,096,583	3,640,702	(180,701)
Net change in plan fiduciary net position	<u>154,895,751</u>	<u>(83,645,934)</u>	<u>(5,910,875)</u>	<u>216,202,173</u>
Plan fiduciary net position - beginning	1,767,810,247	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)	<u>1,922,705,998</u>	<u>1,767,810,247</u>	<u>1,851,456,181</u>	<u>1,857,367,056</u>
Net pension liability - ending (a) - (b)	<u>\$ 639,927,005</u>	<u>\$ 754,347,251</u>	<u>\$ 634,127,006</u>	<u>\$ 580,884,357</u>
Plan fiduciary net position as a percentage of total pension liability	75.03%	70.09%	74.49%	76.18%
Covered payroll	\$ 288,529,311	\$ 286,141,136	\$ 279,894,633	\$ 277,481,437
Net pension liability as a percentage of covered payroll	221.79%	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 EIGHT YEARS ENDED JUNE 30, 2021

Fiscal Year End	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability as a Percentage of Covered Payroll
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%
2020	2,649,075,730	1,845,618,894	803,456,836	69.67%	300,982,980	266.94%
2021	2,718,374,040	2,243,057,149	475,316,891	82.51%	309,433,185	153.61%

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, 2021

Fiscal Year End	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2020	88,488,996	88,488,996	-	300,982,980	29.4%
2021	88,807,324	88,807,324	-	309,433,185	28.7%

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE EIGHT YEARS ENDED JUNE 30, 2021

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2014	16.66%
2015	2.91%
2016	0.77%
2017	13.82%
2018	6.13%
2019	4.29%
2020	-1.71%
2021	26.36%

* 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 FIVE YEARS ENDED JUNE 30, 2021

<u>Fiscal Year*</u>	System's Proportion of the Collective Total OPEB <u>Liability</u>	System's Proportionate Share of the Collective Total <u>OPEB Liability</u>	System's Covered <u>Payroll</u>	System's Proportionate Share of the Collective Total OPEB Liability as a % of its Covered <u>Payroll</u>
2017	0.0815%	\$ 7,397,645	\$ 1,666,297	443.96%
2018	0.0815%	7,086,024	1,484,579	477.31%
2019	0.0746%	6,369,148	1,539,687	413.67%
2020	0.0789%	6,092,726	1,725,058	353.19%
2021	0.0747%	6,187,057	1,916,809	322.78%

* 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

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, Ltd. 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 schedule of employers' net pension liability shows the percentage of the System's employers' net pension liability as a percentage of covered payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered payroll is the payroll on which contributions to the System are based.

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 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 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

6. ACTUARIAL ASSUMPTIONS – NET PENSION LIABILITY:

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, 2021 actuarial funding valuation, which were 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	Inflation Rate	Investment Rate of Return (Discount Rate)	Salary Increases	Mortality Rate
June 30, 2021	2.50% per annum	6.90% per annum	2013 - 2017 experience study, 3.25%	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Tables
June 30, 2020	2.50% per annum	7.00% per annum	2013 - 2017 experience study, 3.25%	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Tables
June 30, 2019	2.50% per annum	7.00% per annum	2013 - 2017 experience study, 3.25%	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Tables
June 30, 2018	2.50% per annum	7.0625% per annum	2013 - 2017 experience study, 3.25%	RP-2014 Healthy Annuitant Tables RP-2014 Sex Distinct Tables
June 30, 2017	2.625% per annum	7.125% per annum	2008 - 2012 experience study, ranging from 3.075% to 5.375%	RP-2000 Sex Distinct Tables RP-2000 Disabled Lives Table
June 30, 2016	2.625% per annum	7.125% per annum	2008 - 2012 experience study, ranging from 3.075% to 5.375%	RP-2000 Sex Distinct Tables RP-2000 Disabled Lives Table
June 30, 2015	2.750% per annum	7.00% per annum	2008 - 2012 experience study. Salary growth rates are based upon the members' years of service	RP-2000 Sex Distinct Tables
June 30, 2014	2.750% per annum	7.25% per annum	2008 - 2012 experience study. Salary growth rates are based upon the members' years of service	RP-2000 Sex Distinct Tables

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

7. CHANGES IN ACTUARIAL ASSUMPTIONS: (Continued)

OPEB Plan

The discount rate changed from 2.79% as of July 1, 2019 to 2.66% as of July 1, 2020, for the State of Louisiana OPEB Plan.

Other changes in assumptions as of July 1, 2020 were as follows:

1. Baseline per capita costs (PCCs) were updated to reflect 2020 claims and enrollment for the prescription drug costs and retiree contributions were updated based on 2021 premiums. Plan claims and premiums increased less than had been expected, which decreased the Plan's liability. In addition, the estimate of future EGWP savings was increased, based on an analysis of recent EGWP experience. This further reduced the Plan's liability.
2. Economic assumptions were updated to reflect the updated salary scale assumptions adopted by LASERS and TRSL. This slightly increased the Plan's liability.
3. Several demographic assumptions were updated based on a review of OPEB experience from July 1, 2017 through June 30, 2020.
 - a) Medical participation rates were decreased, decreasing the Plan's liability.
 - b) The life participation rate was decreased from 52% to 36%, decreasing the Plan's liability.
 - c) The age difference between future retirees and their spouses was updated, increasing the Plan's liability.
 - d) The assumed percent of participants assumed to be Medicare-eligible upon reaching age 65 was updated, increasing the Plan's liability.
 - e) Medical plan election percentages were updated which contributed to a decrease in the Plan's liability associated with updating baseline per capita costs (PCCs) and premiums.

The discount rate changed from 2.98% as of July 1, 2018 to 2.79% as of July 1, 2019, for the State of Louisiana OPEB Plan.

Other changes in assumptions as of July 1, 2019 were as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021 AND 2020

7. CHANGES IN ACTUARIAL ASSUMPTIONS: (Continued)

OPEB Plan (Continued)

1. Baseline per capita costs were updated to reflect 2019 claims and enrollment and retiree contributions were updated based on 2020 premiums. Plan claims and premiums increased less than had been expected, which decreased the Plan's liability. In addition, the estimate of future EGWP savings was increased, based on an analysis of recent EGWP experience. This further reduced the Plan's liability.
2. Life insurance contributions were updated based on updated schedules for 2020 monthly premium rates, which reduced the Plan's liability.
3. The impact of the High-Cost Excise Tax was removed. The High-Cost Excise Tax was repealed in December 2019. This reduced the Plan's liability.
4. Demographic assumptions were revised for the Louisiana State Employees' Retirement System to reflect the recent experience study.

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

Other changes in assumptions as of July 1, 2018 were as follows:

1. Baseline per capita costs 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.
2. The mortality assumption for the Louisiana State Employees' Retirement System was updated from the RP-2014 Healthy Annuitant and Employee tables for males and females with generational projections using projection scale MP-2017 to the RP-2014 Healthy Annuitant and Employee tables for males and females using projection scale MP-2018.

The discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017, for the State of Louisiana OPEB Plan.

8. CHANGES OF BENEFIT TERMS:

Pension Plan:

There were no changes of benefit terms for the Pension Plan during any of the years presented.

OPEB Plan:

There were no changes of benefit terms for the OPEB Plan during any of the years presented.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

June 30, 2021

<u>TRUSTEE</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Andrea Matte	12	\$ 900
Colleen Barber	12	900
Eugene Rester, Jr.	12	900
Jeffrey Faulk, Sr.	6	450
Philip Walther	12	900
Henry Yearby	12	900
Penny Brown	12	<u>900</u>
Totals		<u>\$ 5,850</u>

June 30, 2020

<u>TRUSTEE</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Andrea Matte	10	\$ 750
Colleen Barber	11	825
Eugene Rester, Jr.	9	675
Jeffery Faulk, Sr.	11	825
Phillip Walther	7	525
Henry Yearby	11	825
Penny Brown	11	<u>825</u>
Totals		<u>\$ 5,250</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
SALARIES AND RELATED EXPENSES:		
Salaries	\$ 2,173,938	\$ 2,136,940
Related benefits	757,692	835,771
Compensation - board	<u>5,850</u>	<u>5,250</u>
Total salaries and related expenses	<u>2,937,480</u>	<u>2,977,961</u>
TRAVEL EXPENSES:		
Travel - board	15,592	15,185
Travel - staff	<u>7,595</u>	<u>30,320</u>
Total travel expenses	<u>23,187</u>	<u>45,505</u>
OPERATING SERVICES:		
Equipment maintenance	70,030	73,222
Equipment rent	9,179	11,476
Building maintenance	185,286	197,209
Dues and subscriptions	43,546	42,258
Postage and printing	108,724	108,044
Telephone	42,293	42,026
Insurance	42,481	39,289
Legal	14,071	15,430
Advertising	27	14
Records imaging	<u>120</u>	<u>440</u>
Total operating services	<u>515,757</u>	<u>529,408</u>
SUPPLIES:		
Office	8,796	12,310
Computer	<u>1,847</u>	<u>4,804</u>
Total supplies	<u>10,643</u>	<u>17,114</u>
PROFESSIONAL SERVICES:		
Medical	15,420	6,350
Elections	14,943	-
Actuary	101,400	96,300
Audit	<u>64,900</u>	<u>64,900</u>
Total professional services	<u>196,663</u>	<u>167,550</u>
INTERAGENCY TRANSFERS:		
Civil Service	<u>10,580</u>	<u>10,314</u>
Total interagency transfers	<u>10,580</u>	<u>10,314</u>
OTHER CHARGES:		
Miscellaneous	7,966	20,745
Computer software and network maintenance	<u>18,153</u>	<u>22,677</u>
Total other charges	<u>26,119</u>	<u>43,422</u>
TOTAL ADMINISTRATIVE EXPENSES	\$ <u>3,720,429</u>	\$ <u>3,791,274</u>



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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

October 14, 2021

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, 2021 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 October 14, 2021.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free 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 financial statements. 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 System’s internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control and compliance. Accordingly, this 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, Sharpner, Hogan and Grady, LLP

New Orleans, LA

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinions issued on the financial statements of State of Louisiana School Employees' Retirement System for the years ended June 30, 2021 and 2020 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 – none noted

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:

None.

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR YEAR FINDINGS:

None.