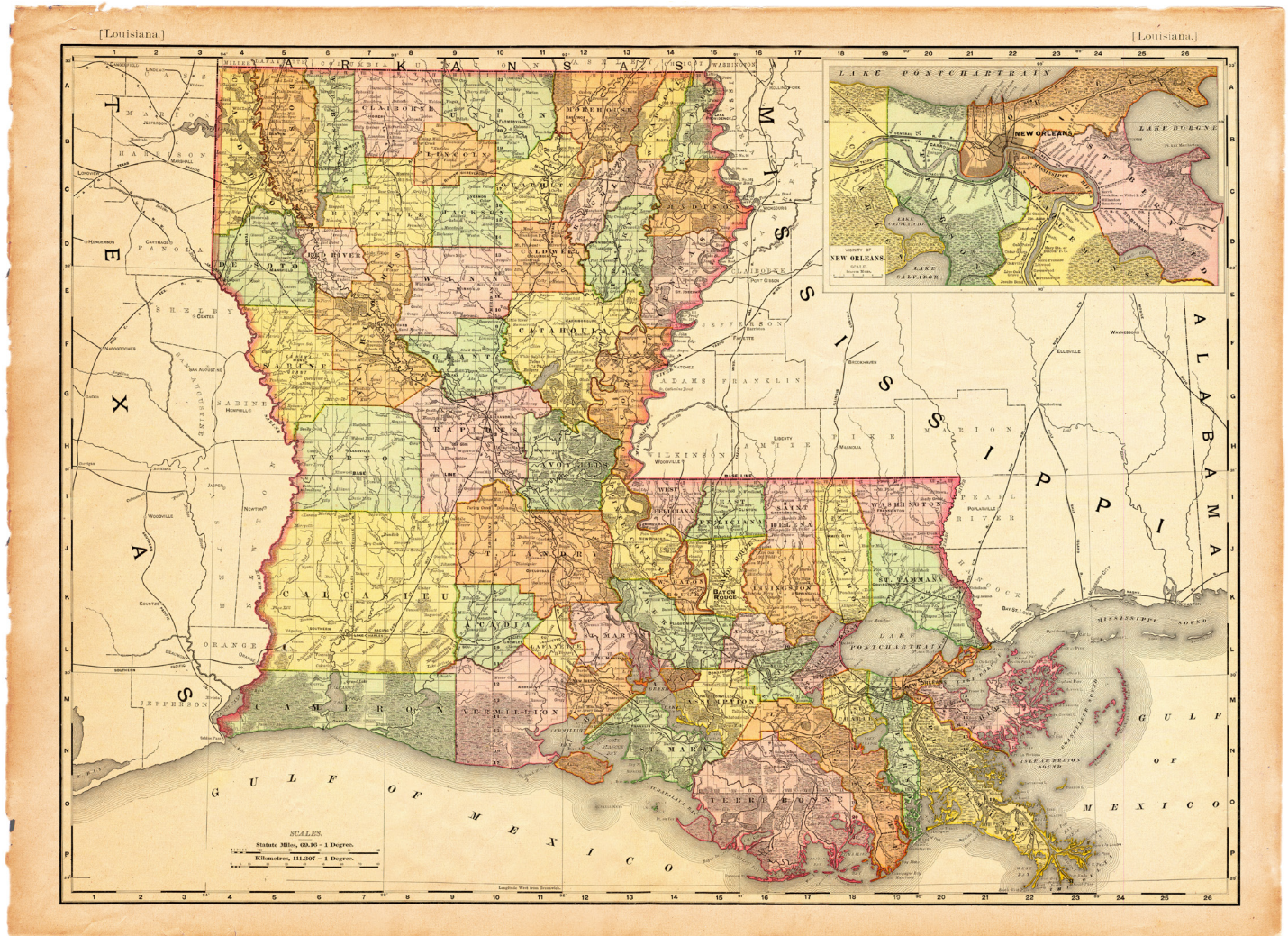




Teachers' Retirement  
System of Louisiana

*Mapping out your retirement future*



# 2019 Popular Annual Financial Report

*for fiscal years ended June 30, 2019 & 2018*

A COMPONENT UNIT OF THE STATE OF LOUISIANA

# Message from the Director

## Dear TRSL Members and Benefit Recipients:

It is my privilege to present the 2019 Popular Annual Financial Report (PAFR) for the Teachers' Retirement System of Louisiana (TRSL). This report is a summary of the System's financial position and investment performance for the fiscal year ended June 30, 2019. The information in this publication represents the combined efforts of the TRSL staff and its advisors.

As noted on our report's cover, we're here to help you map out your retirement future—whether you're retired or still working. Here at TRSL, everyone has a hand in ensuring the health and sustainability of the retirement system for members now and in years to come. Thank you for taking time to review our efforts and performance from the past year.

I am pleased to report that Fiscal Year 2019 was very positive for TRSL. Our total assets set a new all-time high of \$21.7 billion. The plan's funded ratio rose to 67.1%. Additionally, the unfunded accrued liability (UAL), decreased to \$10.3 billion from \$10.5 billion last fiscal year. Principal and interest on this debt have now been paid for the seventh consecutive year, and we remain on pace to meet the System's statutorily required payoff dates.

Despite turbulent financial markets, TRSL earned a market return (net of fees) of 6.16% for Fiscal Year 2019. As a long-term investor, TRSL has generated annualized returns of 11.03% over the past 10 years, which places the System in the top 2% of best performing public plans with assets greater than \$1 billion, according to the most widely accepted comparison service for public pension fund investment performance (Wilshire TUCS).

In administrative and operational performance, we continue to outperform our peers in the pension industry, and at a lower cost. According to CEM Benchmarking, Inc., TRSL's administrative costs are \$88 per active member and annuitant compared to \$124 for our peers—a group of ten other similarly sized U.S. public pension plans. In the area of customer service, we also scored better than our peers on important customer service metrics, such as shorter call wait times and faster benefit processing.

I'd also like to acknowledge several notable projects we completed this year that contribute to the operational well-being of the System. Our information technology department rewrote and converted the last of more than 900 programs to a .NET software development framework. This was a massive, complex, and multi-year project that has increased the System's computing functionality and security. Our audit department enhanced a routine procedure in payroll processing that adds an extra level of security for members and the System. And finally, all departments this year identified their critical business functions and needs to update the agency's existing business continuity plan. The results outline a more robust path for TRSL to resume operation in the least amount of time in the safest manner possible under different disaster scenarios.

On the legislative front, very few bills were considered this year that impacted the retirement system. Ultimately, two resolutions related to Social Security reductions gained final passage. House Concurrent Resolution 20 and Senate Concurrent Resolution 34 both requested that Congress review and consider eliminating the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions.

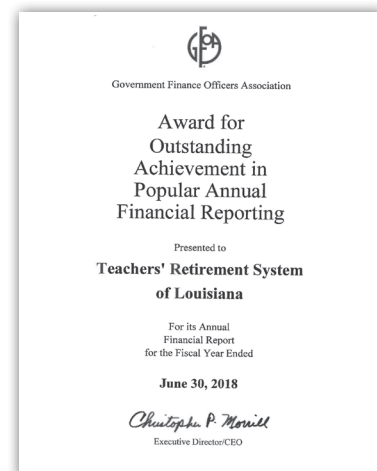
The TRSL Board of Trustees and I encourage you to review the information in this report. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles of the United States, and have been audited by an independent certified public accounting firm on behalf of the Louisiana Legislative Auditor's Office. More detailed information can be found in our 2019 Comprehensive Annual Financial Report (CAFR), available at [www.TRSL.org](http://www.TRSL.org).

Sincerely,



Dana L. Vicknair  
TRSL Director

*For the last 17 years,  
the Government Finance  
Officers Association  
of the United States  
and Canada (GFOA)  
has recognized TRSL  
for preparation of its  
summary annual report.*





## Financial Information

TRSL earned a 6.61% market rate of return (gross of fees) at the end of Fiscal Year 2019 with \$21.7 billion in net assets. The chart immediately below shows TRSL's assets and liabilities over the past three years, as well as the net assets held in trust. The second chart below details the additions to and deductions from the plan net assets for the same three-year period.

### Condensed Comparative Statements of Fiduciary Net Position

	2019	2018	2017
<b>Assets</b>			
Cash and cash equivalents	\$ 196,030,213	\$ 277,091,189	\$ 216,603,032
Receivables	2,732,561,096	2,557,576,110	2,418,120,216
Investments (fair value)	21,716,552,473	21,149,602,929	19,469,595,134
Securities lending collateral	3,034,732,743	3,266,109,201	2,484,644,788
Property and equipment, at cost (net)	<u>3,738,196</u>	<u>3,402,044</u>	<u>3,430,912</u>
<b>Total assets</b>	<b><u>27,683,614,721</u></b>	<b><u>27,253,781,473</u></b>	<b><u>24,592,394,082</u></b>
<b>Deferred outflows of resources</b>	<u>3,237,790</u>	<u>3,024,033</u>	<u>4,095,824</u>
<b>Liabilities</b>			
Accounts payable and other liabilities	2,996,452,942	2,941,945,310	2,598,187,043
Securities lending collateral	<u>3,034,732,743</u>	<u>3,266,109,201</u>	<u>2,484,644,788</u>
<b>Total liabilities</b>	<b><u>6,031,185,685</u></b>	<b><u>6,208,054,511</u></b>	<b><u>5,082,831,831</u></b>
<b>Deferred inflows of resources</b>	<u>3,184,454</u>	<u>2,048,830</u>	<u>312,400</u>
<b>Net position restricted for pensions</b>	<b><u>\$ 21,652,482,372</u></b>	<b><u>\$ 21,046,702,165</u></b>	<b><u>\$ 19,513,345,675</u></b>

### Condensed Comparative Statements of Changes in Fiduciary Net Position

	2019	2018	2017
<b>Additions</b>			
Member contributions	\$ 341,398,896	\$ 337,928,752	\$ 328,541,240
Employer contributions	1,217,167,321	1,201,829,353	1,122,277,562
Non-employer contributions	40,850,075	39,550,321	38,762,968
LSU Co-Operative Extension*	1,995,075	1,873,303	1,754,855
Other operating revenues	26,018,466	11,411,104	2,972,517
Net investment income	<u>1,209,230,839</u>	<u>2,137,872,033</u>	<u>2,612,535,238</u>
<b>Total additions</b>	<b><u>2,836,660,672</u></b>	<b><u>3,730,464,866</u></b>	<b><u>4,106,844,380</u></b>
<b>Deductions</b>			
Benefits, refunds, and other	2,214,961,707	2,180,642,976	2,114,653,462
LSU Co-Operative Extension*	2,075,869	2,017,909	1,995,075
Administrative expenses	13,445,962	14,046,725	14,368,885
Depreciation expense	<u>396,927</u>	<u>400,766</u>	<u>432,238</u>
<b>Total deductions</b>	<b><u>2,230,880,465</u></b>	<b><u>2,197,108,376</u></b>	<b><u>2,131,449,660</u></b>
<b>Net increase (decrease)</b>	<u>605,780,207</u>	<u>1,533,356,490</u>	<u>1,975,394,720</u>
Net position restricted for pensions beginning of year	<u>21,046,702,165</u>	<u>19,513,345,675</u>	<u>17,537,950,955</u>
<b>Net position restricted for pensions end of year</b>	<b><u>\$ 21,652,482,372</u></b>	<b><u>\$ 21,046,702,165</u></b>	<b><u>\$ 19,513,345,675</u></b>

\* LSU Co-Operative Extension: Supplemental benefits administered by TRSL for members of the Louisiana State University Agriculture and Extension Service who hold membership in the United States Civil Service Retirement System.

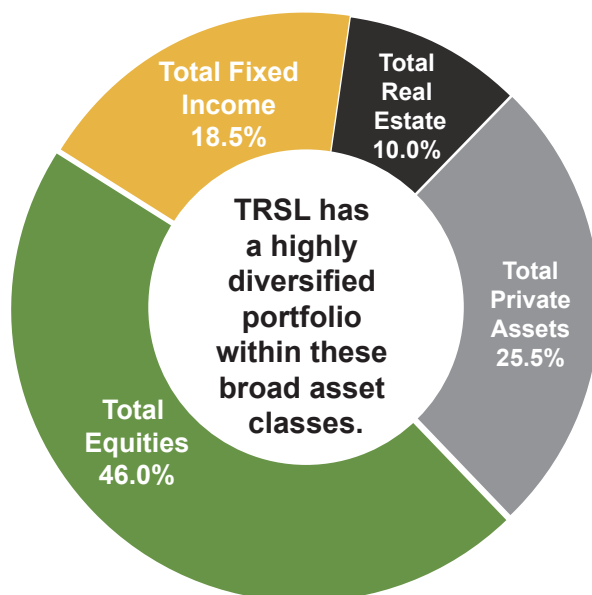
## Investment Information

A highly diversified portfolio helps investors maximize returns and minimize risk over the long term. TRSL continuously monitors and adjusts its mix of investment assets to create an efficient and diversified portfolio.

As a long-term institutional investor, TRSL spreads its investments across a variety of asset classes, including stocks, bonds, real estate, and private assets, to manage the impact of changing market conditions.

Over the past ten-year period, TRSL's investments sustained annualized returns of 11.03%. When compared to other public plans with assets greater than \$1 billion, the System is in the second percentile, according to the Wilshire Trust Universe Comparison Service (TUCS).

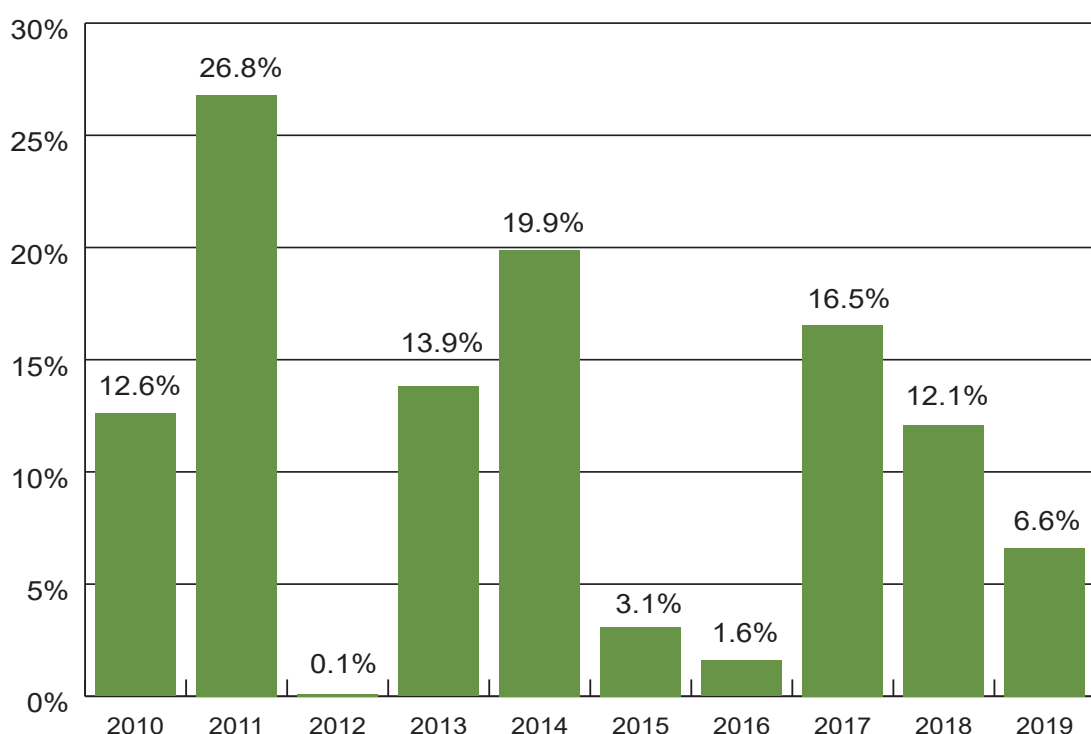
### Target Asset Allocation



### Investments at Fair Value

	2019	2018	2017
Short-term investments	\$ 905,937,551	\$ 1,076,810,833	\$ 1,034,891,991
Global debt securities	3,741,321,218	3,649,694,501	3,482,344,357
Global equities	9,850,015,432	9,957,163,279	9,393,224,351
Private assets	5,407,829,743	4,785,375,894	4,015,795,919
Real estate	<u>1,811,448,529</u>	<u>1,680,558,422</u>	<u>1,543,338,516</u>
<b>Total investments</b>	<b><u>\$ 21,716,552,473</u></b>	<b><u>\$ 21,149,602,929</u></b>	<b><u>\$ 19,469,595,134</u></b>

### 10-Year Rates of Return (gross of fees)



## Actuarial Information

To fund retirements, TRSL must project how much it will take to pay benefits years into the future. To do this, the TRSL actuary calculates the System's long-term liabilities, taking into account many assumptions of future events, including mortality and disability rates, salary increases, and termination and retirement rates. These assumptions are based upon TRSL's past experience and help project future funding needs.

The actuary also calculates the actuarial value of the System's assets. Actuarial value and market value are different. Market value is based on what assets could be sold for on a specific date, which can change daily. Actuarial value is based on a technique that "smooths" short-term market gains and losses over a five-year period. While it approximates market value, the actuarial value removes much of the volatility global markets experience by incrementally recognizing market highs and lows over the course of five years.

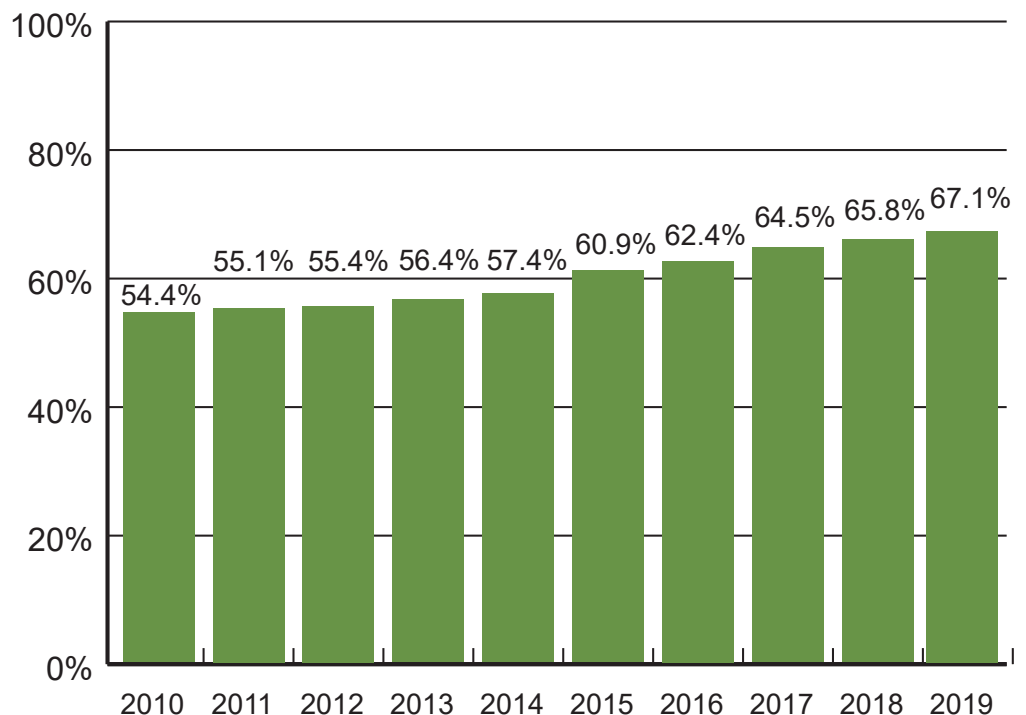
Using the actuarial value provides a reliable way to estimate the System's assets and liabilities that is not tied to day-to-day market fluctuations and helps TRSL better meet its long-term funding needs.

As of June 30, 2019, the System's actuarial value of assets was \$21.2 billion, up from \$20.3 billion in the previous fiscal year. TRSL's actuarial funded ratio increased to 67.1% in FY 2019 from 65.8% in FY 2018. The actuarial funded ratio of 67.1% means that TRSL has 67.1 cents to cover the present value of every dollar expected to be paid in future retirement benefits.

### Summary of Actuarial Valuation

	2019	2018	2017
<b>Membership census</b>			
Retirees	79,647	78,423	77,258
Active	85,998	85,045	84,228
DROP	2,462	2,420	2,478
Terminated vested	7,574	7,211	6,941
Actuarial investment return	7.5%	9.5%	9.2%
Actuarial funded ratio	67.1%	65.8%	64.5%
Annual benefits paid	\$ 2,165,760,383	\$ 2,118,971,446	\$ 2,063,449,370

### Funded Ratio (2010 - 2019)



# Revenues and Expenses

## Revenues

The TRSL defined benefit retirement plan is funded by investment earnings and contributions from members and employers. The System pools and invests member and employer contributions, and retirement benefits are paid from TRSL investment earnings. The retirement system provides retirees with a lifetime monthly benefit based on length of service, final average compensation, and a benefit accrual factor.

Some employees in higher education choose to participate in the Optional Retirement Plan (ORP), a defined contribution plan similar to a 401(k) account. These accounts are credited with employee contributions (less a 0.05% administrative fee) and employer contributions. The Unfunded Accrued Liability (UAL) portion of the employer contribution is reflected in the *Employer* column of the *Revenues by Source* table below.

Income from miscellaneous receipts related to operation of the pension plan, such as litigation settlements and processing fees, is listed in the table below as *Other Operating Revenues*.

### Revenues by Source

Fiscal Year	Member	Employer	Non-Employer*	Appropriations Acts	Net Investment Income	Other Operating Revenues	Total
2016-2017	\$ 328,541,240	\$ 1,122,277,562	\$ 40,517,823	—	\$ 2,612,535,238	\$ 2,972,517	\$ 4,106,844,380
2017-2018	337,928,752	1,201,829,353	41,423,624	\$ 8,585,163 <sup>†</sup>	2,137,872,033	2,825,941	3,730,464,866
2018-2019	341,398,896	1,217,167,321	42,845,150	21,327,137 <sup>‡</sup>	1,209,230,839	4,691,329	2,836,660,672

\*Refers to the sheriff tax collections and LSU Co-Op Extension.

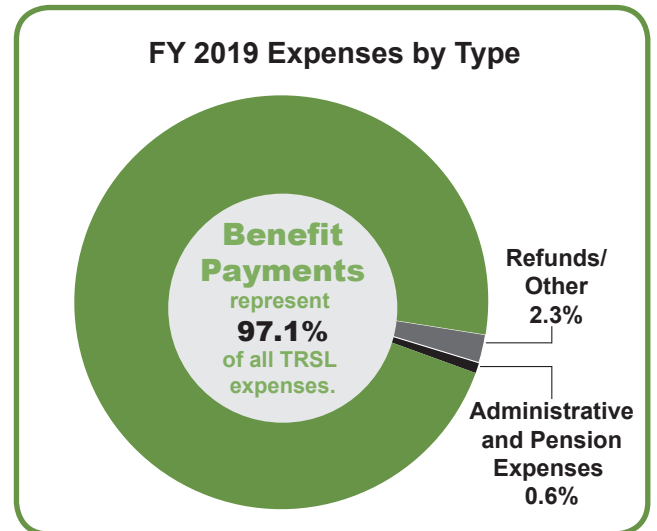
<sup>†</sup>Act 59 of 2018.

<sup>‡</sup>Act 50 of 2019.

## Expenses

In Fiscal Year 2019, TRSL paid \$2.2 billion in retirement benefits. These dollars provide a reliable monthly income to more than 79,000 retirees and beneficiaries, the majority of whom live in Louisiana.

As shown in the pie chart to the right, 97.1 cents of every dollar went toward benefit payments in Fiscal Year 2019. Administrative expenses account for less than one penny out of that same dollar.



### Expenses by Type

Fiscal Year	Benefits*	Pension Expense	Refunds/Other	Administrative Expenses <sup>†</sup>	Depreciation Expense	Total
2016-2017	\$ 2,064,035,537	\$ 2,807,080	\$ 49,805,920	\$ 14,368,885	\$ 432,238	\$ 2,131,449,660
2017-2018	2,132,604,602	1,385,063	48,671,220	14,046,725	400,766	2,197,108,376
2018-2019	2,165,855,657	880,211	50,301,708	13,445,962	396,927	2,230,880,465

\*Includes Other Post-Employment Benefits (OPEB) expense and LSU Co-Op Extension.

<sup>†</sup>Investment administrative expenses are excluded from this total in accordance with GASB 67.

# Summary of Fiscal Year 2019 Legislation

## Social Security Offsets

**House Concurrent Resolution 20** (*Rep. Jones*) requests that Congress review and consider eliminating the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions.

**Senate Concurrent Resolution 34** (*Sen. Mizell*) requests that Congress review and consider eliminating the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions.



# 2019 Popular Annual Financial Report

*for fiscal years ended June 30, 2019 & 2018*

a component unit of the State of Louisiana

**Dana L. Vicknair, Director**

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*(Monday-Friday, excluding holidays)*

*No appointment required*

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