

Building Sustainable Futures Through Retirement Security

2022 POPULAR Annual Financial REPORT

A component unit of the State of Louisiana

 **TRSL**
Teachers' Retirement
System of Louisiana

For fiscal years ended June 30, 2022 and 2021

Message from the Director

Dear TRSL Members and Benefit Recipients:

It is my privilege to present the 2022 Popular Annual Financial Report (PAFR) for the Teachers' Retirement System of Louisiana (TRSL). This report offers a snapshot of the System's financial position and investment performance for the fiscal year ended June 30, 2022. The information in this publication represents the combined efforts of the TRSL staff and its advisors.

This was a year that demonstrated the strength of TRSL's position as a long-term investor with a highly diversified portfolio of global assets and a clear set of investment objectives. After record investment returns in FY 2021, a sluggish economy and stubborn inflation created a much more difficult investing landscape in FY 2022. Yet, even with a -7.27% return on investments (gross of fees) for the fiscal year that ended June 30, 2022, we made notable strides that continue to enhance our sustainability.

The plan's funding level keeps increasing and now stands at a solid 73.7%, which illustrates TRSL's ability to achieve a target investment return over the long term. The unfunded accrued liability (UAL) continues to drop, which has allowed us to pay principal and interest for the past 10 years. Finally, our employers are in line for added budget flexibility since their projected contribution rate will decrease in FY 2024 for the fifth consecutive year.

This steady path of sustainability is possible, in part, because TRSL is structured to withstand the day-to-day fluctuations of the investing climate. Through smoothing, TRSL gradually recognizes market gains and losses over a period of five years. Instead of veering between feast and famine, TRSL stays on a solid course that provides our members with a secure retirement.

In fact, the theme for this year's report is "building sustainable futures through retirement security." TRSL paid more than \$2.3 billion in benefits to 82,600 annuitants. In addition to providing them with a retirement benefit they will never outlive, we also helped protect their purchasing power by paying an across-the-board permanent benefit increase (PBI) to eligible retirees for the first time since 2016. This 2% increase in their benefit check will help them battle inflation.

Operationally, FY 2022 was the year we emerged from the peak of the pandemic and reopened our office to visitors for walk-in assistance and counseling. We also continue to offer virtual meeting options. We want members to meet with us in a manner that is comfortable for them.

Speaking of comfort and convenience, TRSL expanded features in Member Access, the online self-service portal that puts members' retirement account information right at their fingertips. Retirees now have the ability to print income verification letters through the portal. This new feature is

yet another way TRSL seeks to give members opportunities to conveniently conduct business with us. We know their time is valuable.

Legislatively, the 2022 Regular Legislative Session produced four bills and one resolution that impact TRSL. The most significant of these was Act 657, which granted a 2% PBI to 76,105 eligible retirees, beneficiaries, and survivors.

Also important were Acts 549 and 601, which were identical bills that made changes to the state's return-to-work (RTW) laws ahead of the new school year. The acts amended retiree eligibility criteria, updated employer advertising requirements for critical shortages, and created new ways for certain retirees to return to work without impacting their retirement benefit. In addition, an entirely new RTW law was created to address a shortage of adjunct professors for nursing programs.

More details about legislation and other topics can be found at www.trsl.org. From newsletters to brochures on various retirement topics, we try to post information that is beneficial to our members and employers. We're constantly updating our website with new content.

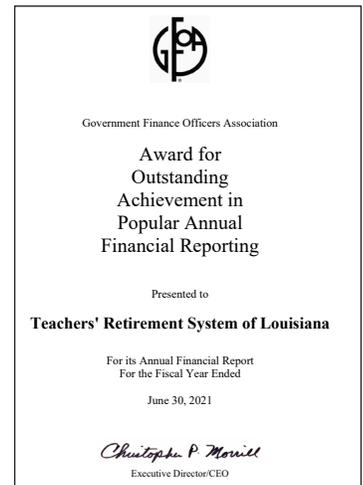
The TRSL Board of Trustees and I also encourage you to peruse the pages of this report. It is an abbreviated version of the Annual Comprehensive Financial Report, yet provides a wealth of information about TRSL's financial position and investment performance. The financial statements have been prepared 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 the 2022 Annual Comprehensive Financial Report, available at www.TRSL.org.

Sincerely,



Katherine Whitney
TRSL Director

For the last 20 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 ended Fiscal Year 2022 with \$25.1 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

	2022	2021	2020
Assets			
Cash and cash equivalents	\$ 287,758,424	\$ 246,399,879	\$ 239,806,968
Receivables	2,161,247,957	2,070,552,824	2,394,206,675
Investments (fair value)	24,493,475,102	27,511,511,252	21,315,227,038
Securities lending collateral	2,249,411,149	2,012,340,658	2,135,108,608
Property and equipment, at cost (net)	3,762,992	3,756,029	3,582,220
Total assets	29,195,655,624	31,844,560,642	26,087,931,509
Deferred outflows of resources	7,234,204	7,475,794	3,940,599
Liabilities			
Accounts payable and other liabilities	1,898,004,981	2,112,352,860	2,731,400,959
Securities lending collateral	2,249,411,149	2,012,340,658	2,135,108,608
Total liabilities	4,147,416,130	4,124,693,518	4,866,509,567
Deferred inflows of resources	4,600,578	3,214,663	4,776,539
Net position restricted for pensions	\$ 25,050,873,120	\$ 27,724,128,255	\$ 21,220,586,002

Condensed Comparative Statements of Changes in Fiduciary Net Position

	2022	2021	2020
Additions			
Member contributions	\$ 378,065,214	\$ 361,684,671	\$ 351,287,976
Employer contributions	1,266,088,182	1,237,976,403	1,222,809,469
Non-employer contributions	45,234,317	44,886,830	43,151,074
LSU Co-Operative Extension*	1,987,638	2,075,689	2,017,909
Other operating revenues	49,860,342	19,804,296	39,770,865
Net investment income	(2,042,713,110)	7,164,169,788	171,029,364
Total additions	(301,477,417)	8,830,597,677	1,830,066,657
Deductions			
Benefits, refunds, and other	2,354,988,797	2,310,595,851	2,245,134,690
LSU Co-Operative Extension*	1,739,624	1,856,703	1,987,638
Administrative expenses	14,554,420	14,132,424	14,418,014
Depreciation expense	494,877	470,446	422,685
Total deductions	2,371,777,718	2,327,055,424	2,261,963,027
Net increase (decrease)	(2,673,255,135)	6,503,542,253	(431,896,370)
Net position restricted for pensions beginning of year	27,724,128,255	21,220,586,002	21,652,482,372
Net position restricted for pensions end of year	\$ 25,050,873,120	\$ 27,724,128,255	\$ 21,220,586,002

*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.

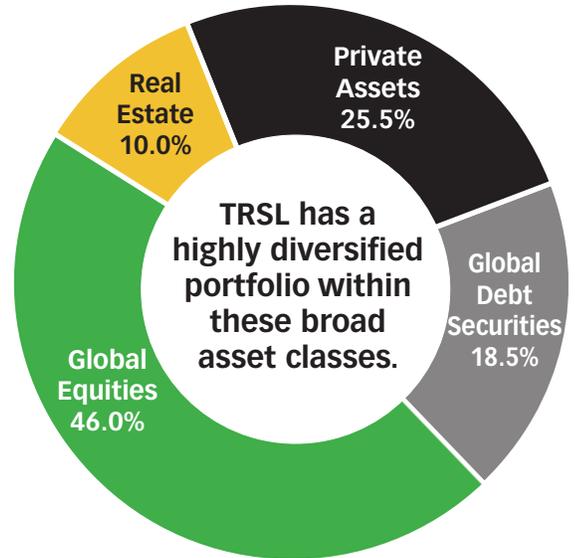
Investment information

A highly diversified portfolio of global assets helps TRSL withstand periods of market volatility and meet our investment goals over the long term.

Investments are spread over a broad set of asset classes, including stocks, bonds, real estate, and private assets. This diversity has helped us sustain annualized returns over the past ten years of 9.33% (gross of fees).

In fact, for the 10-year period ending June 30, 2022, TRSL's investment returns rank in the top (best) 5th percent of public pension funds with assets greater than \$1 billion, according to the Wilshire Trust Universe Comparison Service (TUCS).

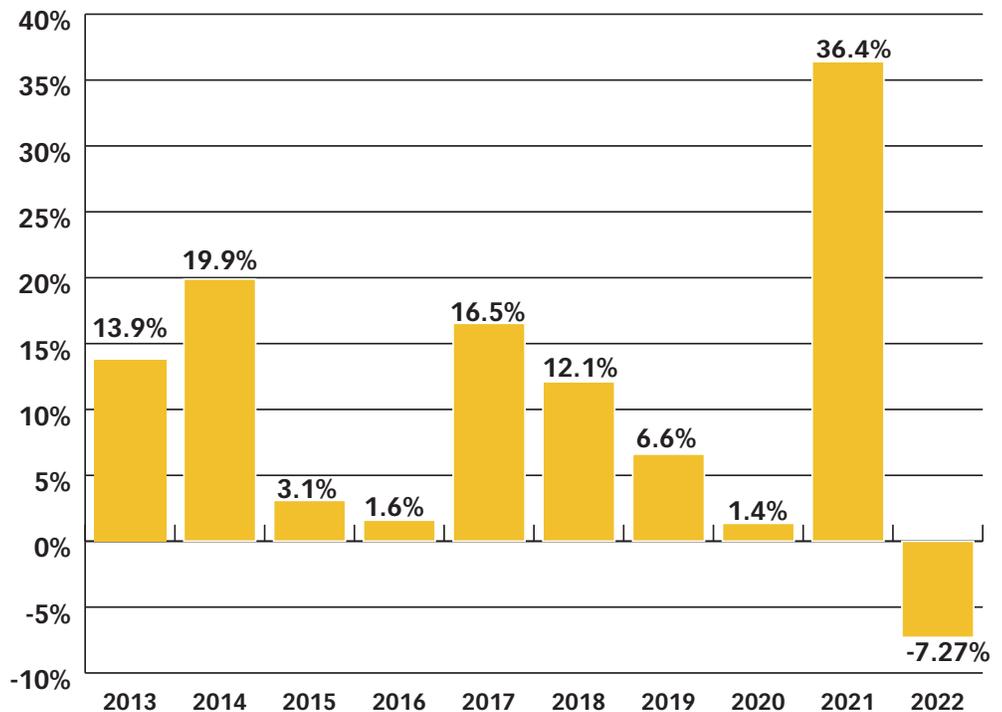
Target Asset Allocation



Investments at Fair Value

	2022	2021	2020
Short-term investments	\$ 1,020,749,502	\$ 1,073,305,658	\$ 869,649,602
Global debt securities	2,800,253,489	3,368,747,664	3,579,000,757
Global equity securities	8,878,055,972	12,274,373,322	9,140,896,138
Private assets	8,754,904,208	8,482,954,130	5,806,264,305
Real estate	3,039,511,931	2,312,130,478	1,919,416,236
Total investments	\$ 24,493,475,102	\$ 27,511,511,252	\$ 21,315,227,038

10-Year Rates of Return (gross of fees)



Actuarial Information

Funding retirements requires projecting how much it will take to pay benefits years in 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.

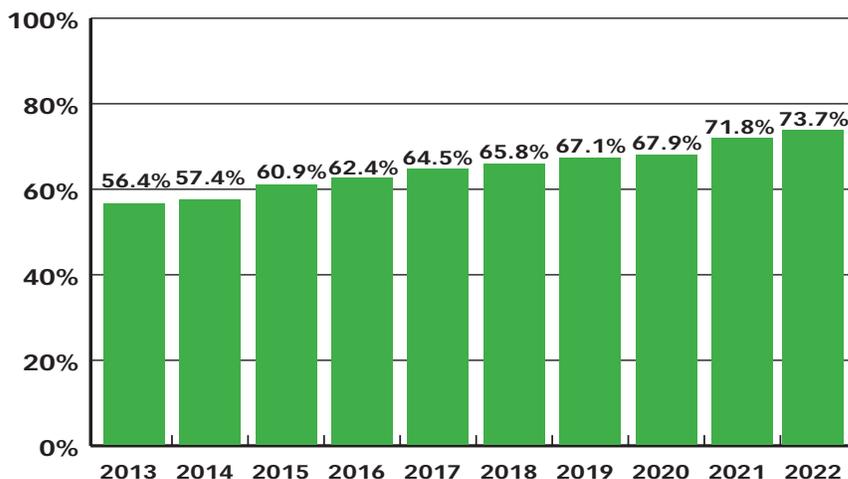
The actuary also calculates the actuarial value of the System’s assets. Actuarial value and market value are different. Market value is based on what assets could be sold for on a specific date, which can change daily. Actuarial value is based on a technique that “smooths” short-term market gains and 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, 2022, the System’s actuarial value of assets was \$25.5 billion, up from \$23.7 billion in the previous fiscal year. TRSL’s actuarial funded ratio increased to 73.7% in FY 2022 from 71.8% in FY 2021. The actuarial funded ratio of 73.7% means that TRSL has 73.7 cents to cover the present value of every dollar expected to be paid in future retirement benefits.

Summary of Actuarial Valuation

	2022	2021	2020
Membership			
Retirees	82,600	81,620	80,536
Active	86,364	85,980	86,860
DROP	2,172	2,227	2,359
Terminated vested	9,245	8,409	7,992
Actuarial investment return	8.96%	12.65%	6.80%
Actuarial funded ratio	73.70%	71.80%	67.90%
Annual benefits paid*	\$ 2,305,608,025	\$ 2,257,872,039	\$ 2,195,861,109

*Includes LSU Co-Operative Extension



**Funded Ratio
(2013 - 2022)**

Revenues and Expenses

Revenues: The TRSL defined benefit retirement plan is funded by (1) contributions from members, (2) contributions from employers, and (3) investment earnings. The System 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 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

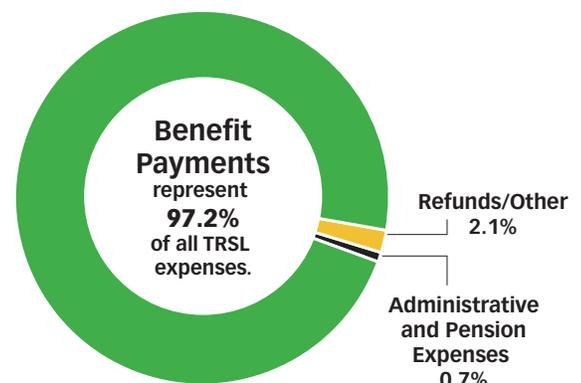
Fiscal Year	Member	Employer	Non-Employer*	Appropriations Acts	Net Investment Income	Other Operating Revenues	Total
2019-2020	\$ 351,287,976	\$ 1,222,809,469	\$ 45,168,983	\$ 36,789,397 [‡]	\$ 171,029,364	\$ 2,981,468	\$ 1,830,066,657
2020-2021	361,684,671	1,237,976,403	46,962,519	18,612,744 [°]	7,164,169,788	1,191,552	8,830,597,677
2021-2022	378,065,214	1,266,088,182	47,221,955	48,092,612 [‡]	(2,042,713,110)	1,767,730	(301,477,417)

*Refers to the sheriff tax collections and LSU Co-Op Extension; [‡]Act 255 of 2020; [°]Act 120 of 2021; [‡]Act 170 of 2022

Expenses: In Fiscal Year 2022, TRSL paid \$2.3 billion in retirement benefits. These dollars provide a reliable monthly income to more than 82,600 retirees and beneficiaries, the majority of whom live in Louisiana.

As shown in the pie chart to the right, 97.2 cents of every dollar went toward benefit payments in Fiscal Year 2022. Administrative expenses account for less than one penny out of that same dollar.

FY 2022 Expenses by Type



Expenses by Type

Fiscal Year	Benefits*	Pension Expense	Refunds/Other	Administrative Expenses [†]	Depreciation Expense	Total
2019-2020	\$ 2,195,320,939	\$ 1,576,153	\$ 50,225,236	\$ 14,418,014	\$ 422,685	\$ 2,261,963,027
2020-2021	2,257,486,735	1,870,195	53,095,624	14,132,424	470,446	2,327,055,424
2021-2022	2,306,240,259	758,208	49,729,954	14,554,420	494,877	2,371,777,718

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

[†]Investment administrative expenses are excluded from this total in accordance with GASB 67.

Summary of FY 2022 Legislation

Act 657 (Sen. Ed Price) granted a 2% permanent benefit increase (PBI), payable on July 1, 2022, to eligible TRSL retirees, beneficiaries, and survivors calculated on the first \$68,396 of their annual retirement benefit.

Act 549 (Sen. Cleo Fields) and **Act 601 (Rep. Jack McFarland)** are identical laws that make changes—some of them temporary—to existing return-to-work (RTW) provisions to meet critical shortage needs. Also require the Louisiana Department of Education to conduct a study and make recommendations for policy changes, which address critical shortages at TRSL-participating and public non-participating schools without employing retirees.

Act 170 (Rep. Jerome Zeringue) makes a supplemental appropriation of \$48.1 million to the TRSL initial unfunded accrued liability (IUAL) from a portion of the FY 2020-21 surplus funds in the state treasury.

House Concurrent Resolution 11 (Rep. Mike Johnson) urges and requests state legislatures to ask Congress to review and eliminate or reduce the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions. The resolution also requests that the Louisiana Attorney General explore legal action to restore benefits lost to the GPO and WEP.

TRSL At a Glance

Ten largest employers (FY 2022)

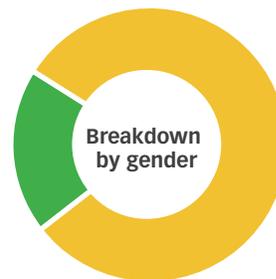
	# of employees
Jefferson Parish School Board	4,848
EBR Parish School Board	4,761
St. Tammany Parish School Board	4,623
Caddo Parish School Board	3,940
Calcasieu Parish School Board	3,748
Lafayette Parish School Board	3,460
Livingston Parish School Board	2,871
Rapides Parish School Board	2,637
Ascension Parish School Board	2,508
Bossier Parish School Board	2,403

Membership Demographics

K-12 (including lab schools)
85.79%

Higher Ed Other*
13.57% 0.64%

*Including state agencies and unions



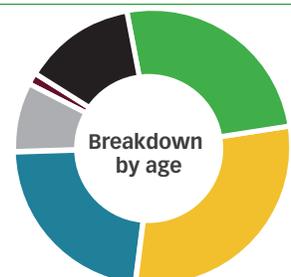
Female
81%

Male
19%

Less than age 30 Age 30-39
13.20% 25.60%

Age 40-49 Age 50-59
29.51% 22.45%

Age 60-69 Age 70 and older
8.03% 1.21%



A component unit of the State of Louisiana



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TRSL is an equal opportunity employer and complies with the Americans with Disabilities Act

Katherine Whitney, Director

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