

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

FINANCIAL REPORT

JUNE 30, 2019 AND 2018

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 2019 AND 2018**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT:	
Report on Financial Statements	1 - 3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 11
BASIC FINANCIAL STATEMENTS:	
Statements of Fiduciary Net Position	12
Statements of Changes in Fiduciary Net Position	13 - 14
Notes to the Financial Statements	15 - 79
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Changes in Employers' Net Pension Liability	80 - 81
Schedules of Employers' Net Pension Liability	82
Schedules of Employer Contributions	83
Schedules of Money Weighted Rate of Return	84
Schedules of the TRSL's Proportionate Share of the Collective Total OPEB Liability	85
Schedules of TRSL's Proportionate Share of the Net Pension Liability in LASERS	86

Schedules of TRSL's Contributions to LASERS	86
Notes to Required Supplementary Schedules	87 - 89
SUPPORTING SCHEDULES:	
Schedules of Administrative Expenses	90
Schedules of Investment Expenses	90
Schedules of Securities Lending Expenses	90
Schedules of Board Compensation	91
Schedules of Payments to Non-Investment Related Consultants and Vendors	92

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September 26, 2019

To the Board of Trustees
Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Teachers' Retirement System of Louisiana (TRSL), a component unit of the State of Louisiana, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Teachers' Retirement System of Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to TRSL'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 TRSL'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 respective fiduciary net position of the Teachers' Retirement System of Louisiana as of June 30, 2019 and 2018 and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note A to the financial statements, the total pension liability for TRSL was \$31.6 billion and \$30.9 billion at June 30, 2019 and 2018, respectively. The actuarial valuations were based on various assumptions made by TRSL's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2019 and 2018 could be understated or overstated.

As disclosed in Note D 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. Such investments totaled \$7.2 billion and \$6.5 billion (33% and 31%, respectively, of total investments) at June 30, 2019 and 2018, respectively. Where a publicly listed price is not available, the management of TRSL 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements

in an appropriate operational, economic, or historical context. For the years ended June 30, 2019 and 2018, 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 Teachers' Retirement System of Louisiana's basic financial statements. The supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 supplementary schedules are 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 September 26, 2019 on our consideration of TRSL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TRSL's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 26, 2019

To the Board of Trustees
Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Teachers' Retirement System of Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Teachers' Retirement System of Louisiana's basic financial statements, and have issued our report thereon dated September 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Teachers' Retirement System of Louisiana's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Teachers' Retirement System of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Teachers' Retirement System of Louisiana'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 Teachers' Retirement System of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Teachers' Retirement System of Louisiana'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 Teachers' Retirement System of Louisiana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Management is pleased to provide this overview and analysis of TRSL's financial performance. This narrative overview and analysis assists in interpreting the key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for 2019 and 2018. We encourage readers to consider the information and data presented here in conjunction with information provided in other areas of the financial section.

Financial Highlights

- The net position restricted for pensions was \$21.7 billion in 2019 compared to \$21.0 billion in 2018 and \$19.5 billion in 2017.
- The market rate of return on the System's investments was 6.6% (gross of fees) for 2019 compared to 12.1% for 2018 and 16.5% for 2017.
- TRSL had a net pension liability of \$9.9 billion for 2019 compared to \$9.8 billion for 2018 and \$10.3 billion for 2017.
- Benefit payments and refunds were \$2.2 billion in 2019, \$2.2 billion in 2018, and \$2.1 billion in 2017.

Overview of the Financial Statements

TRSL's basic financial statements include the following:

- Statements of Fiduciary Net Position,
- Statements of Changes in Fiduciary Net Position, and
- Notes to the Financial Statements.

This report also contains required supplementary information and supporting schedules, in addition to the basic financial statements.

The *Statements of Fiduciary Net Position* report the System's assets, liabilities, and resultant net position restricted for pensions. It discloses the financial position of the System as of June 30, 2019 and 2018.

The *Statements of Changes in Fiduciary Net Position* report the results of the System's operations during the years, disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's net position on the statement of fiduciary net position.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Overview of the Financial Statements (Continued)

The *Notes to the Financial Statements* provide additional information and insight that are essential to gain a full understanding of the data provided in the statements.

- **Note A** provides a general description of TRSL, information regarding employer and membership participation, net pension liability of employers, actuarial methods and assumptions, eligibility, benefits, information regarding legally required reserves, and excess benefit plan.
- **Note B** provides a summary of significant accounting policies and plan asset matters including the reporting entity, basis of accounting, estimates, methods used to value investments, property and equipment and accumulated leave requirements.
- **Note C** provides information regarding member and employer contribution requirements.
- **Note D** categorizes TRSL's investments by fair value measurements, the level of fair value hierarchy, and valuation techniques established by generally accepted accounting principles. It also discloses information regarding certain investments that calculate net asset value per share and provides a description of related asset classes.
- **Note E** provides information regarding TRSL's cash and cash equivalents and risk disclosures.
- **Note F** provides information on TRSL's investments including the investment policy, domestic equity, developed international equity, investment grade core fixed income, core plus fixed income, global fixed income, high yield fixed income, emerging markets debt, emerging markets equity, alternative assets, real estate, asset allocation, and money weighted rate of return.
- **Note G** provides information regarding securities lending program.
- **Note H** describes the various types of derivative investments in which TRSL is invested.
- **Note I** provides information on contingent liabilities.
- **Note J** provides information on other post-employment benefits, including information on the plan benefits provided, contributions, liabilities, expense, deferred inflows, deferred outflows, actuarial assumptions, sensitivity of change in discount rate, and healthcare cost trend rate.
- **Note K** provides information on participation in a defined benefit plan, including information on the plan benefits provided, contributions, pension liabilities, pension expense, deferred inflows, deferred outflows, actuarial assumptions, and sensitivity of change in discount rate.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Overview of the Financial Statements (Continued)

- **Note L** provides information on subsequent events.
- **Note M** provides information on reclassifications made to 2018 comparative information.

Required supplementary information consists of schedules and related notes concerning the net pension liability and other post-employment benefits liability of TRSL. It includes the Schedules of Changes in Employers' Net Pension Liability, Schedules of Employers' Net Pension Liability, Schedules of Employer Contributions, Schedules of Money Weighted Rate of Return, Schedules of TRSL's Proportionate Share of the Collective Total OPEB Liability, Schedule of TRSL's Proportionate Share of the Net Pension Liability in the Louisiana State Employees' Retirement System, Schedule of TRSL's Contributions to the Louisiana State Employees' Retirement System, and notes to required supplementary schedules.

Supporting schedules include information on administrative expenses, investment expenses, securities lending expenses, board compensation, and payments to non-investment related consultants and vendors.

TRSL Financial Analysis

TRSL provides retirement benefits to all eligible teachers, administrative support staff and school food service personnel of elementary and secondary public education employees and unclassified staff of institutions of higher education. Member contributions, employer contributions, and earnings on investments fund these benefits. Total net position restricted for pensions at June 30, 2019 was \$21.7 billion compared to \$21.0 billion at June 30, 2018 and \$19.5 billion at June 30, 2017.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Condensed Comparative Statements of Fiduciary Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
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>
Total assets	<u>27,683,614,721</u>	<u>27,253,781,473</u>	<u>24,592,394,082</u>
Deferred outflows of resources	<u>3,237,790</u>	<u>3,024,033</u>	<u>4,095,824</u>
Liabilities:			
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>
Total liabilities	<u>6,031,185,685</u>	<u>6,208,054,511</u>	<u>5,082,831,831</u>
Deferred inflows of resources	<u>3,184,454</u>	<u>2,048,830</u>	<u>312,400</u>
Net position restricted for pensions	<u>\$ 21,652,482,372</u>	<u>\$ 21,046,702,165</u>	<u>\$ 19,513,345,675</u>

Changes in Fiduciary Net Position

For June 30, 2019, additions to TRSL's net position were derived from investment income and member and employer contributions. For 2019, investment income was \$1,209,230,839 compared to \$2,137,872,033 for 2018, and \$2,612,535,238 for 2017. For 2019, member contributions increased by \$3,470,144 (1.0%) and employer contributions increased by \$15,337,968 (1.3%). For 2018, member contributions increased by \$9,387,512 (2.9%) and employer contributions increased by \$79,551,791 (7.1%). The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contribution rates annually.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Condensed Comparative Statements of Changes in Fiduciary Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Additions			
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	1,209,230,839	2,137,872,033	2,612,535,238
Total additions	2,836,660,672	3,730,464,866	4,106,844,380
Deductions			
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	396,927	400,766	432,238
Total deductions	2,230,880,465	2,197,108,376	2,131,449,660
Net increase (decrease)	605,780,207	1,533,356,490	1,975,394,720
Net position restricted for pensions			
beginning of year	21,046,702,165	19,513,345,675	17,537,950,955
Net position restricted for pensions			
end of year	\$ 21,652,482,372	\$ 21,046,702,165	\$ 19,513,345,675

Financial Section

Deductions from plan net assets totaled \$2,230,880,465 in fiscal year 2019, an increase of \$33,772,089 (1.5%) over fiscal year 2018. Deductions from plan net assets totaled \$2,197,108,376 in fiscal year 2018, an increase of \$65,658,716 (3.1%) over fiscal year 2017. Benefits, refunds, and other payments continue to be the major reason for this increase. For fiscal year 2019, these payments increased by 1.6% compared to 3.1% in 2018 and 3.1% in 2017.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Investments

As the state's largest public retirement system, TRSL is responsible for the prudent management of funds held in trust for the exclusive benefit of members. Funds are invested to achieve maximum returns and minimize risk.

Total investments at June 30, 2019 was \$21.7 billion compared to \$21.1 billion at June 30, 2018 and \$19.5 billion at June 30, 2017. For 2019, the investment increase is due in large part to TRSL's domestic and international bond returns, and returns on private assets and real estate. During 2019, TRSL experienced a total net investment income of \$1.2 billion compared to \$2.1 billion in 2018 and \$2.6 billion in 2017.

TRSL's market rate of return is 6.6% (gross of fees) for fiscal year ended 2019. TRSL has sustained annualized returns over the past three years of 11.7%. When compared to other public plans with assets greater than \$1 billion, this gives TRSL a top 2nd percentile ranking, according to the Wilshire Trust Universe Comparison Service (TUCS).

Investments at Fair Value

	<u>2019</u>	<u>2018</u>	<u>2017</u>
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	1,811,448,529	1,680,558,422	1,543,338,516
Total investments	\$ 21,716,552,473	\$ 21,149,602,929	\$ 19,469,595,134

Requests for Information

Questions concerning any of the information provided herein or requests for additional financial information should be addressed to:

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TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 196,030,213	\$ 277,091,189
Receivables:		
Member contributions	58,664,296	59,496,715
Employer contributions	189,826,432	193,087,813
Investments receivable	2,418,565,154	2,247,597,469
Accrued interest and dividends	51,206,304	42,970,791
Other receivables	14,298,910	14,423,322
Total receivables	<u>2,732,561,096</u>	<u>2,557,576,110</u>
Investments, at fair value:		
Short-term investments	905,937,551	1,076,810,833
Global debt securities	3,741,321,218	3,649,694,501
Global equity securities	9,850,015,432	9,957,163,279
Private assets	5,407,829,743	4,785,375,894
Real estate	1,811,448,529	1,680,558,422
Total investments	<u>21,716,552,473</u>	<u>21,149,602,929</u>
Securities lending collateral	<u>3,034,732,743</u>	<u>3,266,109,201</u>
Property and equipment (at cost) - net	<u>3,738,196</u>	<u>3,402,044</u>
Total assets	<u>27,683,614,721</u>	<u>27,253,781,473</u>
Deferred outflows of resources:		
Related to pensions	2,115,159	2,420,928
Related to other post-employment benefits	1,122,631	603,105
Total deferred outflows of resources	<u>3,237,790</u>	<u>3,024,033</u>
Liabilities:		
Accounts payable and other liabilities:		
Accounts payable	15,796,768	11,464,680
Benefits payable	2,363,740	4,827,193
Refunds payable	6,175,310	5,976,741
Net pension liability - LASERS	14,946,007	16,580,526
Investments payable	2,929,458,279	2,875,472,381
OPEB payable	26,121,274	26,099,592
Other liabilities	1,591,564	1,524,197
Total accounts payable and other liabilities	<u>2,996,452,942</u>	<u>2,941,945,310</u>
Securities lending collateral	<u>3,034,732,743</u>	<u>3,266,109,201</u>
Total liabilities	<u>6,031,185,685</u>	<u>6,208,054,511</u>
Deferred inflows of resources:		
Related to pensions	1,056,441	513,934
Related to other post-employment benefits	2,128,013	1,534,896
Total deferred inflows of resources	<u>3,184,454</u>	<u>2,048,830</u>
Net position restricted for pensions	<u>\$ 21,652,482,372</u>	<u>\$ 21,046,702,165</u>

See accompanying notes to financial statements.

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

	<u>2019</u>	<u>2018</u>
Additions:		
Contributions:		
Member contributions	\$ 341,398,896	\$ 337,928,752
Employer contributions	1,217,167,321	1,201,829,353
Non-employer contributions	40,850,075	39,550,321
LSU Co-Operative contributions	1,995,075	1,873,303
Total contributions	1,601,411,367	1,581,181,729
Investment Income:		
From investment activities:		
Net appreciation in fair value of investments	662,128,931	2,011,518,529
Interest	167,753,876	155,226,040
Dividends	194,866,575	180,705,047
Private assets income (loss)	257,761,160	(147,671,982)
Real estate income	37,261,799	38,326,284
Miscellaneous investment loss	-	(5,921)
Total investment income	1,319,772,341	2,238,097,997
Investment activity expenses:		
International investment expenses	(5,283,115)	(6,882,036)
Private assets expenses	(73,037,263)	(55,844,825)
Real estate expenses	(6,559,760)	(7,469,971)
Investment administrative expenses	(1,564,932)	(1,576,523)
Custodian fees	(374,423)	(374,584)
Performance consultant fees	(1,062,730)	(868,992)
Advisor fees	(36,658,316)	(37,287,214)
Total investment expenses	(124,540,539)	(110,304,145)
Net income from investing activities	1,195,231,802	2,127,793,852
From securities lending activities:		
Securities lending income	69,937,080	36,862,489
Securities lending expenses	(55,938,043)	(26,784,308)
Net income from securities lending activities	13,999,037	10,078,181
Total investment income	1,209,230,839	2,137,872,033
Other operating revenues	26,018,466	11,411,104
Total Additions	2,836,660,672	3,730,464,866

(Continued)

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Deductions:		
Retirement benefits	\$ 2,163,684,514	\$ 2,116,953,537
LSU Co-Operative Extension	2,075,869	2,017,909
Refunds of contributions and other	50,301,709	48,671,220
TRSL employee health and life expense	95,273	13,633,156
Pension expense	880,211	1,385,063
Administrative expenses	13,445,962	14,046,725
Depreciation expense	396,927	400,766
Total deductions	<u>2,230,880,465</u>	<u>2,197,108,376</u>
Net increase in net position	<u>605,780,207</u>	<u>1,533,356,490</u>
Net position restricted for pensions - beginning of year	<u>21,046,702,165</u>	<u>19,513,345,675</u>
Net position restricted for pensions - end of year	<u>\$ 21,652,482,372</u>	<u>\$ 21,046,702,165</u>

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION:

1. General

The Teachers' Retirement System of Louisiana (TRSL or the System) is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. It was established and provided for within Title 11, Chapter 2, of the Louisiana Revised Statutes to provide benefits to members and their dependents at retirement or in the event of death, disability, or termination of employment. The System is a component unit of the State of Louisiana and is included in the State's Comprehensive Annual Financial Report (CAFR) as a pension trust fund.

In accordance with Louisiana Revised Statutes, the System is subject to certain elements of oversight:

- The operating budget of the System is subject to budgetary review and approval by the Legislature.
- Annual sworn statements on all financial transactions and the actuarial valuation of the System must be furnished to the Legislature at least 30 days before the beginning of each regular session.
- The legislative auditor is responsible for the procurement of the audit for the System and is authorized to contract with a licensed CPA.
- Actuarial calculations and results are reviewed by the Public Retirement Systems' Actuarial Committee (PRSAC) annually.
- The Louisiana Legislature enacts legislation pertaining to the System, including administration, benefits, investments, and funding. All proposed retirement legislation is considered by the House and/or Senate Committees on Retirement. The legislative actuary prepares actuarial notes identifying the costs or savings related to such legislation.

2. Membership

At June 30, 2019 and 2018, the number of participating employers was:

	<u>2019</u>	<u>2018</u>
School boards	70	69
Colleges and universities	28	25
Laboratory schools	5	5
State agencies	48	51
Charter schools	36	35
Other	15	19
Total	<u>202</u>	<u>204</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. **PLAN DESCRIPTION:** (Continued)

2. **Membership** (Continued)

Membership consisted of the following at June 30, 2019 and 2018, the dates of the latest actuarial valuations:

	<u>2019</u>	<u>2018</u>
Retirees and beneficiaries receiving benefits	79,647	78,423
Deferred Retirement Option Plan participants	2,462	2,420
Terminated vested employees entitled to but not yet receiving benefits	7,574	7,211
Terminated nonvested employees who have not withdrawn contributions	23,510	22,364
Current active employees:		
Vested	55,306	54,921
Nonvested	28,480	27,840
Post Deferred Retirement Option Plan participants	<u>2,212</u>	<u>2,284</u>
Total	<u><u>199,191</u></u>	<u><u>195,463</u></u>

3. **Net Pension Liability of Employers**

The Schedules of Employers' Net Pension Liability presents information about whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability. The net pension liability, which was calculated in accordance with GASB 67 as of June 30, 2019 and 2018, is shown below.

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 31,574,146,857	\$ 30,871,936,837
Plan fiduciary net position ¹	21,649,496,961	21,043,916,901
Employers' net pension liability ²	9,924,649,896	9,828,019,936
Plan fiduciary net position as a percentage of total pension liability	68.6%	68.2%

¹ Plan fiduciary net position excludes side-funded assets held for the LSU Agricultural and Extension Service

² Based on fair value of assets

Actuarial valuation of the ongoing System involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. **PLAN DESCRIPTION:** (Continued)

4. **Actuarial Methods and Assumptions**

The actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 and 2018 are as follows:

Valuation date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal
Amortization approach	Closed
Expected remaining service lives	5 years
Investment rate of return	7.55% and 7.65%, respectively, net of investment expenses
Inflation rate	2.5% per annum
Projected salary increases	3.3% - 4.8% varies depending on duration of service
Mortality	Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females. Non-Disabled retiree/inactive members – RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females. Disability retiree mortality – RP-2014 Disability tables, adjusted by 1.111 for males and by 1.134 for females. These base tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.
Termination and disability	Termination, disability, and retirement assumptions were projected based on a 5-year (July 1, 2012 – June 30, 2017) experience study of the System's members.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses, and inflation) are developed for each major asset class. These ranges 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 and an adjustment for the effect of rebalancing/diversification. The resulting long-term geometric nominal expected rates of return are 8.48% for 2019 and 8.07% for 2018. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 and 2018 as summarized in the following table:

<u>Asset Class</u>	<u>Expected Long-Term Real Rates of Return</u>	
	<u>2019</u>	<u>2018</u>
Domestic equity	4.60%	4.01%
International equity	5.70	4.90
Domestic fixed income	1.69	1.36
International fixed income	2.10	2.35
Private equity	8.67	8.39
Other private assets	3.65	3.57

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

4. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 7.55% and 7.65%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan'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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

In accordance with GASB 67, the following presents the net pension liability calculated using the discount rate of 7.55% for the year ended June 30, 2019 and 7.65% for the year ended June 30, 2018, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher.

	1% Decrease	Current Discount Rate	1% Increase
Employers' net pension liability	6.55%	7.55%	8.55%
June 30, 2019	<u>\$ 13,211,129,157</u>	<u>\$ 9,924,649,896</u>	<u>\$ 7,154,649,653</u>
	1% Decrease	Current Discount Rate	1% Increase
Employers' net pension liability	6.65%	7.65%	8.65%
June 30, 2018	<u>\$ 13,019,747,254</u>	<u>\$ 9,828,019,936</u>	<u>\$ 7,135,631,690</u>

5. Eligibility

TRSL was established for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:700-999, as amended, for eligible teachers, employees, and their beneficiaries. The projection of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with the benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

The System consists of three membership plans that require mandatory enrollment for all employees who meet the following eligibility requirements:

TRSL Regular Plan - employees that meet the legal definition of a "teacher" in accordance with Louisiana Revised Statute 11:701(33)(a).

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

5. Eligibility (Continued)

TRSL Plan A - employees paid with school food service funds in which the parish has withdrawn from Social Security coverage.

TRSL Plan B - employees paid with school food service funds in which the parish has not withdrawn from Social Security coverage.

These three membership plans are considered one pension plan for financial reporting purposes. All assets accumulated for the payment of benefits may legally be used to pay benefits to any of the plan members or beneficiaries. TRSL provides retirement, disability, and survivor benefits.

6. Benefits

The following is a description of the plan and its benefits, and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Service Retirement

Service retirement benefits are established and amended by state statutes and are payable to members who have terminated covered employment and meet both age and service eligibility requirements. All members retire under one of three plans – Regular Plan, Plan A, or Plan B. Eligibility for each Plan is determined by the date the member joined TRSL as follows:

Regular Plan

Eligibility for retirement is determined by the date the member joined TRSL.

Members hired prior to July 1, 1999

2.0% benefit factor	At least age 60 with at least five years of service credit, or Any age with at least 20 years of service credit
---------------------	--

2.5% benefit factor	At least age 65 with at least 20 years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 30 years of service credit
---------------------	--

Members joining System between July 1, 1999 and December 31, 2010

2.5% benefit factor	At least age 60 with at least five years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 20 years of service credit (actuarially reduced), or Any age with at least 30 years of service credit
---------------------	--

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Service Retirement (Continued)

Regular Plan (Continued)

Members first eligible to join and hired between January 1, 2011 and June 30, 2015

2.5% benefit factor	At least age 60 with at least five years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)
---------------------	--

Members first eligible to join and hired on or after July 1, 2015

2.5% benefit factor	At least age 62 with at least five years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)
---------------------	--

Plan A

Plan A is closed to new entrants.

Plan A members

3.0% benefit factor	At least age 60 with at least five years of service credit, or At least age 55 with at least 25 years of service credit, or Any age with at least 30 years of service credit
---------------------	--

Plan B

Members hired before July 1, 2015

2.0% benefit factor	At least age 60 with at least five years of service credit, or At least age 55 with at least 30 years of service credit
---------------------	--

Members first eligible to join and hired on or after July 1, 2015

2.0% benefit factor	At least age 62 with at least five years of service credit, or Any age with at least 20 years of service credit (actuarially reduced)
---------------------	--

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Service Retirement (Continued)

Benefit Formula

For all plans, retirement benefits are based on a formula which multiplies the final average compensation by the applicable accrual rate and by the years of creditable service. For Regular Plan and Plan B members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after January 1, 2011, final average compensation is defined as the highest average 60-month period. For all other members, final average compensation is defined as the highest average 36-month period.

Payment Options

A retiring member is entitled to receive the maximum monthly benefit payable until the member's death. In lieu of the maximum monthly benefit, the member can elect to receive a reduced monthly benefit payable in the form of a Joint and Survivor Option, or a reduced monthly benefit (maximum or reduced Joint and Survivor Option) with a lump sum that can't exceed 36 months of the member's maximum monthly benefit amount.

Effective July 1, 2009, members can make an irrevocable election at retirement to receive an actuarially reduced benefit which increases 2.5% annually, beginning on the first retirement anniversary date, but not before age 55 or before the retiree would have attained age 55 in the case of a surviving spouse. This option can be chosen in combination with the above options.

Disability Retirement Benefits

Active members whose first employment makes them eligible for membership in a Louisiana state retirement system before January 1, 2011, and who have five or more years of service credit are eligible for disability retirement benefits if certified by the State Medical Disability Board (SMDB) to be disabled from performing their job. All other members must have at least 10 years of service to be eligible for a disability benefit. Calculation of the disability benefit as well as the availability of a minor child benefit is determined by the plan to which the member belongs and the date on which the member's first employment made them eligible for membership in a Louisiana state retirement system.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Survivor Benefits

A surviving spouse with minor children of an active member with at least five years of creditable service (two years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) 50% of the member's benefit calculated at the 2.5% accrual rate for all creditable service. When a minor child(ren) is no longer eligible to receive survivor benefits, and the deceased member had at least 10 years of creditable service, the spouse's benefit reverts to a survivor benefit in accordance with the provisions for a surviving spouse with no minor child(ren). Benefits for the minor child(ren) cease when he/she is no longer eligible.

Each minor child (maximum of two) shall receive an amount equal to the greater of (a) 50% of the spouse's benefit, or (b) \$300 (up to two eligible children). Benefits to minors cease at attainment of age 21, marriage, or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with at least 10 years of creditable service (two years immediately prior to death) is entitled to a benefit equal to the greater of (a) \$600 per month, or (b) the option 2 equivalent of the benefit calculated at the 2.5% accrual rate for all creditable service.

Permanent Benefit Increases/Cost-of-Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of ad hoc permanent benefit increases (PBIs), also known as cost-of-living adjustments (COLAs) that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature. Fifty percent of any excess return above \$200,000,000 (indexed to positive changes in the actuarial value of assets, beginning June 30, 2015) will be credited to the Experience Account, subject to the restrictions provided in Act 399 of 2014. The Experience Account is used to fund permanent benefit increases for retirees. The Experience Account balance as of June 30, 2019 and 2018 was \$91,497,197 and \$85,129,775, respectively.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Optional Retirement Plan (ORP)

The Optional Retirement Plan (ORP) was established in 1989 for academic employees of public institutions of higher education who are eligible for membership in TRSL. This Plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than TRSL. Participant and employer contributions are pooled and invested by their designated ORP carrier in the investment options of their choosing.

The ORP is a defined contribution pension plan which provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by TRSL's Board of Trustees. Monthly employer and employee contributions are invested as directed by the employee to provide the employee with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employee's working lifetime.

	<u>2019</u>	<u>2018</u>
Employees joining ORP consisted of:		
Members of TRSL joining ORP	111	86
New employees joining ORP	592	629
Total members joining ORP	<u>703</u>	<u>715</u>
Total actively contributing participants	<u>7,171</u>	<u>7,131</u>
Amounts transferred to ORP:		
Amounts previously held in TRSL reserves	\$ 415,727	\$ 361,386
Contributions	85,732,186	81,533,455
Total	<u>\$ 86,147,913</u>	<u>\$ 81,894,841</u>
Number of ORP employers	<u>119</u>	<u>118</u>
Participants' contribution rates:		
Participant contribution rate (applicable for ORP transfers)	7.95%	7.95%
Participant contribution rate (administrative fee - TRSL)	0.05%	0.05%
Total employee contribution rate	<u>8.00%</u>	<u>8.00%</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Optional Retirement Plan (ORP) (Continued)

Act 607 of the 2014 Regular Legislative Session required each higher education board created by Article VIII of the Louisiana Constitution to establish, by resolution, the portion of the employer contribution to be transferred to the ORP participants' accounts (transfer amount). If TRSL did not receive a resolution containing a transfer amount by June 1 of the previous fiscal year, the ORP law sets the transfer amount as the most recent contribution amount paid by the higher education board. This amount would be the transfer amount paid the previous year as a percentage of pay.

For all employers that are not a higher education board created by Article VIII of the Louisiana Constitution or an employer institution not under the supervision and control of such a board the transfer amount will be the greater of the normal cost for a member of TRSL's regular retirement plan or 6.2%. The amount must be set as a percentage of pay.

Effective for fiscal year of 2018 - 2019 and thereafter, the transfer amount will be the greater of the normal cost for a member of TRSL's regular retirement plan or 6.2% for all employers who have employees participating in the ORP. The amount must be set as a percentage of pay.

The following tables display the total employer contribution amount (transfer amount and shared UAL) for employers that report ORP participants for the years ending June 30, 2019 and 2018 for both higher education and non-higher education institutions. The transfer amount along with the participant's contributions, less the administrative fee, are transferred to their selected ORP provider and invested. The shared UAL portion is retained by TRSL.

HIGHER EDUCATION EMPLOYERS:

Contribution Rates for fiscal year ended June 30, 2019

	<u>Management Board</u>	Employer Rate		
		<u>Transfer Amount</u>	<u>Share UAL</u>	<u>Total ER</u>
Board of Regents		6.20%	21.80%	28.00%
Board of Supervisors of Louisiana State University		6.20%	21.80%	28.00%
Board of Supervisors of Southern University		6.20%	21.80%	28.00%
Southern Lab School		6.20%	21.80%	28.00%
Board of Supervisors of the University of Louisiana System		6.20%	21.80%	28.00%
Board of Supervisors of Community & Technical Colleges		6.20%	21.80%	28.00%

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

6. Benefits (Continued)

Optional Retirement Plan (ORP) (Continued)

HIGHER EDUCATION EMPLOYERS:

Contribution Rates for fiscal year ended June 30, 2018

<u>Management Board</u>	<u>Employer Rate</u>		
	<u>Transfer</u> <u>Amount</u>	<u>Share</u> <u>UAL</u>	<u>Total</u> <u>ER</u>
Board of Regents	5.9459%	22.20%	28.10%
Board of Supervisors of Louisiana State University	5.9459%	22.20%	28.10%
Board of Supervisors of Southern University	5.9460%	22.20%	28.10%
Southern Lab School	5.9460%	22.20%	28.10%
Board of Supervisors of the University of Louisiana System	5.7500%	22.20%	28.00%
Board of Supervisors of Community & Technical Colleges	5.9460%	22.20%	28.10%

NON-HIGHER EDUCATION EMPLOYERS:

Contribution rates:

<u>Fiscal Year</u>	<u>Employer Rate</u>		
	<u>Transfer</u> <u>Amount</u>	<u>Share</u> <u>UAL</u>	<u>Total</u> <u>ER</u>
2019	6.20%	21.80%	28.00%
2018	6.20%	22.20%	28.40%

7. Legally Required Reserves

Deferred Retirement Option Plan (DROP)

DROP was implemented on July 1, 1992, with the passage of Louisiana Revised Statutes 11:786 by the Legislature. When a member enters DROP, his status changes from an active member to a retiree, even though he continues to work at his regular job and draws his regular salary. In the original DROP, participation in the program could not exceed two years; however, DROP was modified on January 1, 1994 to allow for a three-year period of participation. During the DROP participation period, the retiree's retirement benefits are paid into a special account. The election is irrevocable once participation begins. For members eligible to enter DROP prior to January 1, 2004 interest will be earned at a rate equal to the actuarial realized rate of return on the System's portfolio for that plan year as certified by the System's actuary in their actuarial report, less one-half of one percent after participation ends.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

7. Legally Required Reserves (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

For members eligible to enter DROP on or after January 1, 2004, interest will be earned at the liquid asset money market rate, less one quarter of one percent administrative fee. Interest is posted monthly to the accounts and will be based on the balance in the account for that month. At the time of retirement, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROP account.

Upon termination of DROP participation, the member can continue employment and earn additional benefit accruals to be added to the fixed pre-DROP benefit.

Upon termination of employment, the member is entitled to the fixed benefit, an additional benefit based on post-DROP service (if any), and the individual DROP account balance which can be paid in a lump sum or as an additional annuity based upon the account balance.

Initial Lump Sum Benefit (ILSB)

Effective January 1, 1996, the Legislature authorized TRSL to establish an Initial Lump-Sum Benefit (ILSB) program. The ILSB is available to members who have not participated in DROP and who elect the maximum benefit, option 2 benefit, option 2A benefit, option 3 benefit, option 3A benefit, option 4 benefit, or option 4A benefit. The ILSB program provides both a one-time, single sum payment of up to 36 months of the maximum regular monthly retirement benefit and a reduced monthly retirement benefit for life. Interest credited and payments from the ILSB account are made in accordance with Louisiana Revised Statutes 11:789(A)(1).

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

7. Legally Required Reserves (Continued)

Membership, disbursements, and reserve balances for the DROP and ILSB programs for the fiscal years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Members who became eligible to participate before January 1, 2004		
DROP		
Members entering DROP	-	-
Disbursements	\$ 49,135,931	\$ 49,605,445
DROP reserves at June 30	\$ 569,323,587	\$ 565,433,752
ILSB		
Members entering ILSB	-	-
Disbursements	\$ 301,871	\$ 385,239
ILSB reserves at June 30	\$ 4,889,741	\$ 4,749,406
Members who became eligible to participate on or after January 1, 2004		
DROP		
Members entering DROP	871	874
Disbursements	\$ 92,535,260	\$ 93,501,586
DROP reserves at June 30	\$ 473,679,823	\$ 473,530,750
ILSB		
Members entering ILSB	249	215
Disbursements	\$ 11,910,269	\$ 9,423,538
ILSB reserves at June 30	\$ 2,488,479	\$ 2,382,792

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

7. Legally Required Reserves (Continued)

Interest rates for the DROP and ILSB programs over the past 10 years are as follows:

Fiscal Year Ending June 30	Interest Rates	
	Members who became eligible to participate before January 1, 2004	Members who became eligible to participate on or after January 1, 2004
2010	-*	0.0100%
2011	5.94%	0.0050%
2012	4.55%	0.0001%
2013	12.91%	-
2014	12.64%	-
2015	10.76%	-
2016	6.17%	0.0595%
2017	8.65%	0.2214%
2018	8.98%	0.9538%
2019**	6.98%	1.8940%

* An attorney general opinion in 2002 ruled that DROP/ILSB accounts could not be debited. If not for this ruling, DROP/ILSB account interest rates would have been reduced by 1.39% for 2010.

**Upon Public Retirement Systems' Actuarial Committee (PRSAC) approval of fiscal year valuation.

8. Excess Benefit Plan

Louisiana Revised Statute 11:945 established the Excess Benefit Plan as a separate, unfunded, nonqualified plan under the provisions set forth in Louisiana Revised Statute 11:946, and also as a qualified governmental excess benefit arrangement as defined in Section 415(m)(3) of the United States Internal Revenue Code.

Effective July 1, 1999, an excess benefit participant who is receiving a benefit from this System is entitled to a monthly benefit under this plan in an amount equal to the lesser of either the participant's unrestricted benefit as defined in Louisiana Revised Statute 11:701, less the maximum benefit, or the amount by which the participant's monthly benefit from this System has been reduced by the limitations of Louisiana Revised Statute 11:784.1. A benefit payable under this plan is paid in the form and at the time it would have been paid as a monthly pension except for the limitations under Louisiana Revised Statute 11:784.1 and Section 415 of the United States Internal Revenue Code.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. PLAN DESCRIPTION: (Continued)

8. Excess Benefit Plan (Continued)

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, monthly contributions made by the employer are reduced by the amount necessary to pay that month's excess retirement benefits. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, the Excess Benefit Plan may never receive a transfer of assets from the pension plan. The number of benefit recipients and the total benefits for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Number of excess benefit recipients	46	46
Total benefits	<u>\$ 956,102</u>	<u>\$ 1,079,730</u>

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS:

1. Reporting Entity

TRS (the "System") is a component unit of the State of Louisiana. A 17-member Board of Trustees (composed of ten active members, two retired members, and five ex officio members) governs TRS. The Board of Trustees appoints the director, who is the System's managing officer.

During 2018, the System adopted GASB 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for post-employment benefits other than pensions (OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The standard required the System to record its proportionate share of OPEB amounts related to the participation in a multi-employer defined OPEB plan using specific guidelines outlined in the standard. These disclosures are located in Note J.

2. Basis of Accounting

TRS's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Member and employer contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. State appropriations are recognized in the period appropriated. Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS: (Continued)

2. Basis of Accounting (Continued)

Administrative costs are funded through the employer contribution rate and are subject to budgetary control by the Board of Trustees and approval of the Joint Legislative Committee on the Budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

3. 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 additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates. The System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

4. Method Used to Value Investments

GASB Statement No. 72 (GASB 72) was implemented for fiscal year ended June 30, 2016. As required by GASB 72, investments are reported at fair value which is described as an exit price. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. 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. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures are organized by type of asset or liability. GASB 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are located in Note D.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS: (Continued)

4. Method Used to Value Investments (Continued)

Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate.

All derivative financial instruments are reported at fair value in the Statements of Fiduciary Net Position. Gains and losses are reported in the Statements of Changes in Fiduciary Net Position as net appreciation (depreciation) in fair value of investments during the period the instruments are held and when the instruments are sold or expire. The nature and use of derivative instruments is discussed in Note H.

The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value (such as private equity, real estate, and tangible assets) has been recorded based on the investment's capital account balance which is reported at fair value, at the closest available reporting period, and adjusted for subsequent contributions, distributions, and management fees.

Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses are included as investment earnings in the Statements of Changes in Fiduciary Net Position.

Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term.

5. Property and Equipment

Land, building, equipment, and furniture are carried at historical cost. Depreciation for the building is computed using the straight-line method based upon a useful life of 40 years. Depreciation for office equipment and furniture with a purchase price of at least \$1,000 is computed using the straight-line method based upon a useful life of three to ten years. Items with a purchase price of less than \$1,000 and more than \$250 are computed using the straight-line method with a useful life of three years. Items with a purchase price of less than \$250 are expensed in the current year.

TRSL and the Louisiana State Employees' Retirement System (LASERS) share a 50/50 joint ownership of the Louisiana Retirement Systems building, equipment, and related land.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS:** (Continued)

5. **Property and Equipment** (Continued)

The following is a summary of the changes in property and equipment for the years ended June 30, 2019 and 2018:

	June 30, <u>2018</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2019</u>
Asset class (at cost)				
Land	\$ 858,390	\$ -	\$ -	\$ 858,390
Building	6,415,360	541,554	-	6,956,914
Equipment, furniture, fixtures	2,455,557	192,452	(51,746)	2,596,263
Total property and equipment	<u>9,729,307</u>	<u>734,006</u>	<u>(51,746)</u>	<u>10,411,567</u>
 Accumulated depreciation				
Building	(4,481,131)	(221,357)	-	(4,702,488)
Equipment, furniture, fixtures	(1,846,132)	(175,569)	50,818	(1,970,883)
Total accumulated depreciation	<u>(6,327,263)</u>	<u>(396,926)</u>	<u>50,818</u>	<u>(6,673,371)</u>
 Net Property and Equipment	<u>\$ 3,402,044</u>	<u>\$ 337,080</u>	<u>\$ (928)</u>	<u>\$ 3,738,196</u>
 Asset class (at cost)	June 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	June 30, <u>2018</u>
Land	\$ 858,390	\$ -	\$ -	\$ 858,390
Building	6,172,134	243,226	-	6,415,360
Equipment, furniture, fixtures	5,372,940	167,291	(3,084,674)	2,455,557
Total property and equipment	<u>12,403,464</u>	<u>410,517</u>	<u>(3,084,674)</u>	<u>9,729,307</u>
 Accumulated depreciation				
Building	(4,278,112)	(203,019)	-	(4,481,131)
Equipment, furniture, fixtures	(4,694,440)	(197,747)	3,046,055	(1,846,132)
Total accumulated depreciation	<u>(8,972,552)</u>	<u>(400,766)</u>	<u>3,046,055</u>	<u>(6,327,263)</u>
 Net Property and Equipment	<u>\$ 3,430,912</u>	<u>\$ 9,751</u>	<u>\$ (38,619)</u>	<u>\$ 3,402,044</u>

6. **Accumulative Leave**

The employees of the System accumulate annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. The liability for accrued annual leave of up to 300 hours is included in other liabilities on the Statement of Fiduciary Net Position. 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.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

C. MEMBER CONTRIBUTIONS AND EMPLOYER CONTRIBUTIONS:

Member contribution rates for the System are established by La. R.S. 11:62. The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's actuary. Each sub plan pays a separate actuarially determined employer contribution rate. However, all assets of TRSL are used for the payment of benefits for all classes of members, regardless of their plan.

The normal cost portion of each plan's employer contribution rate varies based upon that plan's benefits, member demographics, and the rate contributed by employees. The unfunded accrued liability (UAL) contribution rate is determined in aggregate for all plans. The UAL established due to a specific plan or group of plans because of legislation will be allocated entirely to that plan or those plans.

Employee and employer contribution rates for each plan for the years ended June 30, 2019 and 2018 are as follows:

<u>2019</u>		Employee Contribution			Employer Contribution Rate		
<u>Plan</u>	<u>Rate</u>	Normal	Standard	Total	<u>Cost Rate</u>	<u>UAL Rate</u>	<u>Rate*</u>
Regular Plan (K12)	8.0%	4.4498%	21.8%	26.7%			
Regular Plan (Higher Ed)	8.0%	3.2187%	21.8%	25.5%			
Lunch Plan A	9.1%	4.4498%	21.8%	26.7%			
Lunch Plan B	5.0%	4.4498%	21.8%	26.7%			

<u>2018</u>		Employee Contribution			Employer Contribution Rate		
<u>Plan</u>	<u>Rate</u>	Normal	Standard	Total	<u>Cost Rate</u>	<u>UAL Rate</u>	<u>Rate*</u>
Regular Plan (K12)	8.0%	4.3642%	22.2%	26.6%			
Regular Plan (Higher Ed)	8.0%	3.2194%	22.2%	25.4%			
Lunch Plan A	9.1%	4.3642%	22.2%	26.6%			
Lunch Plan B	5.0%	4.3642%	22.2%	26.6%			

*Rounded

NOTE: In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. FAIR VALUE DISCLOSURES:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2019 and 2018, respectively:

June 30, 2019	<u>Fair Value</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Markets <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Investments by Fair Value Level				
Debt Investments:				
U. S Treasury and Government Obligation	\$ 1,370,934,058	\$ 744,995,845	\$ 625,938,213	\$ -
Corporate Bonds	537,964,242	6,023,220	514,079,867	17,861,155
Miscellaneous	294,530,637	6,432,261	287,772,581	325,795
International Bonds	1,122,102,807	3,705,310	1,117,484,336	913,161
Short-Term Investments	905,074,798	435,297,771	93,130,202	376,646,825
Total Debt Securities	<u>4,230,606,542</u>	<u>1,196,454,407</u>	<u>2,638,405,199</u>	<u>395,746,936</u>
Equity Securities:				
Large Cap	3,486,948,312	3,486,948,312	-	-
Mid Cap	892,670,495	892,670,495	-	-
Small Cap	1,457,382,725	1,457,382,725	-	-
International Equities	2,455,554,231	2,455,554,231	-	-
Global REIT	250,818,889	249,846,104	-	972,785
Other	28,103,725	21,093,294	7,010,431	-
Total Equity Securities	<u>8,571,478,377</u>	<u>8,563,495,161</u>	<u>7,010,431</u>	<u>972,785</u>
Alternative Assets and Real Estate:				
Private Assets	5,407,829,743	31,371,761	-	5,376,457,982
Real Estate	<u>727,900,826</u>	-	-	<u>727,900,826</u>
Total Alternative Assets and Real Estate	<u>6,135,730,569</u>	<u>31,371,761</u>	-	<u>6,104,358,808</u>
Derivative Instruments:				
Foreign Exchange Contracts	3,937,024	-	3,937,024	-
Swaps	222,962,254	-	222,962,254	-
Options	201,809,854	-	201,809,854	-
Total Derivative Instruments	<u>428,709,132</u>	-	<u>428,709,132</u>	-
Total Investments at Fair Value Level	<u>19,366,524,620</u>	<u>\$ 9,791,321,329</u>	<u>\$ 3,074,124,762</u>	<u>\$ 6,501,078,529</u>
Investments measured at Net Asset Value (NAV)				
	<u>2,350,027,853</u>			
Total Investments at Fair Value Level	<u><u>\$ 21,716,552,473</u></u>			
Investment Derivatives:				
Futures payable	\$ 6,728,001	\$ 6,728,001	\$ -	\$ -
Swaps	(228,050,822)	-	(228,050,822)	-
Options	(1,103,805)	(77,125)	(1,026,680)	-

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. FAIR VALUE DISCLOSURES: (Continued)

<u>June 30, 2018</u>	<u>Fair Value</u>	Quoted Prices in Active Markets <u>(Level 1)</u>	Significant Other Observable Markets <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Investments by Fair Value Level				
Debt Investments:				
U. S Treasury and				
Government Obligation	\$ 1,246,921,747	\$ 650,116,230	\$ 596,805,517	\$ -
Corporate Bonds	488,513,526	5,796,078	468,858,864	13,858,584
Miscellaneous	289,379,135	5,700,691	283,678,444	-
International Bonds	1,239,909,558	796,760	1,237,882,358	1,230,440
Short-Term Investments	1,075,973,323	434,882,263	137,273,142	503,817,918
Total Debt Securities	<u>4,340,697,289</u>	<u>1,097,292,022</u>	<u>2,724,498,325</u>	<u>518,906,942</u>
Equity Securities:				
Large Cap	3,503,554,252	3,503,554,252	-	-
Mid Cap	924,551,230	924,551,230	-	-
Small Cap	1,568,624,816	1,568,624,816	-	-
International Equities	2,493,967,494	2,493,967,494	-	-
Global REIT	146,945,943	146,945,943	-	-
Other	21,701,444	10,316,605	11,384,839	-
Total Equity Securities	<u>8,659,345,179</u>	<u>8,647,960,340</u>	<u>11,384,839</u>	<u>-</u>
Alternative Assets and Real Estate:				
Private Assets	4,785,375,894	24,648,940	-	4,760,726,954
Real Estate	654,225,955	-	-	654,225,955
Total Alternative Assets and Real Estate	<u>5,439,601,849</u>	<u>24,648,940</u>	<u>-</u>	<u>5,414,952,909</u>
Derivative Instruments:				
Foreign Exchange Contracts	(16,374,377)	-	(16,374,377)	-
Swaps	402,656,948	-	402,656,948	-
Options	837,510	-	837,510	-
Total Derivative Instruments	<u>387,120,081</u>	<u>-</u>	<u>387,120,081</u>	<u>-</u>
Total Investments at Fair Value Level	<u>18,826,764,398</u>	<u>\$ 9,769,901,302</u>	<u>\$ 3,123,003,245</u>	<u>\$ 5,933,859,851</u>
Investments measured at Net Asset Value (NAV)				
Total Investments at Fair Value Level	<u>\$ 21,149,602,929</u>			
Investment Derivatives:				
Futures payable	\$ (16,973,742)	\$ (16,973,742)	\$ -	\$ -
Swaps	(406,238,071)	-	(406,238,071)	-
Options	(1,794,647)	(220,274)	(1,574,373)	-

Certain securities and derivatives disclosed in these tables may be classified as short-term investments, global equity, debt securities, or investments payable on the combined Statements of Fiduciary Net Position. Accordingly, the totals presented in this table will not agree to the combined totals of investments presented in those statements.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. **FAIR VALUE DISCLOSURES:** (Continued)

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Securities classified in Levels 2 and 3 of the fair value hierarchy are valued using a proprietary matrix based on asset class (e.g. 'sector code,' 'firm code,' or 'asset type code'). Matrix pricing relies on the securities' relationship to other benchmark quoted securities.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019 are presented in the following table.

		2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
JP Morgan Strategic Property Fund	(1)	\$ 494,527,334	-	Quarterly	45 days prior to quarter end
MetLife Core Property Fund	(2)	318,543,912	-	Quarterly	60 days prior to quarter end
Prudential Real Estate	(3)	270,476,457	-	Quarterly	1 quarter prior to the quarter the redemption is required
Dimensional Funds-Emerging Markets Value Portfolio	(4)	544,471,264	-	Daily	N/A
Dimensional Funds-International Small Co. Portfolio	(5)	324,531,598	-	Daily	N/A
Harding Loevner Emerging Market Collective Investment Fund	(6)	<hr style="width: 100px; margin-left: 0;"/> \$ 397,477,288 <hr style="width: 100px; margin-left: 0;"/> \$ 2,350,027,853	-	Daily	Same day notice

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

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. **FAIR VALUE DISCLOSURES:** (Continued)

		2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
JP Morgan Strategic Property Fund	(1)	\$ 472,886,037		- Quarterly	45 days prior to quarter end
MetLife Core Property Fund	(2)	296,979,018		- Quarterly	60 days prior to quarter end
Prudential Real Estate	(3)	256,467,412		- Quarterly	1 quarter prior to the quarter the redemption is required
Dimensional Funds-Emerging Markets Value Portfolio	(4)	534,056,402		- Daily	N/A
Dimensional Funds-International Small Co. Portfolio	(5)	361,417,699		- Daily	N/A
Harding Loevner Emerging Market Collective Investment Fund	(6)	<u>401,031,963</u> <u>\$ 2,322,838,531</u>		- Daily	Same day notice

- (1) JP Morgan Strategic Property Fund - Strategic Property Fund is an actively managed diversified, pure core, open-end commingled pension trust fund. It invests in high-quality stabilized office, retail, residential, and industrial assets with dominant competitive characteristics in primary markets throughout the United States. Properties are well-leased, generating significant operating cash flow, and a high income return. Broad diversification, both geographically and by sector, have contributed to strong risk adjusted returns of 9.8% gross of fees (8.7 % net of highest applicable fees) since the Fund's inception in January 1998. The Fund's size, quality, consistent pure core strategy, high occupancy, low lease rollover, solid income, conservative leverage, and staggered debt maturities position the Fund well to execute on its strategy. Investments in the Fund are valued at the current day closing net asset value per share. As part of the Trustee's valuation process, properties are externally appraised generally on an annual basis, by reputable, independent appraisal firms, and signed by appraisers that are members of the Appraisal Institute, with the professional MAI designation. In addition, the Trustee may cause additional appraisals to be performed as warranted by specific asset or market conditions. All external appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practices "USPAP." To the extent that redemption requests exceed available cash, distributions are pro-rated based on the participant's interest in the Fund. All withdrawals will be treated equally forever whether for fees, benefit payments, plan termination, or asset allocation. Available cash is defined as excess

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. FAIR VALUE DISCLOSURES: (Continued)

(1) JP Morgan Strategic Property Fund (Continued)

cash after provision for outstanding future capital commitments and other operating reserves. The Fund's redemption notice period is 45 days; therefore, any sales price could differ from the net asset value because of the 45-day notice period.

(2) MetLife Core Property Fund - The strategy of the MetLife Core Property Fund (MCPF) is to create and actively manage a diversified portfolio of core institutional real estate assets that offer the potential to deliver attractive returns through a combination of current income and capital appreciation. As a core open-ended fund, the strategy is to invest in property types that have both deep institutional quality stock and deep institutional investor bases. The Fund limits its investments in non-core properties to 10% of the Fund GAV (plus unfunded capital commitments). Geographically the Fund invests in U.S. real estate assets and focuses on primary markets; the Fund's strategy does not include a major focus on secondary and tertiary markets.

Specific investment characteristics of targeted investments for the Fund include:

- Stabilized investments with high-quality physical improvements.
- Attractive locations within supply-constrained metropolitan areas and with superior competitive market positions.
- Favorable long-term economic, demographic, and fundamental real estate trends.
- Well-leased properties with diversified rent roll and manageable lease rollover.
- Minimal need for near term capital expenditures.
- Stable, predictable income stream, which constitutes a significant portion of the expected total return over the hold period.
- Readily marketable assets that enable an efficient exit.

Investors may request that the General Partner redeem all or any portion of their shares on quarterly basis with 60 days written notice prior to the end of the quarter for which the request is to be effective; however, the Fund will not be obligated to sell assets, borrow funds, or alter investment or capital improvement plans to meet redemption requests. Units will be redeemed in cash at a price that reflects the Fund's NAV as of the last day of the calendar quarter immediately preceding the effective date of the redemption, as adjusted for additional contributions and distributions.

If liquid assets are insufficient to redeem all Fund redemption requests, a pro rata portion of the outstanding Fund redemption interests pursuant to such requests based upon the relative Fund percentage interests as of such redemption date of the Fund investors who are being redeemed (regardless of the redemption effective date of the redemption notices), will be redeemed to the extent that liquid assets are available, and in each case within 10 days after the Fund's NAV for the end of a calendar quarter has been determined.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. FAIR VALUE DISCLOSURES: (Continued)

- (3) Prudential Real Estate (PRISA) - The Fund's investment objective is to produce a total return each year that outperforms the NCREIF Fund Index Open-End Diversified Core Equity (NFI-ODCE) on a total-return basis, while maintaining the benefits of a broadly diversified, core portfolio. Investors may request a withdrawal from PRISA at any time. Redemptions are paid only on valuation dates, on the last business day of a calendar quarter. All written requests received by PRISA at least a quarter prior to the valuation date will be eligible for payment. For example, a written request received during the first calendar quarter will be eligible to be paid on the last business day of June. PRISA may, in its discretion, waive the notice requirement.

Redemption payments are subject to available cash as determined by PRISA after all contractual obligations are met and appropriate reserves are maintained to meet anticipated future portfolio operating requirements. If eligible redemption requests exceed available cash in a given quarter, an exit queue will be established.

Investment in the Fund is valued at the current day closing net asset value per share. A unit value is the value of a single unit or "share" in an investment account on the specified day. The unit value changes depending on the investment results of the investment account and reflects realized and unrealized capital gains/losses, investment income, and may include fees/expenses. The estimate of fair value for real estate is based on the conventional approaches to value, all of which require the exercise of subjective judgment. The three approaches are: (1) current cost of reproducing the real estate less deterioration and functional and economic obsolescence; (2) discounting a series of income streams and reversion at a specific yield or by directly capitalizing a single year income estimate by an appropriate factor; and (3) value indicated by recent sales of comparable real estate in the market. In the reconciliation of these three approaches, the independent appraiser uses one or a combination of them, to come up with the approximated value for the type of real estate in the market.

The Fund's redemption notice period must be at least 90 days; therefore, any sales price could differ from the net asset value because of the 90-day notice period.

- (4) Dimensional Funds-Emerging Markets Value Portfolio - The investment objective of the Emerging Markets Value Portfolio is to achieve long-term capital appreciation. The Emerging Markets Value Portfolio is a Feeder Portfolio and pursues its objective by investing substantially all of its assets in its corresponding Master Fund, the Dimensional Emerging Markets Value Fund (the "Emerging Markets Value Fund"), which has the same investment objective and policies as the Portfolio. Securities held by the Fund, including over-the-counter securities, are valued at the last quoted sale price at the close of the exchanges on which they are principally traded (official closing price).

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. FAIR VALUE DISCLOSURES: (Continued)

- (5) Dimensional Funds-International Small Company Portfolio - The investment objective of the International Small Company Portfolio is to achieve long-term capital appreciation. The International Small Company Portfolio is a "fund of funds," which means the Portfolio generally allocates its assets among other funds managed by Dimensional Fund Advisors LP (the "Advisor") (the "Underlying Funds"), although it has the ability to invest directly in securities and derivatives. The International Small Company Portfolio seeks to achieve its investment objective of providing investors with access to securities portfolios consisting of a broad range of equity securities of primarily small Canadian, Japanese, United Kingdom, European, and Asia Pacific companies. The International Small Company Portfolio also may have some exposure to small cap equity securities associated with other countries or regions. The International Small Company Portfolio pursues its investment objective by investing substantially all of its assets in the following Underlying Funds: the Canadian Small Company Series, Japanese Small Company Series, Asia Pacific Small Company Series, United Kingdom Small Company Series, and Continental Small Company Series of The DFA Investment Trust Company. The International Small Company Portfolio (a feeder fund) value reflects its proportionate interest in the net assets of the corresponding Master Fund. Investors may purchase or redeem shares of the International Small Company Portfolio on each day that the NYSE is scheduled to be open for business by first contacting the Portfolio's transfer agent.
- (6) Harding Loevner Emerging Markets Collective Investment Fund – The investment objective of the Emerging Markets Collective Investment Fund (the Fund) is to seek long-term capital appreciation through investments in equity securities of companies based in emerging markets. The fund invests primarily in companies that are based in emerging and frontier markets. To reduce its volatility, the Fund is diversified across dimensions of geography, industry, and currency. The Fund normally holds investments across at least 15 countries. Normally, at least 65% of the Fund's total assets will be denominated in at least three currencies other than the U.S. dollar. The Fund also normally invests at least 65% of its total assets in common stocks, preferred stocks, rights, and warrants issued by companies that are based in emerging or frontier markets, securities convertible into such securities (including depositary receipts), and trust and other entities that invest in the types of securities in which the Fund would normally invest. No more than 15% of the Fund's total assets will be invested in securities of U.S. companies. Securities held by the Fund, including over-the-counter securities, are valued at the last quoted sale price at the close of the exchanges on which they are principally traded (official closing price).

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. DEPOSITS AND INVESTMENT RISK DISCLOSURES:

1. Cash and Cash Equivalents

Cash and cash equivalents include cash deposited in banks and short-term repurchase agreements. Cash is insured by the Federal Deposit Insurance Corporation up to \$250,000 and cash equivalents are collateralized by the pledge of government securities held by the agents in TRSL's name.

2. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. At June 30, 2019 and 2018, all deposits were insured by FDIC insurance and pledged collateral held in joint custody.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System's trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either a counterparty or by the counterparty's trust department or agent but not in the System's name. It is the System's policy to contract with the custodian to provide safeguarding of deposits and securities. Assets held by financial institutions in their capacity as trustee or custodian are not considered to be assets of that institution as a corporate entity for insolvency purposes. These assets are segregated from the corporate assets of the financial institution and are accounted for separately on the institution's general ledger. As a result of this segregation, assets held in a custodial capacity should not be affected if the custodial institution were placed into receivership by its regulators. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form.

As of June 30, 2019 and 2018, TRSL has \$3,034,732,743 and \$3,266,109,201, respectively, in collateral held under the securities lending program that is exposed to custodial credit risk.

3. 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 requires investments in core fixed income portfolios to be rated Baa3 or BBB- or higher by Moody's or Standard & Poor's, respectively. High-yield investment portfolios shall be invested in securities rated from Ba-1 to Caa or BB+ to CCC as rated by Moody's and Standard & Poor's, respectively. Non-rated securities and securities rated below Caa or CCC shall not exceed 20% of the fair value of the portfolio.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. **DEPOSITS AND INVESTMENT RISK DISCLOSURES:** (Continued)

3. **Credit Risk** (Continued)

The System's exposure to credit risk at June 30, 2019 is as follows:

Debt Securities			
Moody's Rating	Total	Domestic	International
A1	\$ 112,355,965	\$ 28,266,938	\$ 84,089,027
A2	100,328,703	71,422,225	28,906,478
A3	289,118,218	111,191,038	177,927,180
AA1	34,252,566	7,259,075	26,993,491
AA2	23,898,994	9,082,167	14,816,827
AA3	65,625,501	14,443,634	51,181,867
AAA	1,320,925,790	1,203,192,064	117,733,726
B1	53,205,561	28,113,556	25,092,005
B2	75,537,787	25,908,218	49,629,569
B3	46,348,475	33,027,194	13,321,281
BA1	45,200,676	21,622,609	23,578,067
BA2	123,750,193	15,944,902	107,805,291
BA3	52,554,126	29,335,120	23,219,006
BAA1	107,520,917	60,220,246	47,300,671
BAA2	196,211,782	80,851,925	115,359,857
BAA3	234,649,712	85,306,486	149,343,226
C	40,043	26,723	13,320
CA	1,104,872	718,442	386,430
CAA1	30,835,705	15,292,228	15,543,477
CAA2	17,685,524	12,913,564	4,771,960
CAA3	2,335,763	1,574,900	760,863
NR	1,691,973,211	1,358,484,678	333,488,533
WR	21,798,685	10,744,304	11,054,381
 Total credit risk debt securities	 <u>\$ 4,647,258,769</u>	 <u>\$ 3,224,942,236</u>	 <u>\$ 1,422,316,533</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. **DEPOSITS AND INVESTMENT RISK DISCLOSURES:** (Continued)

3. *Credit Risk* (Continued)

The System's exposure to credit risk at June 30, 2018 is as follows:

<u>Moody's Rating</u>	<u>Debt Securities</u>		
	<u>Total</u>	<u>Domestic</u>	<u>International</u>
A1	\$ 100,943,234	\$ 36,078,021	\$ 64,865,213
A2	84,614,167	51,935,575	32,678,592
A3	301,971,609	97,470,437	204,501,172
AA1	27,808,733	9,059,253	18,749,480
AA2	95,863,868	6,489,360	89,374,508
AA3	82,432,149	38,234,150	44,197,999
AAA	1,160,556,977	1,036,069,082	124,487,895
B1	54,301,302	34,718,082	19,583,220
B2	58,850,895	27,227,963	31,622,932
B3	50,075,263	27,767,536	22,307,727
BA1	65,851,158	25,100,139	40,751,019
BA2	115,717,181	19,011,785	96,705,396
BA3	54,375,156	32,084,549	22,290,607
BAA1	103,266,737	66,117,384	37,149,353
BAA2	194,567,990	91,203,368	103,364,622
BAA3	180,347,701	69,491,158	110,856,543
C	782,491	2,667	779,824
CA	482,981	482,981	-
CAA1	25,089,190	16,881,807	8,207,383
CAA2	20,241,553	13,289,491	6,952,062
CAA3	4,249,095	4,249,095	-
NR	1,935,080,754	1,634,854,596	300,226,158
WR	9,035,150	8,547,006	488,144
 Total credit risk debt securities	 <u>\$ 4,726,505,334</u>	 <u>\$ 3,346,365,485</u>	 <u>\$ 1,380,139,849</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. DEPOSITS AND INVESTMENT RISK DISCLOSURES: (Continued)

4. 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.

At June 30, 2019 the System's maturities for debt securities is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>More than 10 Years</u>
U. S. Treasury and government agency	\$ 1,542,424,064	\$ 28,253,382	\$ 384,362,070	\$ 390,051,153	\$ 739,757,459
Collateralized mortgage obligations	64,256,085	160,800	8,293,697	7,917,534	47,884,054
Corporate bonds	629,844,532	58,461,470	296,136,028	153,900,890	121,346,144
Other	611,264,534	31,574,865	333,440,499	128,213,819	118,035,351
Foreign corporate bonds	99,073,365	3,367,347	39,126,205	6,331,070	50,248,743
Foreign government bonds	645,032,299	52,530,075	97,320,528	219,278,598	275,903,098
Foreign treasuries	76,307,013	8,563,062	21,534,295	30,988,246	15,221,410
Foreign other	73,119,326	(122,709)	39,232,806	18,875,640	15,133,589
Short-term investments	<u>905,937,551</u>	<u>905,937,551</u>	-	-	-
Total	<u>\$ 4,647,258,769</u>	<u>\$ 1,088,725,843</u>	<u>\$ 1,219,446,128</u>	<u>\$ 955,556,950</u>	<u>\$ 1,383,529,848</u>

At June 30, 2018 the System's maturities for debt securities is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>More than 10 Years</u>
U. S. Treasury and government agency	\$ 1,190,405,866	\$ 108,071,583	\$ 316,944,667	\$ 206,396,066	\$ 558,993,550
Collateralized mortgage obligations	62,934,439	15,603	9,675,444	5,298,874	47,944,518
Corporate bonds	489,062,467	15,850,972	248,281,640	116,309,635	108,620,220
Other	636,459,322	5,399,717	449,827,343	87,795,065	93,437,197
Foreign corporate bonds	244,469,346	9,596,199	98,466,966	54,064,371	82,341,810
Foreign government bonds	741,677,500	72,350,134	180,239,603	203,980,230	285,107,533
Foreign treasuries	72,139,419	12,476,503	12,782,166	5,995,132	40,885,618
Foreign other	212,546,142	12,565,242	91,300,919	80,571,332	28,108,649
Short-term investments	<u>1,076,810,833</u>	<u>1,076,810,833</u>	-	-	-
Total	<u>\$ 4,726,505,334</u>	<u>\$ 1,313,136,786</u>	<u>\$ 1,407,518,748</u>	<u>\$ 760,410,705</u>	<u>\$ 1,245,439,095</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. **DEPOSITS AND INVESTMENT RISK DISCLOSURES:** (Continued)

4. *Interest Rate Risk* (Continued)

TRSL, as expressed in its Investment Policy Statement, expects its fixed income managers to approximate the portfolio's duration (a measure of a debt investment's exposure to fair value changes arising from changing interest rates) to its benchmark.

5. *Foreign Currency Risk*

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investment risk and foreign currency risk as measured by tracking error has been reduced by the use of the overlay program. The System's asset allocation plan adopted in its Investment Policy Statement includes a maximum of 40% for international equities and fixed income.

At June 30, 2019 the System's foreign currency risk is as follows:

<u>Currency</u>	<u>%</u>	<u>Total</u>	<u>Bonds</u>	<u>Preferred Stock</u>	<u>Stocks</u>	<u>Short-Term Investments</u>	<u>Private Equity</u>
Argentina Peso	0.28%	\$ 10,990,012	\$ 10,049,158	\$ -	\$ -	\$ 940,854	\$ -
Australian Dollar	2.95%	114,257,885	40,401,357	-	73,692,284	164,244	-
Brazil Real	3.45%	133,641,301	103,571,072	18,554,840	10,642,155	873,234	-
Canadian Dollar	2.85%	110,116,027	10,912,111	-	99,733,143	(529,227)	-
Chilean Peso	0.21%	8,009,830	8,009,830	-	-	-	-
Chinese Yuan	0.12%	4,640,083	151,976	-	3,842,848	645,259	-
Colombian Peso	1.50%	57,868,220	57,606,624	-	-	261,596	-
Czech Koruna	0.13%	4,977,214	4,901,574	-	-	75,640	-
Danish Krone	1.80%	69,843,333	25,697,213	-	44,105,547	40,573	-
Dominican Rep Peso	0.03%	1,157,060	1,157,060	-	-	-	-
Egyptian Pound	0.12%	4,756,551	-	-	-	4,756,551	-
Euro Currency Unit	40.23%	1,556,716,553	105,871,704	15,270,719	820,723,430	7,050,824	607,799,876
Ghanaian Cedi	0.04%	1,375,345	1,226,755	-	-	148,590	-
Hong Kong Dollar	5.56%	215,312,109	-	-	215,273,046	39,063	-
Hungarian Forint	0.24%	9,174,900	4,651,157	-	4,222,090	301,653	-
Indonesian Rupiah	2.19%	84,740,007	77,930,696	-	5,557,733	1,251,578	-
Israeli Shekel	0.10%	3,912,604	118,143	-	3,792,374	2,087	-
Japanese Yen	12.05%	466,364,780	49,921,749	-	358,179,784	58,263,247	-
Malaysian Ringgit	0.92%	35,715,877	32,565,196	-	2,487,551	663,130	-
Mexican New Peso	3.06%	118,550,935	118,511,811	-	733,120	(693,996)	-
New Zealand Dollar	0.38%	14,679,751	22,241	-	14,643,054	14,456	-
Nigerian Naira	0.05%	1,997,772	1,698,543	-	-	299,229	-
Norwegian Krone	0.42%	16,101,388	392,737	-	15,700,874	7,777	-
Peruvian Sol	0.46%	17,964,055	17,716,612	-	-	247,443	-
Philippines Peso	0.08%	3,004,770	2,994,221	-	-	10,549	-
Polish Zloty	0.48%	18,516,107	15,888,948	-	2,293,917	333,242	-
Pound Sterling	8.12%	314,402,107	35,318,772	457,589	250,676,471	1,929,393	26,019,882

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. DEPOSITS AND INVESTMENT RISK DISCLOSURES: (Continued)

5. Foreign Currency Risk (Continued)

<u>Currency</u>	<u>%</u>	<u>Total</u>	<u>Bonds</u>	<u>Preferred Stock</u>	<u>Stocks</u>	<u>Short-Term Investments</u>	<u>Private Equity</u>
Romanian Leu	0.09%	\$ 3,420,226	\$ 3,229,658	\$ -	\$ -	\$ 190,568	\$ -
Russian Ruble (New)	1.00%	38,859,687	38,347,690	-	-	511,997	-
Singapore Dollar	0.93%	35,963,839	-	-	35,908,813	55,026	-
S African Comm Rand	1.60%	61,855,832	55,687,640	-	5,686,566	481,626	-
South Korean Won	1.03%	39,900,209	189,915	-	38,982,049	728,245	-
Swedish Krona	2.31%	89,366,300	23,447,484	-	65,907,879	10,937	-
Swiss Franc	3.93%	151,943,481	-	-	151,921,552	21,929	-
Thailand Baht	0.73%	28,407,673	18,703,436	-	9,463,118	241,119	-
Turkish Lira	0.48%	18,580,271	11,633,859	-	3,770,883	3,175,529	-
Uruguayan Peso	0.08%	2,928,427	2,928,427	-	-	-	-
Total	100.00%	\$ 3,870,012,521	\$ 881,455,369	\$ 34,283,148	\$ 2,237,940,281	\$ 82,513,965	\$ 633,819,758

At June 30, 2018 the System's exposure to foreign currency risk is as follows:

<u>Currency</u>	<u>%</u>	<u>Total</u>	<u>Bonds</u>	<u>Preferred Stock</u>	<u>Stocks</u>	<u>Short-Term Investments</u>	<u>Private Equity</u>
Argentina Peso	0.41%	\$ 15,685,378	\$ 14,616,645	\$ -	\$ -	\$ 1,068,733	\$ -
Australian Dollar	3.07%	117,134,869	47,773,159	-	68,570,856	790,854	-
Brazil Real	2.28%	86,996,863	67,427,681	10,597,614	6,267,233	2,704,335	-
Canadian Dollar	2.90%	110,615,507	17,688,750	3,410,100	90,373,689	(857,032)	-
Chilean Peso	0.16%	6,046,709	6,046,709	-	-	-	-
Chinese Yuan	0.03%	1,031,028	-	-	1,015,717	15,311	-
Colombian Peso	0.81%	31,040,862	30,515,143	-	-	525,719	-
Czech Koruna	0.00%	43	-	-	-	43	-
Danish Krone	1.38%	52,689,707	20,124,431	-	32,331,136	234,140	-
Dominican Rep Peso	0.05%	1,990,043	1,990,043	-	-	-	-
Egyptian Pound	0.10%	3,740,872	-	-	-	3,740,872	-
Euro Currency Unit	39.07%	1,492,383,994	92,362,010	26,313,077	780,925,970	7,144,292	585,638,645
Ghanaian Cedi	0.04%	1,549,511	1,422,668	-	-	126,843	-
Hong Kong Dollar	4.79%	183,068,316	-	-	182,035,642	1,032,674	-
Hungarian Forint	0.20%	7,448,895	4,143,052	-	3,178,138	127,705	-
Indonesian Rupiah	2.09%	79,956,557	73,141,805	-	5,500,869	1,313,883	-
Israeli Shekel	0.11%	4,237,979	-	-	4,204,575	33,404	-
Japanese Yen	12.95%	494,647,824	22,052,214	-	374,227,013	98,368,597	-
Malaysian Ringgit	1.31%	50,040,720	45,811,878	-	3,737,083	491,759	-
Mexican New Peso	3.55%	135,422,649	134,728,418	-	478,944	215,287	-
New Zealand Dollar	0.39%	14,981,331	209,991	-	14,781,157	(9,817)	-
Nigerian Naira	0.08%	3,167,019	-	-	-	3,167,019	-
Norwegian Krone	0.76%	29,193,630	422,086	-	28,346,826	424,718	-
Peruvian Sol	0.20%	7,700,755	7,422,590	-	-	278,165	-
Philippines Peso	0.03%	1,039,078	1,028,950	-	-	10,128	-
Polish Zloty	0.36%	13,722,209	12,569,624	-	1,049,139	103,446	-
Pound Sterling	10.80%	412,597,104	91,925,548	461,316	299,945,689	1,906,654	18,357,897

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

E. DEPOSITS AND INVESTMENT RISK DISCLOSURES: (Continued)

5. Foreign Currency Risk (Continued)

<u>Currency</u>	<u>%</u>	<u>Total</u>	<u>Bonds</u>	<u>Preferred Stock</u>	<u>Stocks</u>	<u>Short-Term Investments</u>	<u>Private Equity</u>
Romanian Leu	0.08%	\$ 2,913,809	\$ 2,912,998	\$ -	\$ -	\$ 811	\$ -
Russian Ruble (New)	0.73%	27,744,746	27,447,454	-	-	297,292	-
Singapore Dollar	0.75%	28,627,411	-	-	28,438,282	189,129	-
S African Comm Rand	1.67%	63,671,575	57,625,108	-	5,202,894	843,573	-
South Korean Won	1.27%	48,473,123	196,373	-	46,531,912	1,744,838	-
Swedish Krona	2.81%	107,144,269	31,156,397	-	75,906,591	81,281	-
Swiss Franc	3.58%	136,585,848	908,354	-	135,401,741	275,753	-
Thailand Baht	0.42%	16,002,632	7,998,566	-	8,004,066	-	-
Turkish Lira	0.61%	23,212,533	16,947,632	-	5,063,495	1,201,406	-
Uruguayan Peso	0.19%	7,079,531	7,079,531	-	-	-	-
Total	100.00%	<u>\$ 3,819,584,929</u>	<u>\$ 845,695,808</u>	<u>\$ 40,782,107</u>	<u>\$ 2,201,518,657</u>	<u>\$ 127,591,815</u>	<u>\$ 603,996,542</u>

6. Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investments. TRSL's investment policy states that for each manager no more than 10% of the total portfolio fair value may be invested in any one organization. Exposure to any economic sector shall not exceed 50% of each manager's portfolio or 40% in any one country for international equity managers. Fixed income managers investments are limited to 20% of securities of foreign entities denominated in US dollars.

For the years ended June 30, 2019 and 2018, the System has no investments in any single organization (other than those issued or guaranteed by the U. S. Government) that represents 5% percent or more of the System's net plan assets, nor does the System hold more than 5% percent of any corporation's stock.

F. INVESTMENTS:

1. General

Louisiana Revised Statute 11:263 authorized the Board of Trustees to invest under the "Prudent-Man" Rule. The "Prudent-Man" Rule establishes a standard that a fiduciary shall exercise the judgment and care under the circumstances, then prevailing, which 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.

The Board of Trustees has adopted certain investment policies, objectives, rules, and guidelines that are intended to protect the System's assets in real terms such that assets are preserved to provide benefits to participants and their beneficiaries; achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System; and maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

1. General (Continued)

The Board of Trustees' desired investment objective is a long-term compound rate of return on the System's assets and is the greater of:

- 3.9% above the CPI-U seasonally adjusted, or
- the actuarial rate 7.55% for FY 2019 and 7.65% for FY 2018.

The System expects the domestic and international securities investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

2. Domestic Equity

In accordance with Louisiana Revised Statutes 11:263, the System may invest up to 65% of its total assets in equities provided that the System invests an amount equal to at least 10% of total stock in equity indexing. The index portfolio(s) shall be invested in indices that seek either to replicate or to enhance a particular index. The index portfolio(s) may be invested in a variety of equity capitalization ranges and could be invested in either domestic or international equity.

The following guidelines shall apply to the domestic equity investment managers:

- Common stock securities, including ADRs, shall be marketable securities listed or traded on a national securities exchange. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission.
- The use of Exchange Traded Funds (ETFs) and derivatives (such as options, warrants, and futures) to establish unleveraged long positions in equity markets are permissible. Convertible securities shall be considered as part of the equity portfolio.
- Equity holdings in a single company (including common stock and convertible securities) should not exceed 10% of the manager's portfolio measured at fair value without prior Board approval.
- A minimum of 25 individual stocks should be held in the portfolio at all times.
- Equity holdings should represent at least 95% of the portfolio at all times. It is highly desirable for equity portfolios to remain as fully invested as practical.
- Equity holdings in any one GIC sector (as defined by the Standard & Poor's Global Industry Classification Standard) should not exceed 50%.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

2. *Domestic Equity* (Continued)

- Short-term fixed income holdings or money market securities shall be readily liquid securities and be of high quality typically rated at least A-1, P-1, or of equivalent quality.
- For an indexed equity portfolio, the investment manager may utilize either a full replication approach or sampling techniques to create a portfolio with portfolio characteristics similar to the benchmark, while not investing in all stocks in the benchmark. Also, an index manager may use options and futures in attempting to track the benchmark, but not in a manner which leverages the portfolio.
- Equity managers (growth or value) hired for the small cap investment category are expected to maintain the capitalization of the portfolio within the small capitalization region with similar characteristics versus the benchmark.
- Equity managers (growth or value) hired for the mid cap investment category are expected to maintain the capitalization of the portfolio within the mid-capitalization region with similar characteristics versus the benchmark.
- Equity managers (growth or value) hired in the small/mid (SMID) cap investment category are expected to maintain the capitalization of the portfolio within the SMID capitalization region with similar characteristics versus the benchmark.

3. *Developed International Equity*

The following guidelines shall apply to the developed international equity investment managers:

- Marketable common stocks, preferred stocks convertible into common stocks, and fixed income securities convertible into common stocks are permissible equity investments.
- The use of Exchange Traded Funds (ETFs) and derivatives (such as options, warrants, and futures) to establish unleveraged long positions in equity markets are permissible.
- Equity holdings in a single company (including common stock and convertible securities) should not exceed 10% of the manager's portfolio measured at fair value without prior Board approval.
- A minimum of 25 individual stocks should be held in the portfolio at all times.
- Equity holdings should represent at least 95% of the portfolio at all times. It is highly desirable for equity portfolios to remain as fully invested as practical.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

3. Developed International Equity (Continued)

- Equity holdings in any one country should not exceed 40% without prior Board approval.
- Short-term fixed income holdings or money market securities shall be readily liquid securities and be of high quality typically rated at least A-1, P-1, or of equivalent quality.
- For an indexed equity portfolio, the investment manager may utilize either a full replication approach or sampling techniques to create a portfolio with portfolio characteristics similar to the mandate's benchmark, while not investing in all stocks in the benchmark. Also, an index manager may use options and futures in attempting to track the benchmark, but not in a manner which leverages the portfolio.
- For investment managers benchmarked to the MSCI EAFE Index, the portfolio should not exceed 20% in emerging market equities without prior Board approval.
- Currency hedging decisions are at the discretion of the investment manager.

4. Investment Grade Core Fixed Income Investment

The following guidelines shall apply to the investment grade core fixed income investment managers:

- The fixed income securities should be invested in investment grade rated U.S. dollar denominated fixed income securities and cash equivalents, including but not limited to U.S. Treasuries and Agencies, pass-through mortgages, Collateralized Mortgage Obligations (CMOs), corporates, municipals, asset-backed, Commercial Mortgage Backed Securities (CMBS), and inflation-linked securities. Investment grade bonds are those in the four highest rating categories, as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch. TBA securities issued by Federal Agency and mortgage dollar rolls may be used. Securities convertible into common stocks are prohibited. Securities that are liquid and readily marketable are preferred. Securities that have strong price volatility are not preferred.
- The benchmark for performance evaluation is the Barclays Aggregate Index.
- The duration of the fixed income portfolio should be targeted to that of the Barclays Aggregate Index. The duration may range from 1.5 years of the duration of the Barclays Aggregate Index.
- Fixed income holdings in a single company (excluding obligations of the United States Government and its agencies) should be limited to 5% of the manager's portfolio measured at fair value.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

4. Investment Grade Core Fixed Income Investment (Continued)

- Below investment grade fixed income securities are limited to 5% of the fixed income portfolio. Split-rated securities will be considered as investment grade related securities. Orderly liquidation should occur for securities that fall below investment grade ratings and are greater than 5% of the fixed income portfolio. Such liquidation should occur within one year.
- Fixed income securities of foreign (non-U.S.) entities denominated in U.S. dollars are limited to 20% of the manager's portfolio, measured at fair value. Securities denominated in currencies other than the U.S. dollar are not permissible.
- Bond purchases should be limited to readily marketable securities. Private placements are not permissible investments except, Rule 144(a) securities may be included in the portfolio up to 20% of the total portfolio value.

5. Core Plus Fixed Income Investment

The following guidelines shall apply to the core plus fixed income investment managers:

- The fixed income securities can be invested in investment grade rated U.S. dollar denominated fixed income securities and cash equivalents, including but not limited to U.S. Treasuries and Agencies, pass-through mortgages, CMOs, corporates, municipals, asset-backed, CMBS, and inflation-linked securities. Investment grade bonds are those in the four highest rating categories, as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch. TBA securities issued by Federal Agency and mortgage dollar rolls may be used. Fixed income convertible securities may be used. Securities that are liquid and readily marketable are preferred. Securities that have strong price volatility are not preferred.
- The benchmark for performance evaluation is the Barclays Aggregate Index.
- The duration of the fixed income portfolio should be targeted to that of the Barclays Aggregate Index. The duration may range from two years of the duration of the Barclays Aggregate Index.
- Fixed income holdings in a single company (excluding obligations of the United States Government and its agencies) should be limited to 5% of the manager's portfolio measured at fair value.
- Below investment grade fixed income securities are limited to 25% of the fixed income portfolio. Below investment grade securities are defined as fixed income securities below the four highest rating categories (i.e., below BBB- or Baa3). Split-rated securities will be considered as investment grade related securities.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

5. *Core Plus Fixed Income Investment* (Continued)

- Fixed income securities of foreign (non-U.S.) entities are limited to 25% of the manager's portfolio, measured at fair value. Within the maximum limitation of the non-U.S. fixed income exposure, the total portfolio's investment in emerging markets is limited to 10%.
- Bond purchases should be limited to readily marketable securities. Private placements are not permissible investments except, Rule 144(a) securities may be included in the portfolio up to 20% of the total portfolio value.
- Short-term holdings shall be readily liquid securities and be rated at least A-1, P-1, or of equivalent quality.
- Fixed income core plus portfolios may invest in derivatives, including but not limited to futures, options, and swaps. Derivatives, futures, options, and swaps may only be used for the following purposes:
 - To adjust dollar-weighted duration and term structure of the portfolio
 - To protect against the downside on credit defaults
 - To dampen volatility
 - To create synthetic exposures not otherwise prohibited by these guidelines
 - To take advantage of periodic pricing anomalies
- Long futures and swaps contracts must be fully backed with cash or liquid holdings.

6. *Global Fixed Income Investment*

The following guidelines shall apply to the global fixed income investment managers:

- The portfolio will be invested in marketable fixed income instruments, notes, and debentures issued by sovereign or corporate issuers, denominated in U.S. dollars and non-U.S. dollar currencies. Securities permissible for investment include, but are not limited to: U.S. Treasuries and Agencies, sovereign (non-U.S.) governments, sovereign agencies, pass-through mortgages, non-agency mortgages, CMOs, U.S. and non-U.S. corporates, municipals, asset-backed, CMBS, and inflation-linked securities.
- Securities that are liquid and readily marketable are preferred.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

6. Global Fixed Income Investment (Continued)

- It is anticipated that the portfolio will be invested in investment grade and below investment grade rated securities. Investment grade bonds are those in the four highest rating categories, as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch. TBA securities issued by Federal Agency and mortgage dollar rolls may be used. Fixed income convertible securities may be used.
- The benchmark for performance evaluation is the Barclays Global Aggregate Index (unhedged).
- The duration of the fixed income portfolio may range from four years of the duration of the Barclays Global Aggregate Index (unhedged).
- Fixed income holdings in a single company (defined as any one corporate bond issuer) should be limited to 5% of the manager's portfolio measured at fair value.
- Below investment grade fixed income securities are limited to 35% of the total fixed income portfolio. Below investment grade securities are defined as fixed income securities rated below the four highest rating categories (i.e., below BBB- or Baa3). Split-rated securities will be considered as investment grade related securities.
- The portfolio's investment in emerging markets debt is limited to 35%. Emerging market countries are defined as: (i) included in the JP Morgan EMBI Global Index, the JP Morgan CEMBI Broad Index, or the JP Morgan GBI-EM Global Diversified Index or: (ii) classified by the World Bank as low or middle income in its annual classification of national incomes or; (iii) classified by the World Bank as high income in its annual classification of national income, but is not an Organization for Economic Co-operation and Development (OECD) member.
- Bond purchases should be limited to readily marketable securities. Private placements are not permissible investments, except Rule 144(a) securities may be included in the portfolio up to 20% of the total fixed income portfolio.
- Short-term holdings (i.e., less than one year in maturity) shall be readily liquid securities and be rated at least A-1, P-1, or of equivalent quality.
- Currency decisions are at the discretion of the investment manager. Non-dollar securities may be held on a currency hedged or un-hedged basis. The portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

6. Global Fixed Income Investment (Continued)

- Global fixed income portfolios may invest in derivatives, including but not limited to futures, options, and swaps. Derivatives, futures, options, and swaps may only be used for the following purposes:
 - To adjust dollar-weighted duration and term structure of the portfolio
 - To protect against the downside on credit defaults
 - To dampen volatility
 - To create synthetic exposures not otherwise prohibited by these guidelines
 - To take advantage of periodic pricing anomalies
- Long futures and swaps contracts must be fully backed with cash or liquid holdings.

7. High-Yield Fixed Income Investment

The following guidelines shall apply to the high-yield, fixed income investment managers:

- The fixed income securities can be invested in below investment grade rated U.S. dollar denominated fixed income securities and cash equivalents, including but not limited to U.S. Treasuries and Agencies, corporates, municipals, asset-backed, bank loans, and convertible securities. Below investment grade securities are defined as fixed income securities below Baa3 or BBB-, rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch.
- The benchmark for performance evaluation is the Bank of America Merrill Lynch U.S. High-Yield Master II Index.
- Fixed income holdings in a single company (excluding obligations of the United States Government and its agencies) should be limited to 5% of the manager's portfolio measured at fair value.
- Below investment grade fixed income securities which are rated below B3 or B- by Moody's Investor Service, Standard & Poor's Corporation, or Fitch are limited to 15%.
- Fixed income securities of foreign (non-U.S.) entities are limited to 15% of the manager's portfolio, measured at fair value.
- The investment manager should consider the liquidity and marketability of securities prior to investment. Private placements are not permissible investments except, Rule 144(a) securities may be included in the portfolio up to 25% of the total portfolio value.
- Short-term holdings (i.e., less than one year in maturity) shall be readily liquid securities and be rated at least A-1, P-1, or of equivalent quality.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

8. *Emerging Markets Debt Investment*

The following guidelines shall apply to the emerging markets debt investment managers:

- The portfolio will be invested primarily in marketable fixed income instruments, notes, and debentures issued by emerging market sovereign or corporate issuers, denominated in U.S. dollars and non-U.S. dollar currencies. Securities permissible for investment include, but are not limited to: obligations of foreign governments (or their subdivisions or agencies), international agencies, and supranational entities, and obligations of foreign corporations such as corporate bonds. Securities that are liquid and readily marketable, at time of purchase, are preferred.
- Emerging market countries are defined as: (i) included in the JP Morgan EMBI Global Index, the JP Morgan CEMBI Broad Index, or the JP Morgan GBI-EM Global Diversified Index or; (ii) classified by the World Bank as low or middle income in its annual classification of national incomes or; (iii) classified by the World Bank as high income in its annual classification of national income, but is not an Organization for Economic Co-operation and Development (OECD) member.
- The benchmark for performance evaluation is the JPMorgan GBI-EM Global Diversified Index.
- The duration of the fixed income portfolio may range from two years of the duration of the JPMorgan GBI- EM Global Diversified Index.
- Fixed income holdings in a single company should be limited to 3% of the manager's portfolio measured at fair value.
- Below investment grade fixed income securities are limited to 40% of the fixed income portfolio. Below investment grade securities are defined as fixed income securities below the four highest rating categories (i.e., below BBB- or Baa3). Split-rated securities will be considered as investment grade related securities.
- Rule 144(a) securities may be included in the portfolio up to 40% of the total portfolio value.
- Short-term holdings (i.e., less than one year in maturity) shall be readily liquid securities and be rated at least A-1, P-1, or of equivalent quality.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

8. *Emerging Markets Debt Investment* (Continued)

- Currency decisions are at the discretion of the investment manager. Non-dollar securities may be held on a currency hedged or un-hedged basis. The portfolio may invest in currency exchange transactions on a spot or forward basis. Both long and short currency exposures are permissible.
- Emerging markets debt portfolio(s) may invest in derivatives, including but not limited to futures, options, and swaps. Derivatives, futures, options, and swaps may only be used for the following purposes:
 - To adjust dollar-weighted duration and term structure of the portfolio
 - To protect against the downside on credit defaults
 - To dampen volatility
 - To create synthetic exposures not otherwise prohibited by these guidelines
 - To take advantage of periodic pricing anomalies
- Long futures and swaps contracts must be fully backed with cash, cash equivalents, offsetting derivative contracts, or other liquid holdings.

9. *Emerging Markets Equities*

The following guidelines shall apply to the emerging markets equities managers with separate accounts. For emerging market equities managers utilizing mutual funds or commingled funds, it is expected that the portfolio will generally, not necessarily, conform to these guidelines, but will fully comply with the prospectus and/or private placement memorandum.

- The benchmark for performance evaluation is the MSCI Emerging Markets Index (Net Dividends).
- Securities permissible for investment include, but are not limited to: marketable common stocks, preferred stocks convertible into common stocks, fixed income securities convertible into common stocks, American Depository Receipts (ADRs), and Global Depository Receipts (GDRs) in emerging markets are permissible equity investments.
- The use of Exchange Traded Funds (ETFs) and derivatives (such as options, warrants, and futures) to establish unleveraged long positions in emerging markets are permissible.
- Equity holdings in a single company (including common stock and convertible securities) should not exceed 10% of the manager's portfolio measured at fair value without prior Board approval.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

9. *Emerging Markets Equities* (Continued)

- A minimum of 25 individual stocks should be held in the portfolio at all times.
- Equity holdings should represent at least 95% of the portfolio at all times. It is highly desirable for equity portfolios to remain as fully invested as practical.
- Equity holdings in any one country should not exceed 40% without prior Board approval.
- Short-term fixed income holdings or money market securities shall be readily liquid securities and be of high quality typically rated at least A-1, P-1, or of equivalent quality.
- Currency hedging decisions are at the discretion of the investment manager.

10. *Alternative Assets Investment*

The following guidelines provide a general framework for selecting building and managing the System's investments in private equity, venture capital, private market debt, infrastructure, and commodities.

- The benchmarks for performance evaluation of the Alternative Asset classes net of all fees and expenses are as follows:
 - Private Equity & Venture Capital: Russell 3000 +300 basis points
 - Private Market Debt: Merrill Lynch U.S. High-Yield Master II +200 basis points
 - Commodities: Dow Jones UBS Commodities Index
 - Infrastructure: Consumer Price Index + 500 basis points
- The System will invest primarily in limited partnership interests of pooled vehicles including Funds, Co-Investments, Separate Accounts and Secondary Investments.
- The maximum investment in any single partnership shall be no greater than 1% of the System's total assets at the time of commitment.
- The System's commitment to any given partnership, for funds targeting \$500 million or less of total commitments, shall not exceed 20% of that partnership's total commitments. An exemption to this guideline may be granted for separate accounts, subject to prior Board approval.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

10. Alternative Assets Investment (Continued)

- The System's commitment to any given partnership, for funds targeting more than \$500 million of total commitments, shall not exceed 10% of that partnership's total commitments. An exemption to this guideline may be granted for separate accounts, subject to prior Board approval.
- The System should diversify the sources of risk in the portfolio, specifically;
 - No more than 15% of the Alternative Assets total exposure (costs plus unfunded commitments) may be attributable to partnerships by the same manager at the time the commitment is made.
 - The System shall diversify the portfolio across vintage years.
 - The System will be mindful of over-concentration to any one industry, investment strategy and/or geography. Should the Investment Manager deem the portfolio to be overly concentrated to any industry, investment strategy or geography, the System shall attempt to reduce this exposure by limiting future commitments to partnerships focused on the over-concentrated segment.
 - The System shall use separate accounts to obtain below prevailing market rates on management fees or carried interest or to gain access to certain strategies which are difficult for the System to directly access (e.g., Venture Capital).
 - The System shall seek Co-Investments only where the System is an existing limited partner.
 - The System should seek to obtain a limited partner advisory board seat for each partnership investment.

The table below shows the cumulative commitments and cumulative cash flow totals since inception for the last two years.

TRSL Alternative Assets and Real Estate (in billions)

	June 30, 2019	June 30, 2018
Commitments	\$ 19.8	\$ 18.0
Calls for funding	14.8	13.3
Unfunded commitments	6.0	5.6
Distributions	13.8	12.6

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

11. Real Estate Investment

The following sets forth guidelines that provide a general framework for selecting, building, and managing of the System's real estate portfolio. The System's underlying real estate investments shall be classified under two primary strategies: Core and Opportunistic.

- The benchmark for performance evaluation of the real estate strategies is as follows:
 - Core: NCREIF Property Index
 - Opportunistic: NCREIF Property Index +200 basis points
- The System will invest primarily in limited partnership interests of pooled vehicles including funds, co-investments, separate accounts, and secondary investments.
- The System shall use separate accounts to obtain below prevailing market rates on management fees or carried interest.

Core Real Estate

- The Investment Manager shall choose Core Real Estate Investments which, in aggregate, consist of a well-diversified portfolio of property types and geographies.
- Core Real Estate shall include, but not be limited to the following property types: warehouses, industrial, apartments, offices, storage, land development, single family homes, parking garages, hotels, and retail.
- Core Real Estate investment funds shall target no more than 35% debt (leverage).

Opportunistic Real Estate

- The maximum investment in any single partnership shall be no greater than 1% of the System's total assets at the time of commitment.
- The Investment Manager shall choose Opportunistic Real Estate investments which, in aggregate, consist of a well-diversified portfolio of property types, geographies and risk profiles. Should the Investment Manager deem the Portfolio to be overly concentrated to any geography or property type, the System shall attempt to reduce this exposure by limiting future commitments to partnerships focused on the over-concentrated segment.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. INVESTMENTS: (Continued)

11. Real Estate Investment (Continued)

Opportunistic Real Estate (Continued)

- The System's commitment to any given partnership, for funds targeting \$500 million or less of total commitments, shall not exceed 20% of that partnership's total commitments. An exemption to this guideline will be given for separate accounts.
- The System's commitment to any given partnership, for funds targeting more than \$500 million of total commitments, shall not exceed 10% of that partnership's total commitments. An exemption to this guideline will be given for separate accounts.
- Opportunistic Real Estate investment funds shall target no more than 80% debt (leverage).
- The System shall diversify the portfolio across vintage years.

12. Asset Allocation

The System's target asset allocation policy as of June 30, 2019 and 2018 is as follows:

<u>Asset Class</u>	<u>Target Allocation 2019</u>	<u>Target Allocation 2018</u>
Global equity	46.0%	46.0%
Global fixed income	18.5%	18.5%
Private assets*	25.5%	25.5%
Real estate	10.0%	10.0%

*Private assets include corporate finance/buyouts, venture capital, mezzanine, distressed debt, infrastructure, commodities, farmland, and opportunistic.

13. Money-Weighted Rate of Return

For the years ended June 30, 2019 and 2018, the annual money weighted rate of return, net of investment expense, was 6.01% and 11.61%, respectively. The money weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

G. SECURITIES LENDING TRANSACTIONS:

State statutes and Board of Trustees' policies permit the System to use the assets of the System to enter into securities lending transactions. The System loans its securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's domestic managers lend the System's securities for cash collateral of 100% or other securities collateral of 102%. The System's global managers lend the System's securities for cash collateral or other securities collateral of 105%. Securities lent for securities collateral are classified according to the category for the collateral. At year-end, 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.

All securities' loans can be terminated on demand by either the System or the borrower. The System cannot pledge or sell securities' collateral unless the borrower defaults. The reinvestment of cash collateral is done on an overnight basis or to term. In instances where a loan is for term, the reinvestment of the cash is matched to the maturity of the loan. Such matching existed at year-end. When investing in repurchase agreements, the collateral received will be a minimum of 102% of the cash invested. Collateral reported in the Statements of Fiduciary Net Position is investments purchased with cash collateral.

The following table presents the fair values of securities on loan and the collateral held by the System at June 30, 2019 and 2018:

<u>Security Type</u>	Fair Value of Securities on Loan <u>2019</u>	Fair Value of Collateral Held <u>2019</u>	Fair Value of Securities on Loan <u>2018</u>	Fair Value of Collateral Held <u>2018</u>
U.S. government & agency	\$ 497,031,150	\$ 509,344,616	\$ 521,096,361	\$ 539,973,798
U.S. fixed income	146,640,973	150,626,033	141,334,544	145,098,642
U.S. equity	1,709,514,264	1,757,134,409	1,892,310,116	1,945,899,588
International fixed income	21,944,289	22,820,850	19,411,174	20,766,297
International equity	540,159,094	594,806,835	535,462,662	614,370,876
Total	<u>\$ 2,915,289,770</u>	<u>\$ 3,034,732,743</u>	<u>\$ 3,109,614,857</u>	<u>\$ 3,266,109,201</u>

Securities on loan at June 30, 2019 and 2018 are collateralized by cash collateral in the amount of \$3,034,732,743 and \$3,266,109,201, and noncash collateral in the amount of \$426,046,611 and \$550,259,061, for total amount of collateral held in the amount of \$3,460,779,354 and \$3,816,368,262, respectively.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

H. **DERIVATIVES:**

TRS investments in asset/liability derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations (forms of mortgage-backed securities), options on futures, forward foreign exchange contracts, futures, short sales, and written options. TRSL reviews fair values of all securities on a monthly basis, and prices are obtained from recognized pricing sources. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates. TRSL was invested in a futures based overlay program, foreign exchange contracts, and short sales, and written options at June 30, 2019 and 2018, which allows TRSL to implement policy target allocation adjustments in an efficient, liquid, and cost effective manner. Interest rate risk, credit rate risk, and foreign currency risk associated with derivatives are included on their respective tables in Note E, Deposits and Risk Disclosures.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019 and 2018 classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the financial statements are as follows:

2019: Investment derivatives:	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Futures based overlay program	Net app/(depr)	\$ 23,701,743	Investments payable	\$ 6,728,001	\$ 412,558,190
Foreign exchange contracts	Net app/(depr)	\$ 20,311,401	Global equities securities	\$ 3,937,024	\$ 1,852,912,168
Short positions	Net app/(depr)	\$ 178,878,091	Investments payable	\$ (229,154,627)	n/a
Short positions	Net app/(depr)	\$ (9,566,533)	Global equities securities	\$ 8,119,881	n/a
Short positions	Net app/(depr)	\$ 30,818,940	Global debt securities	\$ 415,789,474	n/a
Short positions	Net app/(depr)	\$ 25,243	Short-term investments	\$ 862,753	n/a

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

H. **DERIVATIVES:** (Continued)

2018: Investment derivatives:	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Futures based overlay program	Net app/(depr)	\$ (15,203,215)	Investments payable	\$ (16,973,742)	\$ 456,214,625
Foreign exchange contracts	Net app/(depr)	\$ (22,492,076)	Global equities securities	\$ (16,374,377)	\$ 1,971,748,162
Short positions	Net app/(depr)	\$ (145,322,718)	Investments payable	\$ (408,032,718)	n/a
Short positions	Net app/(depr)	\$ 17,268,515	Global equities securities	\$ 17,686,414	n/a
Short positions	Net app/(depr)	\$ 368,493,009	Global debt securities	\$ 384,970,534	n/a
Short positions	Net app/(depr)	\$ (232,553,189)	Short-term investments	\$ 837,510	n/a

Derivatives, such as futures, options, and swaps, may be used for the following purposes: (1) to adjust dollar-weighted duration and term structure of the portfolio; (2) to protect against the downside on credit defaults; (3) to dampen volatility; (4) to create synthetic exposures not otherwise prohibited by investment policy guidelines; and (5) to take advantage of periodic pricing anomalies.

TRSL was invested in the following derivatives throughout the year:

1. *Interest-Only Strips and Principal-Only Strips*

Interest-only (IO) and principal-only (PO) strips are transactions that involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments of mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced, and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater, and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in fair value.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

H. DERIVATIVES: (Continued)

2. *Collateralized Mortgage Obligations*

Collateralized mortgage obligations (CMOs) are bonds that are collateralized by mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates than others that can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments causes a decline in cash flows and, thus, a decline in fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

3. *Option on Futures*

This is an option contract, the exercise of which results in the holder and writer of the option exchanging futures position. The buyer of a call or put option has unlimited profit potential with the risk limited to the premium paid for the option. The option seller accepts potentially unlimited risk in return for the option premium received. The option seller or buyer can terminate such exposure in a closing transaction. A position is offset by completing the opposite transaction with the same option. The option contracts may also be repurchased or closed by the System, at which time the asset or liability is removed, a realized gain or loss is recognized, and cash is paid on the amount repurchased or received on closing a contract.

4. *Forward Foreign Exchange Contracts*

A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counterparty risk. Forwards are usually transacted over the counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the System records the unrealized translation gain or loss.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

H. DERIVATIVES: (Continued)

5. Futures

A futures contract is an agreement for delayed delivery of securities, currency, commodities, or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specific price or yield. Upon entering into a futures contract, the System is required to pledge to the broker an amount of cash equal to a certain percentage of the contract amount. The amount is known as the "initial margin." Subsequent payments, known as "variation margin," are made by the System each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded as a realized gain or loss for financial statement purposes.

6. Short Sales and Written Options

A short sale is the sale of a security or commodity futures contract that is not owned by the seller. It is a technique used to take advantage of an anticipated decline in the price or to protect a profit in a long position. In general, options are a right to buy or sell property that are granted in exchange for an agreed upon sum. If the right is not exercised after a specified period, the option expires and the option buyer forfeits the money.

I. CONTINGENT LIABILITIES:

The System is a litigant in several lawsuits. System management, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the System.

J. OTHER POST-EMPLOYMENT BENEFITS:

Substantially all employees become eligible for post-employment 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 a self-insured/self-funded plan. At June 30, 2019 and 2018, 83 retirees were receiving post-employment benefits.

1. Plan Description

Employees may participate in the State of Louisiana's Other Post-employment Benefit Plan (OPEB Plan), a 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.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

2. 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.

3. 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 post-employment benefits cost until they become retirees and begin receiving post-employment benefits. The retirees contribute to the cost of their post-employment 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. Contributions to the OPEB Plan from the System were \$717,323 and \$603,105 for the years ended June 30, 2019 and 2018, respectively.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who began participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of 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>Retiree Share</u>	<u>State Share</u>
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

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. The retiree pays \$.54 monthly for each \$1,000 of life insurance. The retiree pays \$.98 monthly for each \$1,000 of spouse life insurance. The employer pays the remaining amount.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

4. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB

At June 30, 2019 and 2018, the System reported a liability of \$26,121,274 and \$26,099,592, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2018 and July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The System's proportion of the net OPEB liability was based on a projection of the System's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. As of July 1, 2018, the System's proportion was 0.3060%. As of July 1, 2017, the System's proportion was 0.3003%.

For the years ended June 30, 2019 and 2018, the System recognized OPEB expense of \$95,273 and \$1,045,269, respectively. As of June 30, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between expected and actual experience	\$ -	\$ 113,854
Changes in assumptions	- -	1,759,872
Changes in proportion and differences between employer contributions and proportionate share of contributions	405,308	254,287
Employer contributions subsequent to the measurement date	717,323	- -
Total	<u>\$ 1,122,631</u>	<u>\$ 2,128,013</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

4. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB* (Continued)

As of June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	- -	1,379,209
Changes in proportion and differences between employer contributions and proportionate share of contributions	- -	155,687
Employer contributions subsequent to the measurement date	603,105 -	-
Total	<u>\$ 603,105</u>	<u>\$ 1,534,896</u>

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$717,323 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year ending June 30:	
2020	\$ (622,930)
2021	(622,930)
2022	(389,670)
2023	(87,175)
Total	<u>\$ (1,722,705)</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

5. Actuarial Assumptions

The total OPEB liability in the July 1, 2018 and July 1, 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018 and 2017
Inflation	2.8%
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	2.98% and 3.13%, based on the S&P Municipal Bond 20-Year, respectively High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For July 1, 2018: For active lives the RP-2014 White Collar Employee Table, adjusted by 1.010 for males and by 0.997 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2017. For healthy retiree lives the RP-2014 White Collar Healthy Annuitant Table, adjusted by 1.366 for males and by 1.189 for females, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2017. For disabled retiree lives the RP-2014 Disabled Retiree Mortality Table, projected from 2014 on a fully generational basis by Mortality Improvement Scale MP-2017. For July 1, 2017: For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

5. *Actuarial Assumptions* (Continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the assumptions used in the June 30, 2018 various pension valuations for the retirement, termination, disability, and salary scale assumptions.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

6. *Discount Rate*

The discount rate used to measure the total OPEB liability was 2.98% and 3.13% for the years ended June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from 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.

The discount rate used to measure the total OPEB liability was decreased to 2.98% in the July 1, 2018 valuation from 3.13% as of July 1, 2017. The discount rate in the current valuation reflects that the Bond Buyers' 20-Year General Obligation Municipal Bond Index rate was unchanged from the prior year.

7. *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 one percentage-point lower or one percentage-point higher than the current discount rate:

Proportionate Share of the Collective Total OPEB Liability	Current		
	1.0% Decrease	Discount Rate	1.0% Increase
	<u>1.98%</u>	<u>2.98%</u>	<u>3.98%</u>
June 30, 2019	<u>\$ 31,014,357</u>	<u>\$ 26,121,274</u>	<u>\$ 22,284,659</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

J. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

7. Sensitivity of the System's Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate (Continued)

	1.0% Decrease	Current Discount Rate	1.0% Increase
Proportionate Share of the Collective Total OPEB Liability	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
June 30, 2018	\$ <u>30,646,170</u>	\$ <u>26,099,592</u>	\$ <u>22,512,829</u>

8. Sensitivity of the System'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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1.0% Decrease	Current Trend Rate	1.0% Increase
Proportionate Share of the Collective Total OPEB Liability	<u>22,117,049</u>	<u>26,121,274</u>	<u>31,322,326</u>
June 30, 2019	\$ <u>22,117,049</u>	\$ <u>26,121,274</u>	\$ <u>31,322,326</u>

	1.0% Decrease	Current Trend Rate	1.0% Increase
Proportionate Share of the Collective Total OPEB Liability	<u>22,495,198</u>	<u>26,099,592</u>	<u>30,717,646</u>
June 30, 2018	\$ <u>22,495,198</u>	\$ <u>26,099,592</u>	\$ <u>30,717,646</u>

9. Payables to the OPEB Plan

As of June 30, 2019 and 2018, the System reported a payable of \$0 for the outstanding amount of contributions to the OPEB plan required for the years ended June 30, 2019 and 2018.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN:

1. Plan Description

All full-time TRSL employees who do not participate in TRSL participate in the Louisiana State Employees' Retirement System (LASERS). LASERS is a cost-sharing, multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System. Section 401 of Title 11 of the Louisiana Revised Statutes (LA. R.S. 11:401) grants, to LASERS Board of Trustees and the Louisiana Legislature, the authority to review administration, benefit terms, investments, and funding of the plan.

LASERS provides retirement, deferred retirement option (DROP), disability, and survivor's benefits. The following is a brief description of the plan and its benefits. Participants should refer to the appropriate statutes for more complete information.

2. Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The substantial majority of members may retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing 10 years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

2. Retirement Benefits (Continued)

at age 60 after 5 years of creditable service and may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with 12 years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.3% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House Clerk, Sergeants-at-Arms, or Senate secretary employed after January 1, 2011 was eliminated by Act 992. Specialty plan and regular members hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service, and may also retire at any age, with a reduced benefit, after 20 years of credible service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit, provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is 10 years of service.

3. Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of 0.5% less than LASERS's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member *must* choose among available alternatives for the distribution of benefits that have accumulated in the DROP account.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

3. *Deferred Retirement Benefits* (Continued)

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

4. *Initial Benefit Options*

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of 0.5% less than LASERS's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004 are required to enter the SDP as described above.

5. *Disability Benefits*

All members with 10 or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retirement recipient may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

6. *Survivor's Benefits*

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

7. *Contributions*

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) and may be amended by the Louisiana Legislature. Members are required by state statute to contribute 7.5% of their annual covered salaries if hired before July 1, 2006 and 8.0% of their annual covered salaries if hired after July 1, 2006. The System is required to make employer contributions based on an actuarially determined rate. The employer contribution rate for the fiscal years ended June 30, 2019 and 2018 was 37.9% and 37.9% of annual covered payroll, respectively. The System's contribution to LASERS for the fiscal years ended June 30, 2019 and 2018 was \$1,666,454 and \$1,693,978, respectively.

8. *Significant Accounting Policies*

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and changes in LASERS's fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. *Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2019 and 2018, the System reported a liability of \$14,946,007 and \$16,580,526, respectively, for its proportionate share of LASERS's net pension liability. The net pension liability was measured as of June 30, 2018 and June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2019, the System's proportion was 0.21915%, which is a decrease of 0.01641% from its proportion measured as of June 30, 2018, which was 0.23556%.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

9. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal years ended June 30, 2019 and 2018, the System recognized pension expense in the amount of \$880,211 and \$1,385,063, respectively. At June 30, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
<u>June 30, 2019</u>		
Differences between expected and actual experience	\$ -	\$ 167,604
Net difference between projected and actual earnings on pension plan investments	193,800	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,817	888,837
Changes in assumptions	152,088	-
Employer contributions subsequent to the measurement date	1,666,454	-
	<u>\$ 2,115,159</u>	<u>\$ 1,056,441</u>
<u>June 30, 2018</u>		
Differences between expected and actual experience	\$ -	\$ 304,233
Net difference between projected and actual earnings on pension plan investments	539,167	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	122,279	209,701
Changes in assumptions	65,504	-
Employer contributions subsequent to the measurement date	1,693,978	-
	<u>\$ 2,420,928</u>	<u>\$ 513,934</u>

Deferred outflows of sources related to pensions resulting from employer contributions subsequent to the measurement date of \$1,666,454, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30:

2020	\$ (15,449)
2021	(172,331)
2022	(365,256)
2023	(54,700)
	<u><u>\$ (607,736)</u></u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

10. Actuarial Assumptions

The total pension liability in the June 30, 2018 and June 30, 2017 actuarial valuations was determined using the following actuarial assumptions and applied to all periods included in the measurement. The significant methods and assumptions used in calculating the actuarially determined contributions are as follows:

Valuation date	June 30, 2018 and 2017
Actuarial cost method	Entry age normal
Amortization approach	Closed
Expected remaining service lives	3 years
Investment rate of return	7.65% and 7.70% net of investment expenses, respectively
Inflation rate	2.75
Projected salary increases service	2.8% - 14.3% varies depending on duration of service
Cost-of-living adjustments	none, since they are not deemed to be automatic
Mortality	Non-disabled members - Mortality rates were projected based on the RP-2000 Combined Health Mortality Table with mortality improvement projected to 2015. Disabled members - Mortality rates based on the RP- 2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination and disability	Termination, disability, and retirement assumptions were projected based on a five-year (2008-2013) experience study of the System's members.

The actuarial assumptions used in the June 30, 2018 and June 30, 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2009 and ending June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing/diversification. The resulting long-term rate of return is 8.83% for 2018. The target allocation and best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 and June 30, 2017 are summarized in the following tables:

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

10. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>2018 Target Allocations</u>	<u>2018 Long-Term Expected Real Rate of Return</u>
Cash	0%	-0.48%
Domestic equity	23%	4.31%
International equity	32%	5.26%
Domestic fixed income	6%	1.49%
International fixed income	10%	2.23%
Alternatives investments	22%	7.67%
Global tactical asset allocation	7%	4.96%

<u>Asset Class</u>	<u>2017 Target Allocations</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Cash	0%	-0.24%
Domestic equity	25%	4.31%
International equity	32%	5.35%
Domestic fixed income	8%	1.73%
International fixed income	6%	2.49%
Alternatives investments	22%	7.41%
Global tactical asset allocation	7%	2.84%

The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.65% and 7.70%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. DEFINED BENEFIT PENSION PLAN: (Continued)

11. Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability using the discount rate, as well as what the employer's proportionate share of the 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:

	1% Decrease <u>6.65%</u>	Current Discount <u>Rate 7.65%</u>	1% Increase <u>8.65%</u>
Net Pension Liability			
June 30, 2019	<u>\$ 18,862,853</u>	<u>\$ 14,946,007</u>	<u>\$ 11,572,637</u>
	1% Decrease <u>6.70%</u>	Current Discount <u>Rate 7.70%</u>	1% Increase <u>8.70%</u>
Net Pension Liability			
June 30, 2018	<u>\$ 20,814,971</u>	<u>\$ 16,580,526</u>	<u>\$ 12,980,245</u>

12. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Louisiana State Employees' Retirement System 2018 Comprehensive Annual Financial Report at www.lasersonline.org.

13. Payables to the Pension Plan

As of June 30, 2019 and 2018, TRSL reported a payable of \$67,593 and \$62,269, respectively, for the outstanding amount of contributions to LASERS.

L. SUBSEQUENT EVENTS:

Management has performed an analysis of the activities and transactions subsequent to June 30, 2019 to determine the need for any adjustments to and for disclosures within the financial statements for the year ended June 30, 2019. Management has performed this analysis through September 26, 2019, which is the date the financial statements were available to be issued.

M. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2018 comparative information to conform to the 2019 presentation. Such reclassifications had no effect on the change in net assets.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 2019 AND 2018

Required Supplementary Information

Schedules of Changes in Employers' Net Pension Liability

Schedules of Employers' Net Pension Liability

Schedules of Employer Contributions

Schedules of Money Weighted Rate of Return

Schedules of TRSL's Proportionate Share of the Collective Total OPEB Liability

Schedules of TRSL's Proportionate Share of the Net Pension Liability in LASERS

Schedules of TRSL's Contributions to LASERS

Notes to Required Supplementary Information

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 439,691,899	\$ 473,025,011	\$ 466,591,480
Interest	2,310,654,625	2,244,768,414	2,222,960,660
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(132,534,910)	(130,859,239)	(223,202,835)
Changes of assumptions	298,384,629	688,003,495	135,132,845
Retirement benefits	(2,163,684,514)	(2,116,953,537)	(2,061,454,295)
Refunds and transfers of member contributions	(50,301,709)	(48,671,220)	(49,805,920)
Net change in total pension liability	<u>702,210,020</u>	<u>1,109,312,924</u>	<u>490,221,935</u>
Total Pension Liability - beginning	<u>30,871,936,837</u>	<u>29,762,623,913</u>	<u>29,272,401,978</u>
Total Pension Liability - ending (a)	<u>\$ 31,574,146,857</u>	<u>\$ 30,871,936,837</u>	<u>\$ 29,762,623,913</u>
Plan Fiduciary Net Position			
Employer contributions ¹	\$ 1,217,167,321	\$ 1,201,829,353	\$ 1,122,277,562
Non-employer contributions	40,850,075	39,550,321	38,762,968
Employee contributions	341,398,896	337,928,752	328,541,240
Net investment income ¹	1,208,949,546	2,137,541,062	2,612,231,923
Other income	26,018,466	11,411,104	2,972,517
Retirement benefits ¹	(2,163,684,514)	(2,116,953,537)	(2,061,454,295)
Refunds and transfers of member contributions	(50,301,709)	(48,671,220)	(49,805,920)
Administrative expense	(13,445,962)	(15,431,788)	(17,175,965)
Other post-employment benefit expenses	(95,273)	(13,633,156)	(586,167)
Depreciation and amortization expenses	(1,277,138)	(400,766)	(432,238)
Adjusting entry	352	-	-
Net change in Plan Fiduciary Net Position	<u>605,580,060</u>	<u>1,533,170,125</u>	<u>1,975,331,625</u>
Plan Fiduciary Net Position - beginning	<u>21,043,916,901</u>	<u>19,510,746,776</u>	<u>17,535,415,151</u>
Plan Fiduciary Net Position - ending (b) ^{1,2}	<u>\$ 21,649,496,961</u>	<u>\$ 21,043,916,901</u>	<u>\$ 19,510,746,776</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 9,924,649,896</u>	<u>\$ 9,828,019,936</u>	<u>\$ 10,251,877,137</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68.6%	68.2%	65.6%
Covered payroll	\$ 4,071,754,355	\$ 3,998,051,313	\$ 3,901,627,792
Net Pension Liability as a percentage of covered payroll	243.7%	245.8%	262.8%

¹Amounts shown exclude side-fund assets held for the LSU Agriculture and Extension Service and associated contributions and benefits

²Fair value of assets

(Continued)

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 463,783,246	\$ 459,658,120	\$ 462,730,192
Interest	2,176,626,375	2,137,096,756	2,086,494,384
Changes of benefit terms	216,473,124	-	200,806,602
Differences between expected and actual experience	(181,620,615)	(62,489,198)	(122,326,978)
Changes of assumptions	-	-	-
Retirement benefits	(1,999,272,395)	(1,955,102,582)	(1,877,113,903)
Refunds and transfers of member contributions	(49,884,654)	(52,402,762)	(58,777,337)
Net change in total pension liability	626,105,081	526,760,334	691,812,960
Total Pension Liability - beginning	28,646,296,897	28,119,536,563	27,427,723,603
Total Pension Liability - ending (a)	<u>\$ 29,272,401,978</u>	<u>\$ 28,646,296,897</u>	<u>\$ 28,119,536,563</u>
Plan Fiduciary Net Position			
Employer contributions ¹	\$ 1,157,901,123	\$ 1,217,466,676	\$ 1,176,569,685
Non-employer contributions	38,193,328	37,425,629	35,927,881
Employee contributions	330,773,316	324,920,644	326,007,091
Net investment income ¹	177,422,752	443,034,317	2,815,090,995
Other income	2,951,433	13,866,589	7,880,853
Retirement benefits ¹	(1,999,272,395)	(1,955,102,582)	(1,877,113,903)
Refunds and transfers of member contributions	(49,884,654)	(52,402,762)	(58,777,337)
Administrative expense	(16,306,240)	(18,023,794)	(15,026,969)
Other post-employment benefit expenses	24,005	(1,685,836)	(1,047,832)
Depreciation and amortization expenses	(407,105)	(384,426)	(322,881)
Accounting principle change	-	(13,197,268)	-
Net change in Plan Fiduciary Net Position	(358,604,437)	(4,082,813)	2,409,187,583
Plan Fiduciary Net Position - beginning	<u>17,894,019,588</u>	<u>17,898,102,401</u>	<u>15,488,914,818</u>
Plan Fiduciary Net Position - ending (b) ^{1,2}	<u>\$ 17,535,415,151</u>	<u>\$ 17,894,019,588</u>	<u>\$ 17,898,102,401</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 11,736,986,827</u>	<u>\$ 10,752,277,309</u>	<u>\$ 10,221,434,162</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	59.9%	62.5%	63.7%
Covered payroll	\$ 3,869,730,024	\$ 3,815,648,662	\$ 3,764,954,727
Net Pension Liability as a percentage of covered payroll	303.3%	281.8%	271.5%

¹ Amounts shown exclude side-fund assets held for the LSU Agriculture and Extension Service and associated contributions and benefits

²Fair value of assets

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

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2019

Fiscal <u>Year</u>	Total <u>Pension Liability</u>	Plan Fiduciary <u>Net Position*</u>	Employers' Net Pension <u>Liability</u>	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2019	\$ 31,574,146,857	\$ 21,649,496,961	\$ 9,924,649,896	68.6%	\$ 4,071,754,355	243.7%
2018	\$ 30,871,936,837	\$ 21,043,916,901	\$ 9,828,019,936	68.2%	\$ 3,998,051,313	245.8%
2017	\$ 29,762,623,913	\$ 19,510,746,776	\$ 10,251,877,137	65.6%	\$ 3,901,627,792	262.8%
2016	\$ 29,272,401,978	\$ 17,535,415,151	\$ 11,736,986,827	59.9%	\$ 3,869,730,024	303.3%
2015	\$ 28,646,296,897	\$ 17,894,019,588	\$ 10,752,277,309	62.5%	\$ 3,815,648,662	281.8%
2014	\$ 28,119,536,563	\$ 17,898,102,401	\$ 10,221,434,162	63.7%	\$ 3,764,954,727	271.5%
2013	\$ 27,427,723,603	\$ 15,488,914,818	\$ 11,938,808,785	56.5%	\$ 3,726,325,750	320.4%

* Plan fiduciary net position excludes side-fund assets held for the LSU Agricultural and Extension Service.

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

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FOR THE TEN YEARS ENDED JUNE 30, 2019

Fiscal Year	Contributions in Relation to		Contributions		
	Actuarial <u>Determined Contribution</u>	Actuarial <u>Determined Contribution</u>	Contribution Deficiency (Excess)	Covered <u>Covered Payroll</u>	as a % of <u>Covered Payroll</u>
2019	\$ 1,246,577,897	\$ 1,306,003,522	\$ (59,425,625)	\$ 4,071,754,355	32.1%
2018	1,227,397,115	1,288,863,851	(61,466,736)	3,998,051,313	32.2%
2017	1,188,962,275	1,204,634,319	(15,672,044)	3,901,627,792	30.9%
2016	1,177,993,580	1,242,445,786	(64,452,206)	3,869,730,024	32.1%
2015	1,212,285,929	1,303,570,582	(91,284,653)	3,815,648,662	34.2%
2014	1,218,397,771	1,258,687,418	(40,289,647)	3,764,954,727	33.4%
2013	1,149,134,132	1,137,733,532	11,400,600	3,726,325,750	30.5%
2012	1,120,095,898	1,127,265,199	(7,169,301)	3,808,760,594	29.6%
2011	1,086,319,774	980,393,924	105,925,850	3,902,646,534	25.1%
2010	904,382,657	755,446,587	148,936,070	3,977,819,262	19.0%

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF MONEY WEIGHTED RATE OF RETURN
FOR THE SIX YEARS ENDED JUNE 30, 2019

<u>Fiscal Year Ended</u>	<u>Annual Money-Weighted Rate of Return</u>
2019	6.01%
2018	11.61%
2017	15.87%
2016	0.97%
2015	2.71%
2014	19.46%

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

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TRSL'S PROPORTIONATE SHARE
OF THE COLLECTIVE TOTAL OPEB LIABILITY
FOR THE TWO YEARS ENDED JUNE 30, 2019**

<u>Fiscal Year</u>	<u>Percentage of the Collective Total OPEB Liability</u>	<u>System's Proportionate Share of the Collective Total OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Proportionate Share of the Collective Total OPEB Liability as a % of Covered Payroll</u>
2019	0.3060%	\$ 26,121,274	\$ 8,190,491	318.92%
2018	0.3003%	\$ 26,099,592	\$ 8,752,282	298.20%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year end.

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

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF TRSL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY IN LASERS
SCHEDULES OF TRSL'S CONTRIBUTIONS TO LASERS
FOR THE FIVE YEARS ENDED JUNE 30, 2019

Proportionate Share of Net Pension Liability in LASERS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRSL's proportion of the net pension liability	0.21915%	0.23556%	0.23898%	0.23385%	0.23911%
TRSL's proportionate share of the net pension liability	\$ 14,946,007	\$ 16,580,526	\$ 18,765,871	\$ 15,905,194	\$ 14,951,289
TRSL's covered - payroll	4,469,727	4,391,837	4,493,154	4,476,486	4,243,320
TRSL's proportionate share of the net pension liability as a percentage of its covered payroll	334.38	377.53	417.65	355.31	352.35
Plan fiduciary net position as a percentage of the total pension liability	64.3%	62.5%	57.7%	62.7%	65.0%

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

Contributions to LASERS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,666,454	\$ 1,693,978	\$ 1,547,889	\$ 1,665,310	\$ 1,656,300
Contributions in relation to the statutorily required contribution	<u>1,666,454</u>	<u>1,693,978</u>	<u>1,547,889</u>	<u>1,665,310</u>	<u>1,660,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,491)</u>
TRSL's covered - payroll	\$ 4,396,977	\$ 4,469,599	\$ 4,323,905	\$ 4,651,703	\$ 4,476,486
Contributions as a percentage of covered - payroll	37.90%	37.90%	35.80%	35.80%	37.10%

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

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2019 AND 2018

1. Schedules of Changes in Employers' Net Pension Liability

The total pension liability contained in this schedule was provided by the System's actuary, Foster & Foster Consulting Actuaries, Inc. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System.

2. Schedules of Employers' Net Pension Liability

The schedule of employers' net pension liability shows the percentage of TRSL 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 TRSL. Covered payroll is compensation to active employees on which the employer bases contributions to the plan.

3. Schedules of Employer Contributions

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

4. Schedules of Money Weighted Rate of Return

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

5. Actuarial Assumptions for TRSL's Net Pension Liability

Valuation date	June 30, 2019 and 2018
Actuarial cost method	Entry Age Normal
Amortization approach	Closed
Investment rate of return	7.55% for 2019 and 7.65% for 2018, net of investment expenses
Inflation rate	2.5%
Projected salary increases service	3.3% - 4.8% varies depending on duration of service
Cost-of-living adjustments	None
Mortality	Active members – RP-2014 White Collar Employee tables, adjusted by 1.010 for males and by 0.997 for females. Non-disabled retiree/inactive members - RP-2014 White Collar Healthy Annuitant tables, adjusted by 1.366 for males and by 1.189 for females. Disability retiree mortality - RP-2014 Disability tables, adjusted by factors of 1.111 for males and by 1.134 for females. These base tables are adjusted from 2014 to 2018 using the MP-2017 generational improvement table, with continued future mortality improvement projected using the MP-2017 generational mortality improvement tables.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2019 AND 2018

5. Actuarial Assumptions for TRSL's Net Pension Liability (Continued)

Termination and disability

Termination, disability, and retirement assumptions were projected based on a five-year (July 1, 2012-June 30, 2017) experience study of the System's members.

6. Schedules of TRSL's Proportionate Share of the Collective Total OPEB Liability

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. There were no changes of benefit terms for the OPEB Plan during any of the years presented. The discount rate decreased to 2.98% in the July 1, 2018 valuation from 3.13% as of July 1, 2017.

7. Schedule of TRSL's Proportionate Share of the Net Pension Liability in LASERS

This schedule reflects the participation of TRSL employees in LASERS and its proportionate share of the net pension liability, the proportionate share of the net pension liability as a percentage of its covered payroll, and the plan fiduciary net position as a percentage of the total pension liability.

8. Schedule of TRSL's Contributions to LASERS

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

9. Changes in Benefit Terms

Pension Plan

There were no changes in benefit terms for the Pension Plan.

OPEB Plan

There were no changes in benefit terms for the State of Louisiana OPEB Plan.

10. Changes in Assumptions

Pension Plan

Amounts reported in the actuary valuation dated June 30, 2018 for LASERS reflect an adjustment in the discount rate, inflation rate, and salary increases used to value the projected benefit payments attributed to past periods of service. The discount rate for LASERS was decreased by 0.05% to 7.65% in 2018. Other changes were as follows:

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
JUNE 30, 2019 AND 2018

10. Changes in Assumptions (Continued)

Valuation Date	June 30, 2017	June 30, 2016
Inflation Rate	2.75%	3.00%
Projected Salary Increases	2.80% - 14.30%	3.00% - 14.50%

OPEB Plan

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.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 2019 AND 2018

Supporting Schedules

Schedules of Administrative Expenses
Schedules of Investment Expenses
Schedules of Securities Lending Expenses
Schedules of Board Compensation
Schedules of Payments to Non-Investment Related Consultants and Vendors

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
SUPPORTING SCHEDULES
SCHEDULES OF ADMINISTRATIVE EXPENSES
SCHEDULES OF INVESTMENT EXPENSES
SCHEDULES OF SECURITIES LENDING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Administrative expenses:</u>		
Salaries and related benefits	\$ 12,558,407	\$ 12,752,309
Travel expenses	72,955	66,604
Operating expenses	1,394,930	1,788,259
Professional services	677,906	789,965
Other charges & interagency transfers	71,319	75,639
Acquisitions	336,899	267,927
Pension - LASERS members	(1,666,454)	(1,693,978)
Total administrative expenses	<u>\$ 13,445,962</u>	<u>\$ 14,046,725</u>

	<u>2019</u>	<u>2018</u>
<u>Investment expenses:</u>		
International investment expenses	\$ 5,283,115	\$ 6,882,036
Alternative investment expenses*	79,597,023	63,314,796
Investment administrative expenses**	1,564,932	1,576,523
Custodian fees	374,423	374,584
Investment monitoring and compliance	309,130	306,492
Performance consultant fees	753,600	562,500
Advisor fees	36,658,316	37,287,214
Total investment expenses***	<u>\$ 124,540,539</u>	<u>\$ 110,304,145</u>

	<u>2019</u>	<u>2018</u>
<u>Securities lending expenses: ****</u>		
Fixed	\$ 17,370,411	\$ 8,281,733
Equity	40,272,745	19,701,898
International	(1,705,113)	(1,199,323)
Total securities lending expenses	<u>\$ 55,938,043</u>	<u>\$ 26,784,308</u>

*Investment fees and expenses of alternative funds are rebated to TRSL by the general partner as gains are realized. These rebates are accounted for as return of capital.

**GASB 67 requires the separate display of investment administrative expenses, and is no longer included in general administrative expenses.

***Total investment expenses do not include management fees paid through a reduction of the net asset value of the investment. For 2019 the fees totaled \$14,279,868 and for 2018 the fees totaled \$13,085,417.

****Amounts are netted with securities lending income on the statements of changes in fiduciary net position. Net securities lending income for 2019 and 2018 was \$13,999,037 and \$10,078,181, respectively.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
SUPPORTING SCHEDULES
SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

<u>Board of Trustees</u>	2019		2018	
	<u>Number of Meetings</u>	<u>Amount</u>	<u>Number of Meetings</u>	<u>Amount</u>
Sheryl R. Abshire, Ph.D.	5	\$ 375	11	\$ 825
Jerry J. Baudin, Ph.D.	13	975	17	1,275
Britton L. Colon	2	150	12	900
Holly Bridges Gildig	11	825	11	825
David A. Hennigan	13	975	16	1,200
Ricky Julien, Sr., M.Ed.	11	825	17	1,275
Robert Lawyer	7	525	18	1,350
Kathy A. Manning	-	-	8	600
Tia T. Mills, Ed.D	12	900	13	975
Paul E. Nelson, Ph.D.	10	750	11	825
Neshelle S. Nogess, M.B.A.	10	750	6	450
John G. Parauka	11	825	15	1,125
Suzette Stelly Riddle	5	375	-	-
Carlos Sam	-	-	3	225
Thomas F. Stafford, Ph.D.	5	375	-	-
James A. Taylor, Sr., J.D., Ph.D.	13	975	18	1,350
Kelly Thompson	9	<u>675</u>	8	<u>600</u>
Total compensation		<u><u>\$ 10,275</u></u>		<u><u>\$ 13,800</u></u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
SUPPORTING SCHEDULES
SCHEDULES OF PAYMENTS TO NON-INVESTMENT RELATED
CONSULTANTS AND VENDORS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Actuaries & Consultants</u>		
Cavanaugh Macdonald Consulting, L.L.C. Foster & Foster Actuaries & Consultants	\$ 187,820	\$ 220,925
<u>Auditor/accountant</u>	110,486	108,156
Louisiana Legislative Auditor/ Duplantier, Hrapman, Hogan & Maher, LLP Postlewaite & Netterville		
<u>Information technology and other vendors</u>	285,752	309,188
Bowen ECM Solutions, L.L.C. CEM Benchmarking, Inc. Everyone Counts, Inc. Hunt Telecommunications, L.L.C. Investor Responsibility Support Services, Inc. Knob4 Professional Training Modiphy, Inc. Pension Benefit Information RMJ Consulting Scope Solutions Group, Inc. Votem EC, Inc. Other		
<u>Legal</u>	18,568	73,321
Avant & Falcon Ice Miller, LLP. Kean Miller, L.L.P. Other		
<u>Medical</u>		
Examiners	<u>75,280</u>	<u>78,375</u>
Total	<u>\$ 677,906</u>	<u>\$ 789,965</u>

TRSL

Component Unit Financial Report

For Fiscal Years Ended June 30, 2019 and 2018

Dana L. Vicknair, Director

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Business hours: 8 a.m. - 4:30 p.m.

(Monday-Friday excluding holidays) No appointment required

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