

EMPLOYER PENSION R E P O R T

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2013

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

April 2, 2015

Board of Trustees of the
State of Louisiana
School Employees' Retirement System
Baton Rouge, Louisiana 70809

We have audited the accompanying schedule of employer allocations of the State of Louisiana School Employees' Retirement System (the System), a component unit of the State of Louisiana as of June 30, 2013, and the related notes. We have also audited the total for all entities of the column titled net pension liability included in the accompanying schedule of pension amounts by employer of School Employees' Retirement System as of and for the year ended June 30, 2013, and the related notes to the schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedules 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 employer pension schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability for the total of all participating entities for Louisiana School Employees' Retirement System, as of June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 6 to the schedules, the total pension liability for Louisiana School Employees' Retirement System was \$2,404,014,249 at June 30, 2013. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2013 could be understated or overstated.

Other Matters

We have audited, 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, the financial statements of the State of Louisiana School Employees' Retirement System as of and for the year ended June 30, 2013, and our report thereon, dated September 24, 2013, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2015 on our consideration of the Louisiana School Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana School Employees' Retirement System's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of State of Louisiana School Employees' Retirement System's management, the Board of Trustees, State of Louisiana School Employees' Retirement System's participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

New Orleans, Louisiana

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS
JUNE 30, 2013

Employer	Contribution Effort	Employer Allocation Percentage	%
Acadia Parish School Board	\$ 913,246	1.0704	%
Allen Parish School Board	670,259	0.7856	
Ascension Parish School Board	2,652,027	3.1084	
Assumption Parish School Board	460,321	0.5395	
Avoyelles Parish School Board	665,621	0.7802	
Beauregard Parish School Board	950,525	1.1141	
Bienville Parish School Board	565,905	0.6633	
Bossier Parish School Board	3,650,788	4.2790	
Caddo Parish School Board	6,026,386	7.0634	
Calcasieu Parish School Board	3,843,641	4.5051	
Caldwell Parish School Board	277,673	0.3255	
Cameron Parish School Board	332,822	0.3901	
Catahoula Parish School Board	222,447	0.2607	
Claiborne Parish School Board	265,284	0.3109	
Concordia Parish School Board	338,027	0.3962	
Desoto Parish School Board	1,491,935	1.7487	
East Baton Rouge Parish School Board	3,809,616	4.4652	
East Carroll Parish School Board	138,133	0.1619	
East Feliciana Parish School Board	284,525	0.3335	
Evangeline Parish School Board	559,447	0.6557	
Franklin Parish School Board	398,040	0.4665	
Grant Parish School Board	495,243	0.5805	
Iberia Parish School Board	1,582,630	1.8550	
Iberville Parish School Board	862,436	1.0108	
Jackson Parish School Board	291,503	0.3417	
Jefferson Parish School Board	4,368,710	5.1205	
Jefferson Davis Parish School Board	691,527	0.8105	
Lafayette Parish School Board	4,021,351	4.7134	
Lafourche Parish School Board	1,766,323	2.0703	
Lasalle Parish School Board	299,617	0.3512	
Lincoln Parish School Board	748,193	0.8769	
Livingston Parish School Board	3,001,842	3.5184	
Madison Parish School Board	248,904	0.2917	
Morehouse Parish School Board	529,152	0.6202	
Natchitoches Parish School Board	463,047	0.5427	
Orleans Parish School Board	53,708	0.0630	
Ouachita Parish School Board	3,349,074	3.9254	

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
JUNE 30, 2013

Employer	Contribution Effort	Employer Allocation Percentage	%
Plaquemines Parish School Board	\$ 1,009,536	1.1833	%
Pointe Coupee Parish School Board	219,170	0.2569	
Rapides Parish School Board	2,652,910	3.1094	
Red River Parish School Board	281,183	0.3296	
Richland Parish School Board	436,033	0.5111	
Sabine Parish School Board	582,017	0.6822	
St Bernard Parish School Board	821,046	0.9623	
St Charles Parish School Board	2,497,695	2.9275	
St Helena Parish School Board	133,112	0.1560	
St James Parish School Board	405,183	0.4749	
St John Parish School Board	1,071,043	1.2554	
St Landry Parish School Board	1,604,100	1.8801	
St Martin Parish School Board	1,267,759	1.4859	
St Mary Parish School Board	1,213,527	1.4224	
St Tammany Parish School Board	6,890,311	8.0760	
Tangipahoa Parish School Board	2,364,618	2.7715	
Tensas Parish School Board	116,435	0.1365	
Terrebonne Parish School Board	1,999,632	2.3437	
Union Parish School Board	439,247	0.5148	
Vermilion Parish School Board	1,199,319	1.4057	
Vernon Parish School Board	1,427,903	1.6736	
Washington Parish School Board	708,917	0.8309	
Webster Parish School Board	879,912	1.0313	
West Baton Rouge Parish School Board	239,818	0.2811	
West Carroll Parish School Board	320,342	0.3755	
West Feliciana Parish School Board	412,655	0.4837	
Winn Parish School Board	277,787	0.3256	
Bogalusa City Schools	247,621	0.2902	
Monroe City School Board	1,266,317	1.4842	
Louisiana State University	37,197	0.0436	
University of New Orleans	49,301	0.0578	
Southeastern Louisiana University	18,058	0.0212	
Department of Public Safety	10,151	0.0119	
Pinecrest Supports and Services Center	28,159	0.0330	
Department of Agriculture & Forestry	15,991	0.0187	
Lafourche Special Schools	16,476	0.0193	
House of Representatives	9,033	0.0106	

(Continued)

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS
JUNE 30, 2013

<u>Employer</u>	<u>Contribution Effort</u>	<u>Employer Allocation Percentage</u>	
Division of Administration	\$ 65,754	0.0771	%
Department of Health and Hospitals	22,945	0.0269	
Orleans Levee District	3,609	0.0042	
LSU-Leonard J Chabert Medical Center	1,694	0.0020	
LSU-Huey P Long Medical Center	10,597	0.0124	
LA State Employees' Retirement System	18,122	0.0212	
Department of Revenue	19,712	0.0231	
Bossier Parish Community College	16,516	0.0194	
Department of Transportation and Development	765	0.0009	
Glencoe Charter School	17,395	0.0204	
Secretary Of State	13,510	0.0158	
Avoyelles Public Charter School, Inc.	40,128	0.0470	
Delhi Charter School	58,051	0.0680	
Department of Public Safety Services	23,218	0.0272	
City of Baker School System	152,734	0.1790	
Zachary Community School Board	316,842	0.3714	
Advocates for Science and Math Education Inc	24,304	0.0285	
Central Community School System	15,609	0.0183	
Bayou Community Charter	10,165	0.0119	
19th Judicial District Court	10,716	0.0126	
Downsville Charter School	16,272	0.0191	
	<u>\$ 85,318,100</u>	<u>100.00</u>	%

See accompanying notes.

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2013

Employer	Net Pension Liability
Acadia Parish School Board	\$ 8,155,285
Allen Parish School Board	5,985,407
Ascension Parish School Board	23,682,585
Assumption Parish School Board	4,110,660
Avoyelles Parish School Board	5,943,992
Beauregard Parish School Board	8,488,179
Bienville Parish School Board	5,053,524
Bossier Parish School Board	32,601,517
Caddo Parish School Board	53,815,585
Calcasieu Parish School Board	34,323,692
Caldwell Parish School Board	2,479,615
Cameron Parish School Board	2,972,094
Catahoula Parish School Board	1,986,447
Claiborne Parish School Board	2,368,981
Concordia Parish School Board	3,018,575
Desoto Parish School Board	13,322,966
East Baton Rouge Parish School Board	34,019,849
East Carroll Parish School Board	1,233,526
East Feliciana Parish School Board	2,540,806
Evangeline Parish School Board	5,271,080
Franklin Parish School Board	3,554,497
Grant Parish School Board	4,422,520
Iberia Parish School Board	14,132,877
Iberville Parish School Board	7,701,545
Jackson Parish School Board	2,603,120
Jefferson Parish School Board	39,012,548
Jefferson Davis Parish School Board	6,175,332
Lafayette Parish School Board	35,910,643
Lafourche Parish School Board	15,773,253
Lasalle Parish School Board	2,675,575
Lincoln Parish School Board	6,681,360
Livingston Parish School Board	26,806,430
Madison Parish School Board	2,222,711
Morehouse Parish School Board	4,725,328
Natchitoches Parish School Board	4,135,011
Orleans Parish School Board	479,613
Ouachita Parish School Board	29,907,205

(Continued)

STATE OF LOUISIANA
 SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2013

<u>Employer</u>	<u>Net Pension Liability</u>
Plaquemines Parish School Board	\$ 9,015,147
Pointe Coupee Parish School Board	2,641,253
Rapides Parish School Board	23,690,473
Red River Parish School Board	2,510,963
Richland Parish School Board	3,893,771
Sabine Parish School Board	5,197,404
St Bernard Parish School Board	7,331,939
St Charles Parish School Board	22,304,400
St Helena Parish School Board	1,188,694
St James Parish School Board	3,618,279
St John Parish School Board	9,564,411
St Landry Parish School Board	14,324,605
St Martin Parish School Board	11,321,082
St Mary Parish School Board	10,836,788
St Tammany Parish School Board	61,530,433
Tangipahoa Parish School Board	21,116,026
Tensas Parish School Board	1,039,763
Terrebonne Parish School Board	17,856,704
Union Parish School Board	3,922,473
Vermilion Parish School Board	10,709,913
Vernon Parish School Board	12,751,161
Washington Parish School Board	6,330,621
Webster Parish School Board	7,857,607
West Baton Rouge Parish School Board	2,141,570
West Carroll Parish School Board	2,860,648
West Feliciana Parish School Board	3,685,008
Winn Parish School Board	2,480,639
Bogalusa City Schools	2,211,251
Monroe City School Board	11,308,203
Louisiana State University	332,173
University of New Orleans	440,254
Southeastern Louisiana University	161,256
Department of Public Safety	90,648
Pinecrest Supports And Services Center	251,455
Department of Agriculture & Forestry	142,803
Lafourche Special Schools	147,128

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
JUNE 30, 2013

<u>Employer</u>	<u>Net Pension Liability</u>
House of Representatives	\$ 80,665
Division of Administration	587,179
Department of Health and Hospitals	204,899
Orleans Levee District	32,233
LSU-Leonard J Chabert Medical Center	15,126
LSU-Huey P Long Medical Center	94,629
LA State Employees' Retirement System	161,829
Department of Revenue	176,033
Bossier Parish Community College	147,492
Department of Transportation and Development	6,831
Glencoe Charter School	155,337
Secretary of State	120,646
Avoyelles Public Charter School, Inc.	358,346
Delhi Charter School	518,395
Department of Public Safety Services	207,335
City of Baker School System	1,363,918
Zachary Community School Board	2,829,397
Advocates for Science & Math Education Inc	217,035
Central Community School System	139,387
Bayou Community Charter	90,769
19th Judicial District Court	95,696
Downsville Charter School	145,310
	<u>\$ 762,849,366</u>

See accompany notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

The State of Louisiana School Employees' Retirement System (the System), a component unit of the State of Louisiana was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes (LRS) to provide retirement, disability and survivor benefits to all eligible school bus drivers, school janitors, school custodians, school maintenance employees, school bus aides, or other regular school employees who actually work on a school bus helping with the transportation of school children.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School Employees' Retirement System prepares its employer pension schedules in accordance with Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense and amortization periods for deferred inflows and deferred outflows.

Basis of Accounting:

The System's employer pension schedules are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based, is recognized in the period in which the employee is compensated for services performed. The member's earnable compensation is attributed to the employer for which the member is employed as of June 30, 2013.

During the year ended June 30, 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan. The provisions of this statement were retroactively applied to the fiscal year ended June 30, 2013.

Reporting Entity:

Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity: (Continued)

In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the System. The System also considered whether there are organizations that are fiscally dependent on it. There are no component units of the Plan.

The Plan is a component unit of the State of Louisiana.

System Employees:

The System is not allocated a proportionate share of the net pension liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

Plan Fiduciary Net Position:

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

2. PLAN DESCRIPTION:

The State of Louisiana School Employees' Retirement System is the administrator of a cost-sharing multiple-employer defined benefit pension plan and is a component unit of the State of Louisiana and is included in the State's CAFR as a Pension Trust Fund. The System was established and provided for by R.S.11:1001 of the Louisiana Revised Statutes (LRS). The accompanying statements present information only as to transactions of the System as authorized by Louisiana Revised Statutes.

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

Membership is mandatory for all persons employed by a Louisiana Parish or City School Board or by the Lafourche Special Education District #1 who work more than twenty hours per week or for part time employees who have 10 years of creditable service in the System as a school bus driver, school janitor, school custodian, school maintenance employee, school bus aide, or any other regular school employee who actually works on a school bus helping with the transportation of school children. If a person is employed by and is eligible to be a member of more than one public agency within the state, he must be a member of each such retirement system. Members are vested after 10 years of service or 5 years if enrolled after June 30, 2010.

All temporary, seasonal and part-time employees as defined in Federal Regulations 26 CFR 31:3121(b)(7)-2 are not eligible for membership in the System. Any part-time employees who work 20 hours or less per week and who are not vested will be refunded their contributions.

Benefits:

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

A member who joined the System on or before June 30, 2010 is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, 20 years of creditable service regardless of age with an actuarially reduced benefit, or 10 years of creditable service and is at least age 60. A member who joined the system on or after July 1, 2010 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 60, or 20 years of creditable service regardless of age with an actuarially reduced benefit.

For members who joined the System prior to July 1, 2006, the maximum retirement benefit is an amount equal to 3 1/3% of the average compensation for the three highest consecutive years of membership service, subject to the 10% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2.00 per month for each year of service. For members who joined the System on or after July 1, 2006 through June 30, 2010, 3 1/3% of the average compensation is used to calculate benefits, however, the calculation consists of the five highest consecutive years of membership service, subject to the 10% salary limitation. For members who join the System on or after July 1, 2010, 2 1/2% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15% salary limitation. The supplemental allowance was eliminated for members entering the System on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

Disability:

A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled and is certified as disabled by the Medical Board. A vested person with 20 or more years of creditable service is eligible for a disability benefit until normal retirement age. A member who joins the System on or after July 1, 2006, must have at least ten years of service to qualify for disability benefits. Upon the death of a member with five or more years of creditable service, the System provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

Deferred Retirement Option Plan:

Members of the System may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP, active membership in the regular retirement plan of the System terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the System. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account.

The System maintains subaccounts within this account reflecting the credits attributed to each participant in the DROP program. Interest credited and payments from the DROP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3). Upon termination of participation in both the DROP program and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements.

The System also provides for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

Initial Benefit Retirement Plan:

Effective January 1, 1996, the state legislature authorized the System to establish an Initial Benefit Retirement Plan (IBRP). IBRP is available to members who have not participated in DROP and who select the maximum benefit, Option 2 benefit, Option 3 benefit or Option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The IBRP program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from IBRP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

3. EMPLOYER CONTRIBUTIONS:

Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution. The actuarial required contribution rate for June 30, 2013 was 32.60%. The actual employer rate for the years ended June 30, 2013 was 30.80%.

4. SCHEDULE OF EMPLOYER ALLOCATIONS:

The schedule of employer allocations reports employer contributions recognized by the System in addition to the employer allocation percentage. The contribution income recognized by the System is used to determine the proportionate relationship of each employer to all employers of the School Employees' Retirement System.

5. SCHEDULE OF PENSION AMOUNTS BY EMPLOYER:

The schedule of pension amounts by employer displays each employer's allocation of the net pension liability. The schedule of pension amounts by employer was prepared using the allocations included in the schedule of employer allocations.

6. ACTUARIAL METHODS AND ASSUMPTIONS:

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the System's employers as of June 30, 2013 are as follows:

	<u>2013</u>
Total Pension Liability	\$ 2,404,014,249
Plan Fiduciary Net Position	<u>1,641,164,883</u>
Total Collective Net Pension Liability	<u>\$ 762,849,366</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

6. ACTUARIAL METHODS AND ASSUMPTIONS: (Continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2013 are as follows:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.50%, net of investment expense
Inflation Rate	2.75%
Mortality	Mortality rates based on the RP-2000 Sex Distinct Mortality Table
Salary increases	Salary increases were projected based on a 2008-2012 experience study of the Plan's members. The annual salary growth rates are based upon the members' years of service.
Cost of living adjustments	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in the actuarial liability and the plan has met the criteria and eligibility requirements outline by ACT 399 of 2014.

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. RETIREMENT SYSTEM AUDIT REPORT:

School Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2013. Access to the audit report can be found on the Office of Louisiana Legislative Auditor's official website: www.la.state.la.us.

8. ESTIMATES:

The process of preparing the schedule of employer allocations and schedule of pension amounts by employer in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.



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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 EMPLOYER PENSION SCHEDULES PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 2, 2015

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

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 schedule of employer allocations and the employer pension schedules of the School Employees' Retirement System, as of June 30, 2013, and the related notes to the schedules and have issued our report thereon dated April 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the employer pension schedules, we considered the School Employees' Retirement System'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 employer pension schedules, but not for the purpose of expressing an opinion on the effectiveness of the School Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Employees' Retirement System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's employer pension schedules 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.

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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 School Employees' Retirement System's employer pension schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of employer pension schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the employer pension schedules of School Employees' Retirement System for the year ended June 30, 2013 was unmodified.
2. The audit of the employer pension schedules disclosed no instances of noncompliance.
3. Findings Required To Be Reported Under Generally Accepted Government Auditing Standards:
None
4. Status of Prior Year Comments:
Not applicable