

# The art of retirement...



## 2009 Summary Annual Report

A component unit of the State of Louisiana  
for the fiscal year ended June 30, 2009



# Message from the Director

Dear TRSL Members and Benefit Recipients:

It is my privilege to present the Popular Annual Financial Report (PAFR) for the Teachers' Retirement System of Louisiana (TRSL). This publication is intended to provide you with an overview of the financial position of the System for the fiscal year ended June 30, 2009.

Last year was tough for all investors — TRSL was no exception. Yet, it is in these times that a commitment to our core principals and investment strategies counts most. The System responded to the changing economic environment with the patience and prudence of a long-term investor that knows market highs and lows are a reality of the financial world. As the year progressed, the financial markets rebounded, as did our investment portfolio. We ended the fiscal year with a negative 22.3 percent return. Furthermore, the System remains well positioned to realize additional opportunities for asset growth as the markets continue their recovery.

Equally as important, we recognized the need to provide regular communication to retired and active members letting them know that their retirement benefits remained secure. And, those benefits continue to be secure. In fact, as of July 2009, certain TRSL retirees and beneficiaries began receiving up to \$300 per month of extra retirement income. Act 144, which was passed in the 2009 Regular Session, provides much-needed economic relief for some of the state's oldest and impoverished retirees, many of whom were career teachers.

Another piece of legislation enacted in the 2009 Regular Session restructures the initial unfunded accrued liability (IUAL)—retirement system debt incurred prior to June 30, 1988, as a result of underfunding. Act 497 also establishes new funding and eligibility criteria for permanent benefit increases, formerly known as cost-of-living adjustments (COLAs). Provisions of the new law are designed to enhance the financial soundness of the System and have a positive impact on TRSL for years to come.

As always, we continue to strive for exceptional service to our membership. We have added more online self-service features to Member Access, including the ability for members to view their annual member statements online. We are actively working toward adding more online functions for members, which not only make information

and services more readily available for members, but also reduce TRSL's administrative costs. This benefits all TRSL stakeholders.

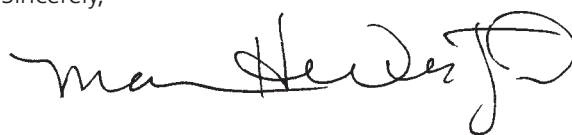
I am also proud of our continued high ratings in a benchmarking study that compares our system's administration and investments to other similarly sized pension systems. For the sixth consecutive year, CEM Benchmarking, Inc., of Toronto, reported that our operational costs are lower than the average cost for other systems similar in size and membership, even while we provide a higher level of member service. And, the company found that we administer a high value, low cost investment program primarily because we achieved higher investment returns in the private equity asset class while paying lower investment management fees.

On behalf of the Board of Trustees and our staff, we will continue to serve our members and remain true to our ideals of integrity, efficiency, fairness, and financial responsibility.

Finally, I would like to extend my appreciation to all of the talented Louisiana students whose wonderful artwork graces the cover of this publication. I am certain you will appreciate their creativity.

Please take some time to review the information in this report. It summarizes our more thorough Comprehensive Annual Financial Report (CAFR), which is available on our website.

Sincerely,



Maureen H. Westgard  
TRSL Director

One hundred fifty-eight thousand, four hundred copies of this public document were published at a cost of \$22,122.87. This document was published by the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, to make public TRSL's financial operations under the authority of LSA-R.S. 11:832B. Printing of this material was purchased in accordance with the provisions of Title 43 of the Louisiana Revised Statutes.

TRSL ended the 2009 fiscal year with \$11.3 billion in net assets held in trust and a -22.3 percent market return on investments.

## Condensed Comparative Statements of Plan Net Assets

	2009	2008	2007
<b>Assets</b>			
Cash and cash equivalents	\$ 131,091,325	\$ 36,087,141	\$ 15,294,772
Receivables	321,442,995	475,647,057	363,771,661
Investments (fair value)	10,978,695,442	14,764,880,898	16,045,489,228
Securities lending collateral	747,644,119	1,063,675,677	2,507,280,388
Capital assets	<u>4,435,754</u>	<u>4,643,492</u>	<u>4,324,000</u>
Total assets	<u>12,183,309,635</u>	<u>16,344,934,265</u>	<u>18,936,160,049</u>
<b>Liabilities</b>			
Accounts payable and other liabilities	185,384,219	285,008,869	280,149,444
Securities lending collateral	<u>747,644,119</u>	<u>1,063,675,677</u>	<u>2,507,280,388</u>
Total liabilities	<u>933,028,338</u>	<u>1,348,684,546</u>	<u>2,787,429,832</u>
<b>Net assets held in trust</b>	<u>\$ 11,250,281,297</u>	<u>\$ 14,996,249,719</u>	<u>\$ 16,148,730,217</u>

## Condensed Comparative Statements of Changes in Plan Net Assets

	2009	2008	2007
<b>Additions</b>			
Member contributions	\$ 344,547,871	\$ 323,678,452	\$ 282,326,101
Employer contributions	660,244,436	656,091,577	544,401,879
ORP contributions retained	54,447,510	57,569,465	49,429,250
Other operating revenues	4,407,243	46,264,759	5,496,271
Total net investment income (loss)	<u>(3,292,248,484)</u>	<u>(799,919,813)</u>	<u>2,616,966,317</u>
Total additions (deletions)	<u>(2,228,601,424)</u>	<u>283,684,440</u>	<u>3,498,619,818</u>
<b>Deductions</b>			
Benefits and refunds	1,501,027,245	1,420,738,298	1,343,672,281
Administrative expenses	15,799,028	14,880,903	13,323,547
Other operating expenses	<u>540,725</u>	<u>545,737</u>	<u>506,521</u>
Total deductions	<u>1,517,366,998</u>	<u>1,436,164,938</u>	<u>1,357,502,349</u>
<b>Net increase (decrease)</b>	(3,745,968,422)	(1,152,480,498)	2,141,117,469
<b>Net assets beginning of year</b>	<u>14,996,249,719</u>	<u>16,148,730,217</u>	<u>14,007,612,748</u>
<b>Net assets end of year</b>	<u>\$ 11,250,281,297</u>	<u>\$ 14,996,249,719</u>	<u>\$ 16,148,730,217</u>

# Investments

## TRSL Investments at a Glance

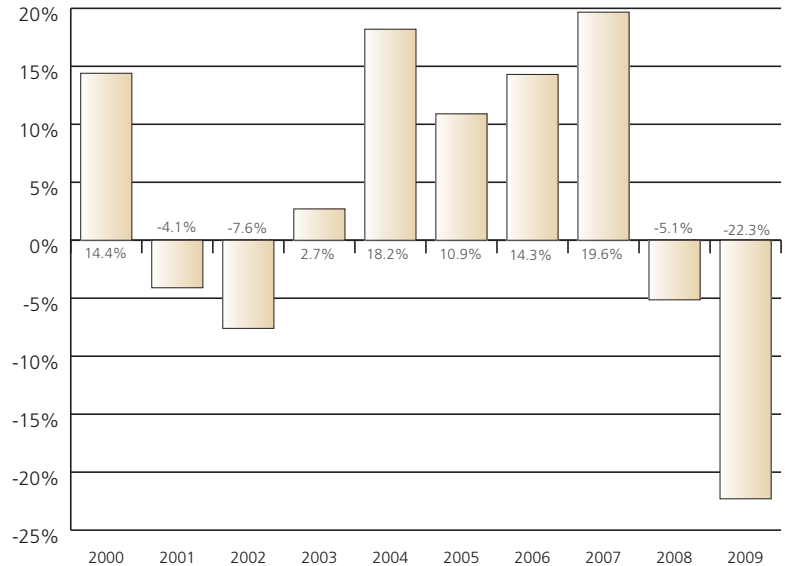
The volatility of the markets early in the fiscal year limited the growth of TRSL's portfolio. However, by March the System's assets began to add value as financial markets consistently closed in positive territory.

Since that time, the value of TRSL's portfolio has grown by \$1.0 billion. As of June 30, 2009, net assets were \$11.3 billion, compared to \$15.0 billion at the close of the 2008 fiscal year. The market rate of return was negative 22.3 (gross of fees).

As a long-term investor, TRSL recognizes that there will be up-and-down markets, and maintains a well diversified portfolio. These strategies allow the System to capitalize on investment opportunities, but at the same time minimize investment risk.

As of June 30, 2009, TRSL's 20-year investment return ranked in the top (best) 38 percent of public pensions with assets greater than \$1 billion, according to BNY Mellon Financial Universe (PARis).

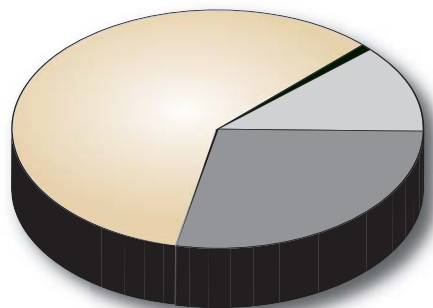
### 10-Year Rates of Return



### Investments at Fair Value

	2009	2008	2007
Domestic bonds	\$ 1,422,286,805	\$ 2,068,620,083	\$ 1,908,652,650
International bonds	626,067,234	791,074,725	772,811,203
Domestic stocks	3,151,788,583	4,488,267,744	5,956,585,766
International stocks	2,555,387,559	3,568,846,836	3,601,296,445
Short-term investments	671,061,232	624,681,156	981,706,327
Alternative investments	<u>2,552,104,029</u>	<u>3,223,390,354</u>	<u>2,824,436,837</u>
Total investments	<u>\$ 10,978,695,442</u>	<u>\$ 14,764,880,898</u>	<u>\$ 16,045,489,228</u>

## Asset Allocations



- Total Stock - 59%
- Alternative Investments - 28%
- Total Fixed Income - 12%
- Cash - 1%

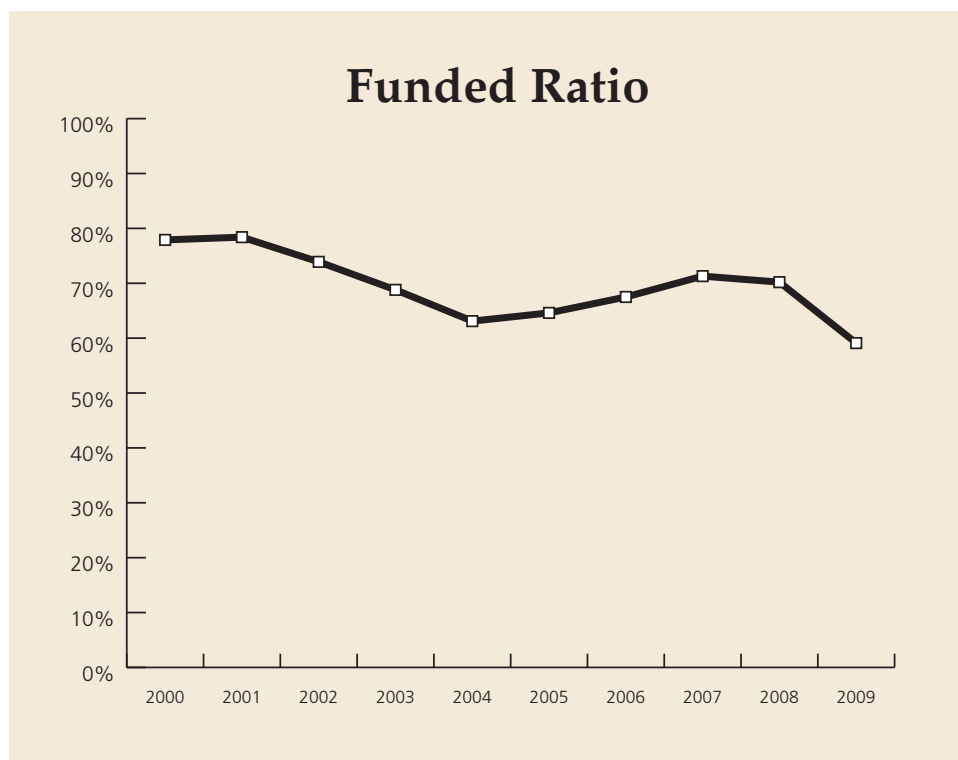
Summary of Actuarial Valuation

	2009	2008	2007
<b>Membership census</b>			
Retirees	62,417	61,070	59,530
Active	88,206	85,979	82,672
DROP	3,421	3,760	3,715
Terminated vested	5,872	6,043	6,624
Actuarial yield	(12.31%)	5.15%	15.20%
Funded ratio	59.1%	70.2%	71.3%
Annual benefits paid	\$ 1,464,106,312	\$ 1,383,381,577	\$ 1,295,552,338

Funding Retirement

Funding retirements requires TRSL to project how much it will take to pay benefits years into the future. To do this, TRSL uses an actuary to help calculate the System’s long-term liabilities. The actuary’s calculation relies on many assumptions of future events, including mortality and disability rates, salary increases, and termination and retirement rates. All of these assumptions are based upon the past experience of the System, and they help project what future funding needs will be.

The actuary also calculates the actuarial value of the System’s assets. The actuarial value is different from market value. Market value is based on what assets could be sold for on a specific date, which can change daily. To meet its long-term funding obligations, the System needs a reliable way to estimate its assets and liabilities that is not tied to day-to-day market fluctuations.



The actuarial value of assets is based on a technique that “smoothes” short-term market gains and losses over a four-year period. While it approximates market value, the actuarial value removes much of the volatility global markets can experience by incrementally recognizing market highs and lows over the course of four years.

As of fiscal year ended June 30, 2009, the System’s unfunded accrued liability is \$10.1 billion, and its funded ratio is 59.1 percent. This represents a percentage of the funds TRSL currently has to cover the present value of every dollar expected to be paid in future retirement benefits.

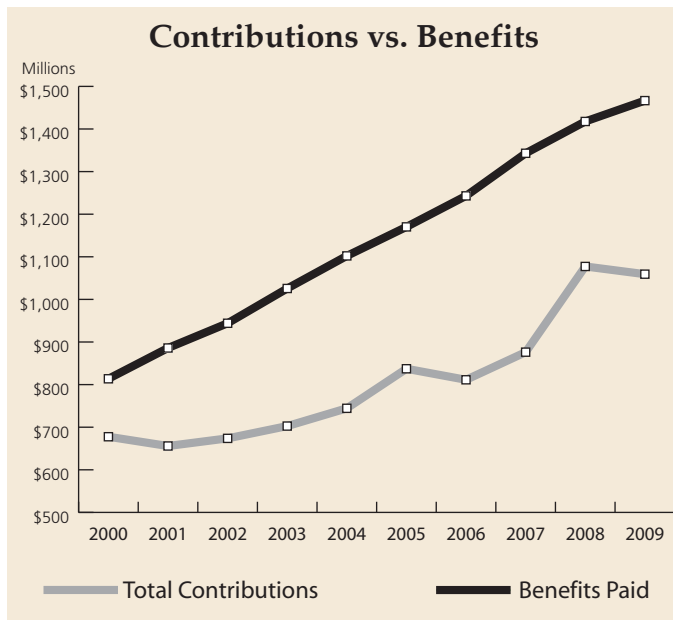
# Revenues and Expenses

## Revenues

In TRSL's defined benefit plan, retirements are paid with income from the System's investment earnings and contributions from employees and employers. Employees contribute a percentage of their salaries each month toward their retirement, and employers contribute a percentage of their payrolls to fund benefits. Some employees in the field of higher education choose to participate in the Optional Retirement Plan (ORP), a defined contribution plan that is serviced by a third-party provider. An ORP account is similar to a 401(k) and is credited with contributions from the employee and employer.

TRSL retains a 0.1 percent administrative fee from the employee contribution, and the unfunded accrued liability (UAL) portion from the employer contribution rate, which is 8.55 percent. These funds make up "ORP Contributions Retained." "Other Operating Revenues" include income from miscellaneous receipts related to the operation of the pension plan, such as litigation settlements and processing fees.

Revenues by Source							
Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Act 7 of 2008	Net Investment Income	Other Operating Revenues	Total
2006-2007	\$ 282,326,101	\$ 544,401,879	\$ 49,429,250		\$ 2,616,966,317	\$ 5,496,271	\$ 3,498,619,818
2007-2008	323,678,452	656,091,577	57,569,465	40,000,000	(799,919,813)	6,264,759	283,684,440
2008-2009	344,547,871	660,244,436	54,447,510		(3,292,248,484)	4,407,243	(2,228,601,424)



## Expenses

In fiscal year 2008-09, almost 97 cents of every dollar TRSL had in expenditures went toward benefit payments. The System paid out more than \$1.46 billion in retirement benefits. These dollars provide a reliable, monthly income to more than 62,000 retirees and beneficiaries, giving them the ability to buy goods and services in their communities.

Administratively, retirement system expenses account for only one percent of the total budget, roughly one penny out of every dollar. Self-generated funds, supplied by interest earnings on investment, are budgeted for administrative expenses.

"Depreciation expenses" are based on the loss in value of property over time due to wear or age. This includes the depreciation of the retirement system's building, equipment, and furniture.

Expenses by Type					
Fiscal Year	Benefits	Refunds/ Other	Administrative Expenses	Depreciation Expenses	Total
2006-2007	\$ 1,295,552,338	\$ 48,119,943	\$ 13,323,547	\$ 506,521	\$ 1,357,502,349
2007-2008	1,385,666,955	35,071,343	14,880,903	545,737	1,436,164,938
2008-2009	1,466,608,360	34,418,885	15,799,028	540,725	1,517,366,998

## Major Initiatives

TRSL is committed to the highest degree of integrity and accountability in the administration of its retirement plans. Part of this commitment means that we continually look for ways to enhance system administration that is both productive and cost effective.

TRSL routinely evaluates its goals and tracks their progress as a fundamental and strategic management practice. We are proud of our accomplishments, which include the following:

- Completed a critical phase of data collection from employers that will move the System closer to providing a paperless retirement experience for members;
- Provided benefit estimates to all vested members on their annual member statements;
- Completed more than 200 compliance audits that disclosed \$3.2 million in underreported salary;
- Completed installation of a software programming environment that will provide greater flexibility, efficiency, and accuracy in handling and automating member and employer information; and
- Increased disclosure requirements for investment managers regarding use of private placement agents and other conflicts of interest.

These achievements are a result of a commitment to excellence in member services and in pension administration by TRSL's dedicated staff.

We are pleased to showcase artwork from Louisiana students in the 2009 TRSL Summary Annual Report. Each piece is a wonderful expression of creativity from these young artists.

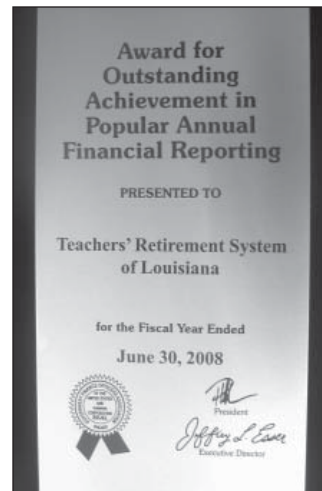
TRSL appreciates all the talented students and schools who submitted artwork for this publication. We salute the dedicated teachers who inspire and instruct them.

### Student artwork credits

(Top to bottom, left to right)

- Emily Trinh, Eisenhower Academy of Global Studies
- Benjamin Mackey, Ralph F. Wilson Elementary School
- Jasmine Williams, Eisenhower Academy of Global Studies
- William Stanford Sumrall, Bogalusa Middle School
- Krishtyanna Johnson, Lake Arthur Elementary School

## Awards



TRSL continued its award-winning tradition for its Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR). For the 18th consecutive year, TRSL received the *Certificate of Achievement for Excellence in Financial Reporting* award for the 2008 CAFR, and was honored with the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the seventh

consecutive year for the 2008 PAFR. Both awards are presented by the Government Finance Officers Association of the United States and Canada (GFOA).

The system also received the *2008 Public Pension Standards Award for Funding and Administration* from the Public Pension Coordinating Council.

## In the Future

With help from our employers, we continue to make progress toward our goal of providing a paperless retirement experience. Employers have been submitting essential member information through our online employer reporting system that will allow us to have everything we need to calculate retirements already on hand.

We are also pleased to join the state's "Going Green" initiative by reducing the amount of paper we use. Starting in 2010, we will begin mailing direct deposit payment stubs only when one of the following occurs: an initial direct deposit is made, changes in a retiree's net pay, and at the end of the calendar year.

These efforts, along with continued emphasis on enhancing Member Access, keep us connected to TRSL's vision, values, and goals. Above all, we are here to serve you.

## Legislation

### Summary of 2008-2009 Legislation

**Act 144** supplements by up to \$300 per month the retirement income of certain TRSL retirees and beneficiaries whose current monthly benefit is less than \$1,200. *(Effective July 1, 2009)*

**Act 270** allows future TRSL retirees to self-fund their own COLAs by creating a new retirement option. The new option would provide an actuarially reduced retirement benefit as well as an annual 2.5 percent COLA. The retiree would also be entitled to any COLA the retirement system paid under current law. *(Effective July 1, 2009)*

**Act 301** allows TRSL members who are involuntarily furloughed without pay as a result of budget reductions to accrue service credit during the period of furlough. *(Effective July 1, 2009)*

**Act 412** allows foreign teachers holding J-1 Visas to become members of TRSL. *(Effective August 15, 2009)*

**Act 497** restructures the payment schedule for the unfunded accrued liability; also adjusts how excess investment earnings are applied to system liabilities and the employee experience account; and amends requirements for cost-of-living increases. *(Effective June 30, 2009)*

**HCSR 1** requests the House and Senate committees on retirement to study the issue of converting state retirement plans for new hires from a defined benefit plan to a defined contribution plan.

**HR 82** requests the House committees on retirement and commerce to study issues regarding the possible requirement that every state public retirement or pension system, plan, or fund direct a certain percentage of its equity and fixed income trades to Louisiana broker-dealers.

**Street Address  
(use for certified mail):**  
8401 United Plaza Blvd, Ste 300  
Baton Rouge LA 70809-7017

**Mailing Address:**  
PO Box 94123  
Baton Rouge LA 70804-9123

**Telephone:**  
225-925-6446  
Toll free (outside Baton Rouge area)  
1-877-ASK-TRSL (1-877-275-8775)

**E-mail:** [web.master@trsl.org](mailto:web.master@trsl.org)  
**Website:** [www.trsl.org](http://www.trsl.org)

**Business Hours:**  
8 a.m. - 4:30 p.m.  
Monday — Friday (excluding holidays)  
*No appointment required*

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