



LASERS 2007 Summary Annual Financial Report

For Fiscal Year Ended June 30, 2007

A Component Unit of the State of Louisiana

LASERS
LOUISIANA STATE EMPLOYEES'
RETIREMENT SYSTEM

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The LASERS Mission

LASERS will increase member financial security by providing exceptional customer service, increasing the financial soundness of the system, and developing a skilled and high performing team committed to achieving LASERS goals.

September 28, 2007

Dear Members:

It is with great pleasure that I present the Louisiana State Employees' Retirement System (LASERS) Summary Annual Report for the fiscal year ended June 30, 2007. This report provides information derived from our Comprehensive Annual Financial Report (CAFR) on the financial status of your retirement system while highlighting our efforts to provide outstanding customer service. I trust that you will find this report helpful in understanding LASERS, which continues to strengthen financially. More detailed information is provided in our CAFR which was prepared in accordance with generally accepted accounting principles and may be viewed on our website at www.lasersonline.org.

As we begin our 60th year, I am pleased to report that LASERS exceeded \$9 billion in assets for the first time in its history and for the fourth consecutive year had double digit investment returns, with a 19.2% return for fiscal year ending June 30, 2007. These successful investments helped our funded ratio improve to 67.2%.

This year LASERS took on the internal management of an international index fund and made

changes in our asset allocation model. The new model increased the allocation to alternative assets and the overall equity allocation while reducing the overall allocation to fixed income. These changes were designed to provide an optimal mix of asset classes with return expectations that will strengthen our funded status and continue to fund cost-of-living adjustments.

We continued our efforts to position the System for the next decade with the development and implementation of a new pension administration system, the State of Louisiana Retirement Information System (SOLARIS). The retiree benefits component has been in production since June 2006. A retiree self-service module was added to the LASERS website providing retired members secured access to their retirement information. Employers are scheduled to use the active member component starting December 2007. An active member Internet module is scheduled for first quarter of 2008.

The 2007 Regular Legislative Session resulted in a 3% cost-of-living adjustment (COLA) for eligible LASERS retirees and beneficiaries. This COLA was funded by excess investment returns which were deposited in the LASERS Experience Account. Details on additional pieces of legislation can be found in the Legislative Update section of this re-

port. In the legislative arena, the LASERS Board of Trustees opposes those bills that are not fully funded or that provide unfair benefits to limited numbers of LASERS members. The fact that a number of bills in this category were defeated is just as important as the passage of those measures designed to enhance the system.

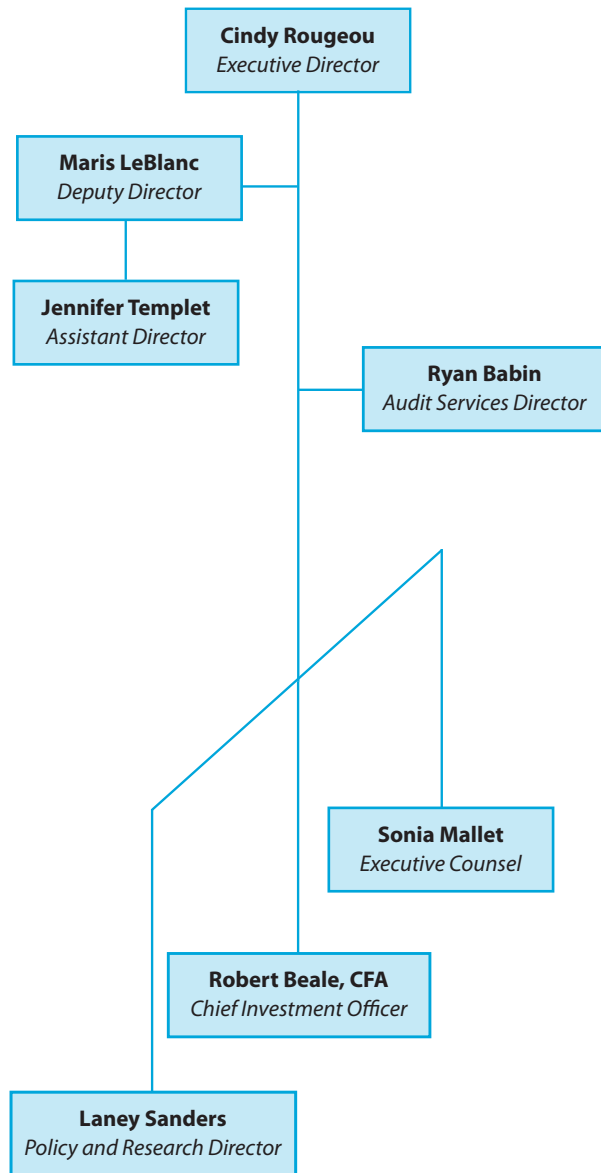
We look forward to providing you with outstanding and continuously improving services during the next year. I will continue to work with legislators, the Board of Trustees, and staff to protect and promote the interests of LASERS.

Sincerely,



Cindy Rougeou
Executive Director

Administrative Organization



Board of Trustees



Standing, left to right: Kathy Singleton, Chair; Judge Trudy M. White; Louis Quinn; Lorry S. Trotter

Seated, left to right: Sheryl Ranatza; Cynthia Bridges; Virginia Burton, Vice Chair; Connie Carlton; Barbara McCann

Not Pictured: Hon. John Kennedy, Louisiana State Treasurer; Rep. Pete Schneider, Chair, House Committee on Retirement; Sen. D.A. "Butch" Gautreaux, Chair, Senate Committee on Retirement

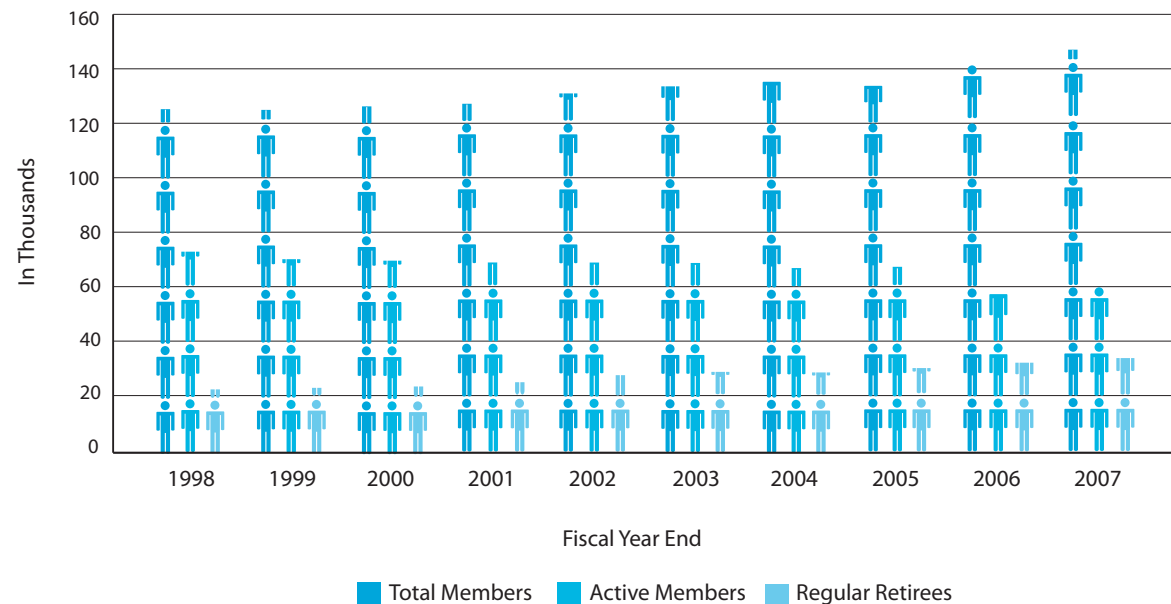


Membership Highlights

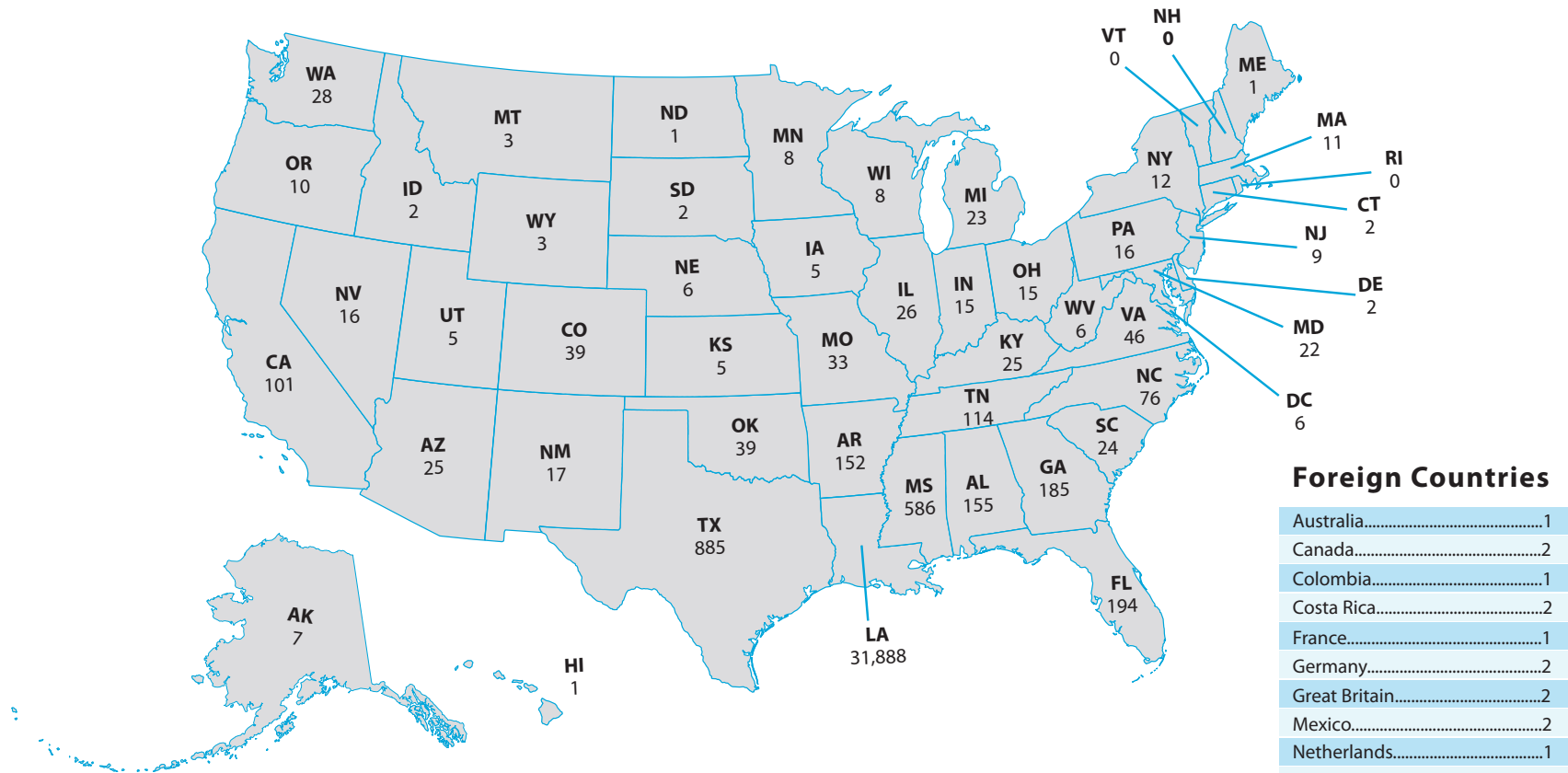
As of June 30, 2007, there were 145,587 members in LASERS. Membership consisted of 60,444 active members, 43,797 who had terminated and were due refunds, 30,190 regular retirees, and 2,624 in DROP. The balance of the membership consists of survivors, disability retirees and members no longer working and who upon reaching their qualifying age can draw a retirement benefit.

LASERS active membership has remained relatively stable over the past ten fiscal years. The changes in membership from 1998 to 2007 are presented in the graph below and in the table on the opposite page.

LASERS Changes in Membership 1998-2007



Location of LASERS Retirees



Net Changes in Membership 1998-2007

	Total Members	Active Members	Regular Retirees	Terminated/ Non-Vested
Net Change	20,001	(9,505)	7,876	20,346
Percent Change	16%	-14%	35%	87%
Annual Average	132,990	64,550	25,938	32,057



Financial Highlights

LASERS continued ability to provide benefits to members, retirees, and beneficiaries is measured by the net assets which are held in trust. The major funding for the plan is through the collection of employee and employer contributions, as well as earnings on investments. The amount held in the trust will fluctuate with changes in market conditions and the amount of contributions collected. The deductions from the trust include recurring benefit payments, refunds of contributions to employees, and administrative expenses.

The employer contributions received for the Fiscal Year 2007 were \$416,329,361, a 2.0% decrease from 2006. In 2006, total contributions were inflated by a \$13.6 million legislative appropriation for LASERS initial unfunded accrued liability. If this legislative appropriation is excluded, the employer contributions reflected an increase from 2006. The employee contributions received were \$167,957,870, a 1.5% increase from 2006. A portion of this increase is a result of a higher contribution rate for members hired after June 30, 2006. The employee contribution rate for new hires increased to 8% from 7.5% beginning July 1, 2006. Net investment income was the primary contributor to the increase in plan net assets

with an amount of \$1,473,499,193, a 76.8% increase over 2006. This brings the total net assets held in trust to a total of \$9,351,147,570.

Benefit payments for 2007 totaled \$673,617,033, an 8.6% increase from 2006. The increase is primarily due to an increase in the number of retirees and a higher average salary history of the newer retirees. The total deductions from the trust increased 7.9% from 2006. A slight increase in refunds of contributions to employees was also noted.

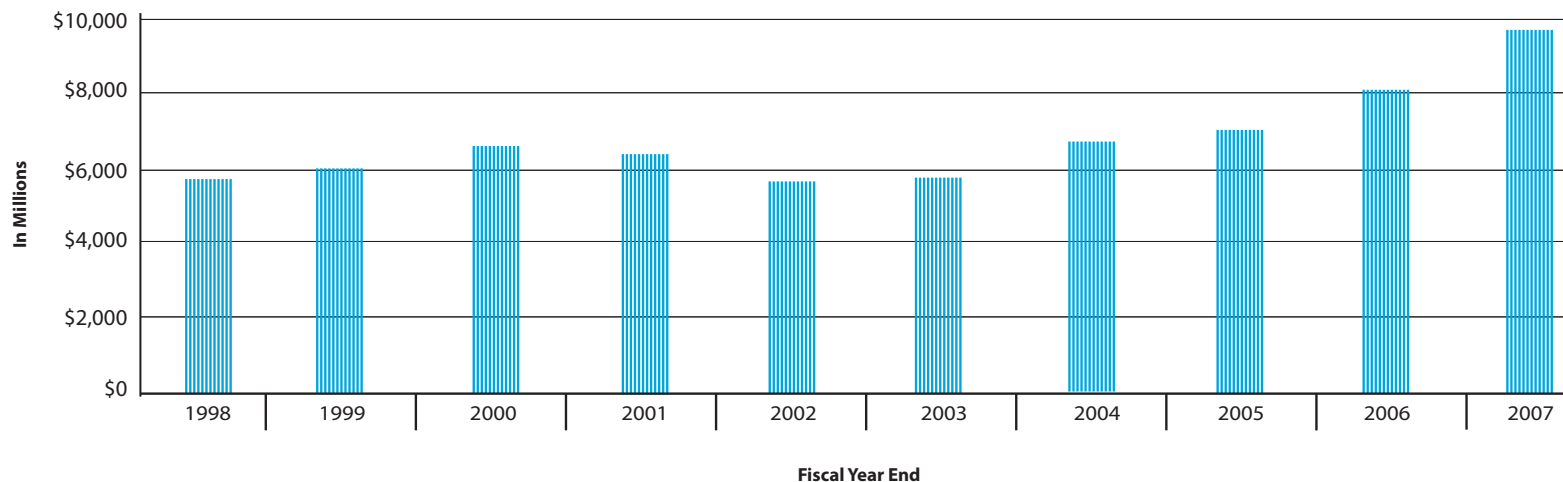
LASERS continues to maintain a stable environment and strives each year to improve its financial condition so that its obligations to the members, retirees, and beneficiaries can be met.

The *Statements of Plan Net Assets* shows how much LASERS holds in resources, how much is owed, and the amount accumulated for the payment of future pension benefits. This statement is a snap shot at the end of the fiscal year of LASERS investments, at market value, along with cash, receivables, and other assets and liabilities.

Condensed Statements of Plan Net Assets June 30, 2007 and 2006

Assets	2007	2006	Dollar Change	Percent Change
Cash	\$ 67,611,116	\$ 65,797,087	\$ 1,814,029	2.8%
Receivables	92,251,325	186,915,698	(90,664,373)	-48.5%
Investments (fair value)	9,230,537,180	7,867,359,171	1,363,178,009	17.3%
Securities Lending Collateral	1,166,777,371	724,517,990	442,259,381	61.0%
Capital Assets	13,579,901	10,183,795	3,396,106	33.3%
Total Assets	10,574,756,893	8,854,773,741	1,719,983,152	19.4%
Liabilities				
Accounts Payable & Other Liabilities	56,831,952	121,748,205	(64,916,253)	-53.3%
Securities Lending Collateral	1,166,777,371	724,517,990	442,259,381	61.0%
Total Liabilities	1,223,609,323	846,266,195	377,343,128	44.6%
Net Assets Held in Trust	\$ 9,351,147,570	\$ 8,008,507,546	\$ 1,342,640,024	16.8%

Plan Net Assets Ten Years Ending June 30, 2007



The *Statements of Changes in Plan Net Assets* indicates how LASERS net assets held in trust for pension benefits changed during the fiscal year. The information included in this statement includes revenues from employer and member contributions and net investment earnings along with deductions from the Plan for the payment of retirement benefits, refunded contributions and administrative and other expenses.

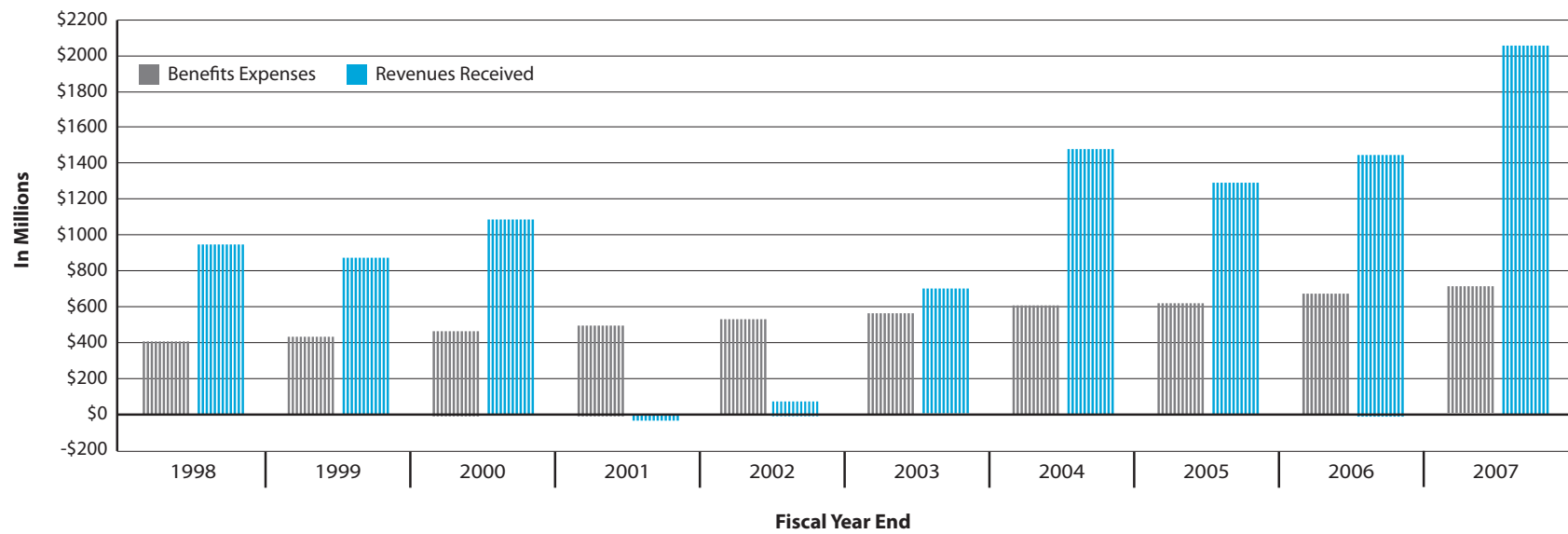
Condensed Statements of Changes in Plan Net Assets

For The Years Ended June 30, 2007 and 2006

Additions	2007	2006	Dollar Change	Percent Change
Employer Contributions	\$ 416,329,361	\$ 424,850,496	\$ (8,521,135)	-2.0%
Employee Contributions	167,957,870	165,509,666	2,448,204	1.5%
Net Investment Income	1,473,499,193	833,207,981	640,291,212	76.8%
Other Income	12,285,284	33,115,285	(20,830,001)	-62.9%
Total Additions	2,070,071,798	1,456,683,428	613,388,280	42.1%
Deductions				
Benefit Payments	673,617,033	620,367,483	53,249,550	8.6%
Refund of Contributions	38,030,600	37,821,549	209,051	0.6%
Administrative Expense	15,784,051	16,041,572	(257,251)	-1.6%
Total Deductions	727,431,684	674,230,604	53,201,080	7.9%
Net Increase	1,342,640,024	782,452,824	560,187,200	71.6%
Net Assets Beginning of Year	8,008,507,546	7,226,054,722	782,452,824	10.8%
Net Assets End of Year	\$ 9,351,147,570	\$ 8,008,507,546	\$ 1,342,640,024	16.8%

Summary of Revenues and Benefit/Refund Expenses

Ten Years Ending June 30, 2007



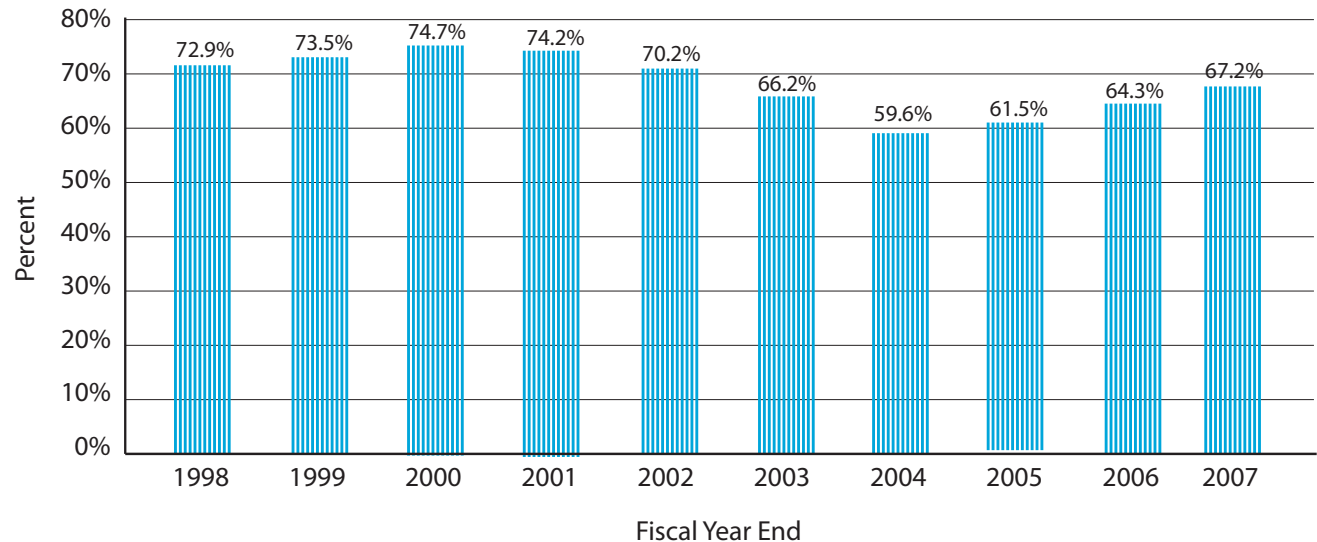


Funding Progress

The primary measure of the health of a pension system is its level of funding. If the funding level is adequate, the ratio of total accumulated assets to total liabilities will be larger and more funds will be available for investment purposes. An adequate funding level also assures members that future benefits due them are secure. The funding status is also used to compare available assets to benefits that must be paid, keeping in mind that all benefits are not due and payable immediately. For this reason, LASERS has an annual study performed by its actuary, called an actuarial valuation. The valuation is based on financial, member census, and demographic information available at the end of each fiscal year.

As of June 30, 2007, the date of LASERS most current actuarial valuation, the actuarial value of LASERS plan assets was \$8.3 billion and the actuarial accrued liability was \$12.4 billion for an unfunded accrued liability of \$4.1 billion and a funded ratio of 67.2%. This means LASERS had enough assets on hand to pay 67.2% of retirement benefits earned to date for both retired and active members. LASERS plans to fund its long-term benefit obligations through contributions and investment income. The unfunded liability is required by the state constitution to be substantially funded by 2029, with unfunded accrued liability changes for 1999 and thereafter amortized over a thirty-year period. The graphs below and on the opposite page represent LASERS actuarial accrued liabilities and funded ratios for the last ten fiscal years.

Funded Ratio

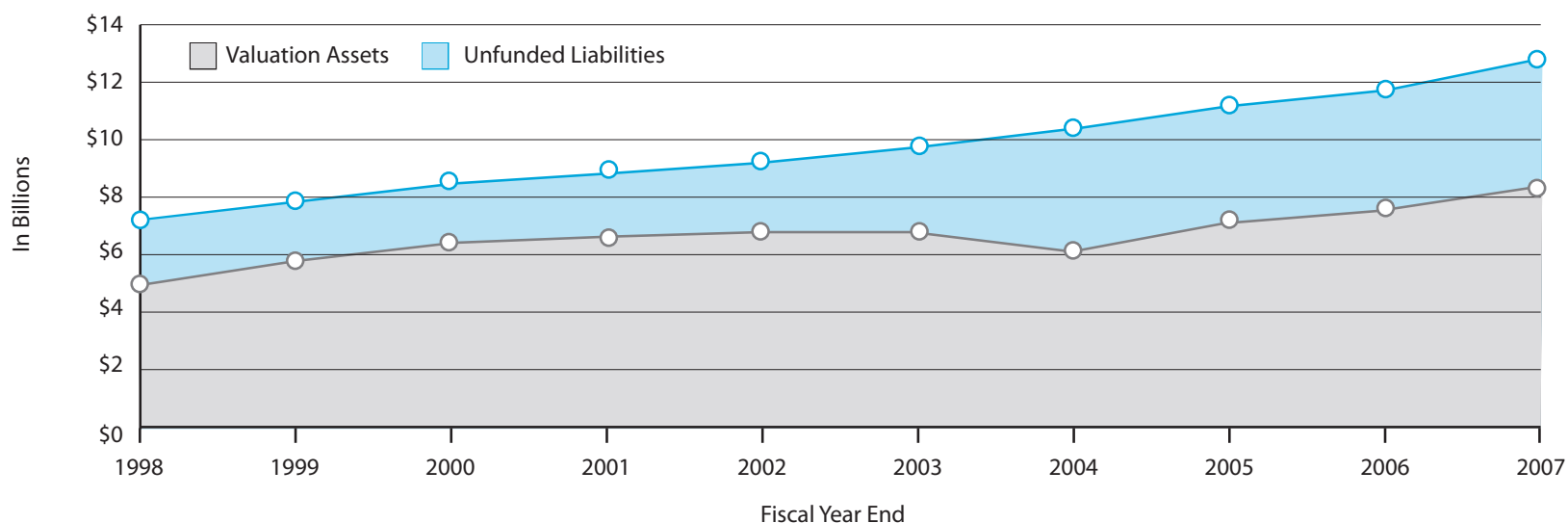




The actuarial valuation also provides information about LASERS Experience Account. The Experience Account accumulates 50% of any investment return above the target return of 8.25% and is used to fund cost-of-living adjustments (COLAs) for retirees. Act 588 of the 2004 Regular Session of the Louisiana Legislature restricts the account accumulation to no more

than the reserve needed to fund two COLAs. For the fiscal year ended June 30, 2007, the balance of the Experience Account was \$275 million. In June 2007, the Louisiana Legislature authorized LASERS Board of Trustees to grant a 3.0% COLA to eligible retirees effective July 1, 2007. This was the second COLA that LASERS retirees have received since 2006.

Actuarial Accrued Liabilities

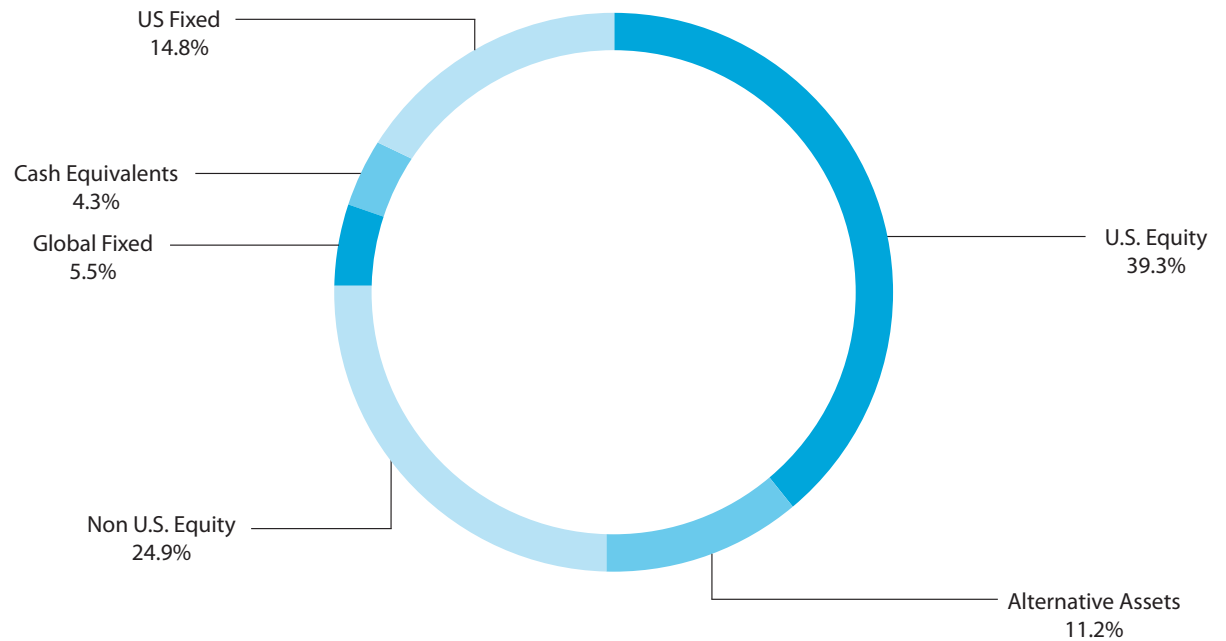


LASERS Total Portfolio

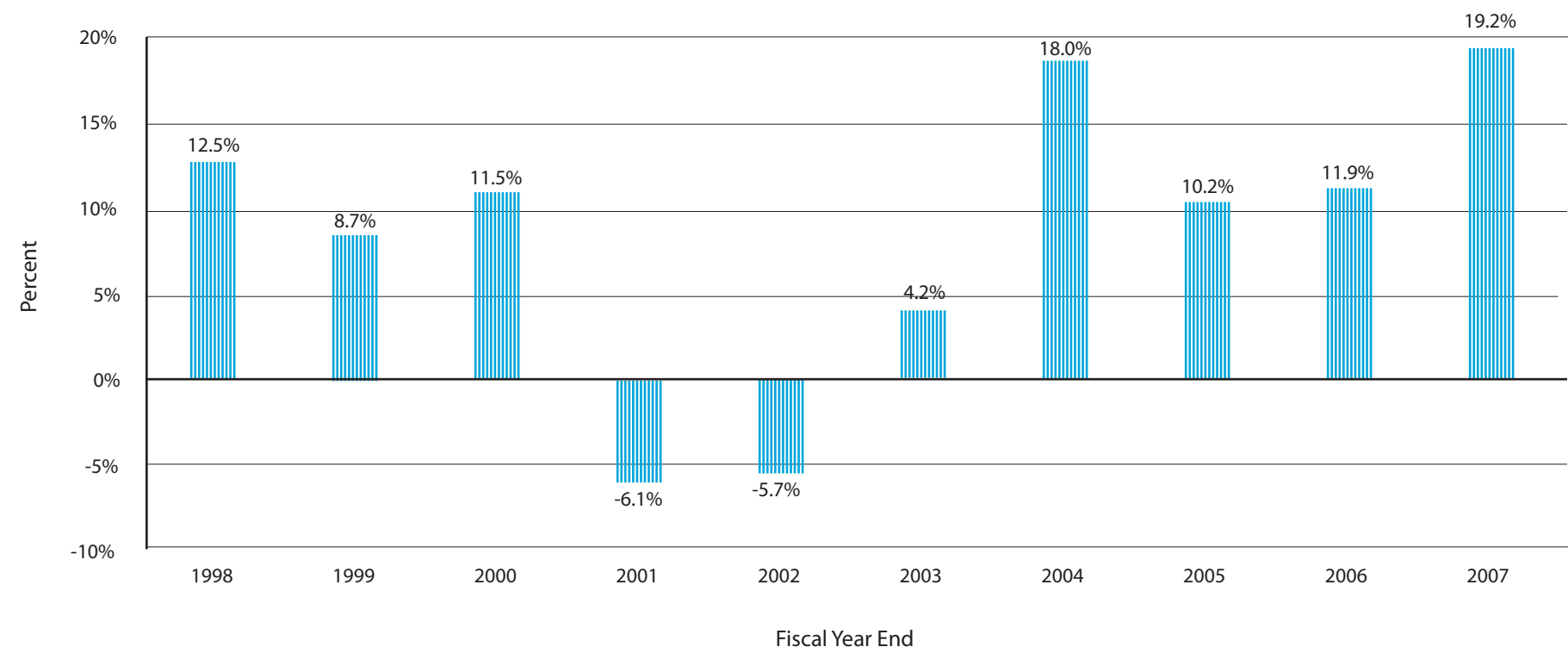
LASERS achieved a 19.2% market return with minimal risk for the fiscal year ending June 30, 2007. The current asset allocation is illustrated

on the graph below. Actual asset allocation is based on fiscal year end net asset values.

LASERS Fiscal Year End Assets



Investment Rates of Return

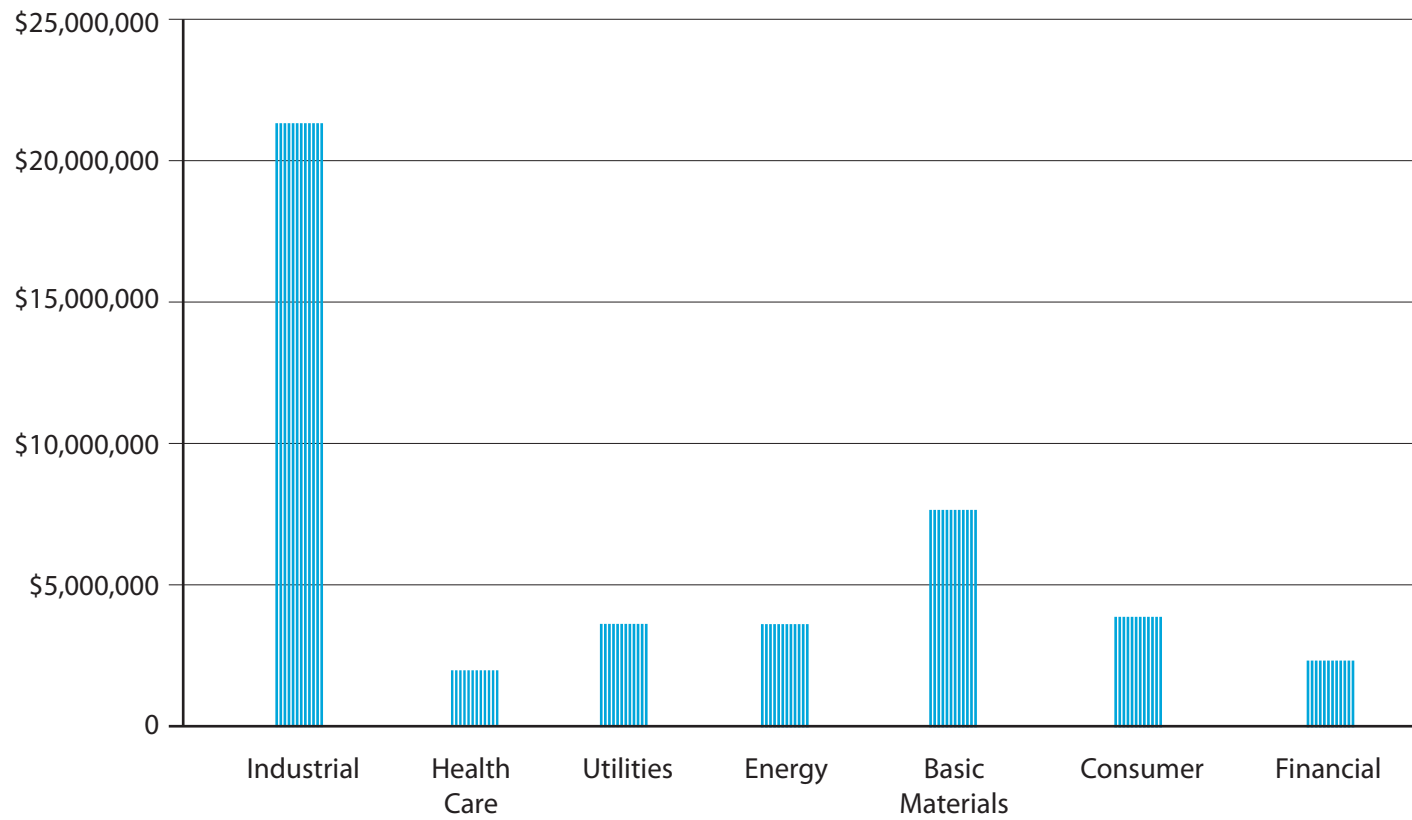


LASERS Invests in Louisiana

LASERS supports Louisiana by investing in companies that impact our economy by creating jobs and housing. For the fiscal year ending June 2007, LASERS invested more than \$114 million in stocks, bonds and private equity. The graph on the next page shows Louisiana investments by sector. At right is a listing of specific companies in which LASERS has an interest.

Bonds		Market Value
FCX	Freeport Mcmoran Copper & Gold	\$ 17,908,650
HEES	H & E Equip Svcs Inc Sr Nt	1,338,750
LAMR	Lamar Media Corp Sr Sub Nt	2,037,125
Louisiana Bonds		\$21,284,525
Equities		Market Value
AMED	Amedisys Inc	\$ 2,219,763
CNL	Cleco Corp New Com	815,850
ETR	Entergy Corp New Com	2,952,125
FCX	Freeport Mcmoran Copper & Gold	3,610,952
HEES	H & E Equip Svcs Inc Com	1,270,492
HOS	Hornbeck Offshore Svcs Inc	519,384
IBKC	Iberiabank Corp Com	91,482
RUTH	Ruths Chris Steak Hse Inc	171,599
SGR	Shaw Group Inc Com	3,508,782
SGY	Stone Energy Corp Com	1,062,060
SPN	Superior Energy Services Inc	2,443,104
TDW	Tidewater Inc Com	1,304,192
WTNY	Whitney Hldg Co	1,601,320
CTL	Centurytel Inc Com	1,559,790
POOL	Pool Corp Com	1,112,355
PDE	Pride Intl Inc Del Com	1,775,604
Louisiana Equity		\$26,018,854
Louisiana Private Equity		\$67,291,869
Total Louisiana Investments		\$114,595,248

Louisiana Investments By Sector



Part of our mission is to provide exceptional customer service to our members and contributing agencies as well improving the financial security of our members. Key accomplishments for the past year are summarized below:

State of Louisiana Retirement Information System (SOLARIS)

LASERS primary customer service initiative is the implementation of a new pension administration system, the State of Louisiana Retirement Information System (SOLARIS). The retiree benefits component has been in production since June 2006. A retiree self-service module was added to the LASERS website providing retired members secured access to much of their retirement information. The active member Internet module should be implemented in the first quarter of 2008. Employers are scheduled to begin use of the system in December 2007. The SOLARIS project is also interfacing application functions and databases with existing imaging and workflow system to improve work processes.

Investment Program Enhanced

LASERS works continuously to improve the effectiveness of its Investment Program. In the fall of 2006, the Board of Trustees approved changes to the LASERS asset allocation. These changes included increasing the allocation to alternative assets and the overall equity allocation while reducing the overall allocation

to fixed income. The Investments Division has already begun efforts to increase the alternative asset allocation by recently hiring three absolute return strategy managers. The division has also successfully automated cash processing through the agency's custodian bank and has added an international fund to internal management.

Initiatives under way include working with the custodian bank to enhance reporting capabilities, exploring new asset allocation strategies to improve long-term consistent returns, and assessing new cost management options.

Investment Accounting System Upgrade

LASERS completed upgrading its investment accounting system to QED's Q2 Investment Workflow System which, according to the product description, "provides money managers a comprehensive portfolio management system that can be easily customized and administered, allowing for unprecedented control over information needed to drive business."

Online Access Expanded

Utilization of technology to improve overall agency performance, communication, and education also continues to be a major initiative of LASERS. The LASERS website offers agency and member users access to current System information, educational programs, forms, publications, and legislation. Technological advances in imaging, bar coding, and

online fillable forms have enabled LASERS to adopt new online forms to further enhance customer service to its member agencies. LASERS has also made a new e-mail subscription service available to its agencies and members. This service allows agencies and members to receive automatic updates to LASERS publications. This year LASERS began using weblogs and interactive newsletters to provide members with information on legislation affecting the System.

Member Outreach Expanded

Our Member Services Division is focused on improved customer service through enhanced communications and educational services for members, employers, and other interested groups. The Retirement Education Section continued its pre-retirement seminars to agencies and individual members across the state. These seminars allowed LASERS the opportunity to help improve members' understanding of laws which impact LASERS. Individual counseling sessions were offered by appointment in Monroe and Belle Chasse, allowing members to receive one-on-one attention without the need to travel to Baton Rouge. Expansion of this service is planned for upcoming years.

Also this past year, the Retirement Education Department initiated seminars for retirees. Sessions were well attended in Baton Rouge and Monroe and will be offered in additional cities this coming year.

Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States of America and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LASERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2006. This prestigious national award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial and historical information. This is the eighth consecutive year that LASERS has received this award.

Public Pension Standards Award

LASERS also received the Public Pension Coordinating Council's (PPCC) 2006 Public Pension Standards Award in recognition of achieving high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. LASERS is proud to have received this award for the third consecutive year.

Legislative Update

Summary 2007 Legislation All Effective July 1, 2007

House Concurrent Resolution (HCR) 7 authorizes LASERS Board of Trustees to grant a 2.5% cost-of-living adjustment (COLA) to eligible retirees and beneficiaries. To receive a COLA, a regular LASERS retiree must have reached the age of 55 as of June 30, 2007 (June 30, 2006 if disabled), and must have been retired since June 30, 2006. An eligible beneficiary will receive a COLA if the deceased retiree would have been 55 years old as of June 30, 2007, and if retiree or survivor benefits have been paid since June 30, 2006.

Act 50 permits full or partial redeposit of DROP distributions for members of LASERS who received qualified hurricane distributions pursuant to the Gulf Opportunity Zone Act of 2005 or the Katrina Emergency Tax Relief Act of 2005. Redeposit must be made within three years of receipt of the qualifying hurricane distribution.

Act 67 authorizes LASERS to grant a supplemental 0.5% COLA in addition to the 2.5% COLA granted by HCR 7.

Act 252 eliminates the two-year reemployment waiting period of persons residing in parishes affected by hurricanes Katrina and Rita who elected to take early retirement on or after August 31, 2005, and on or before June 30, 2006. Retirees must return to work on or before December 31, 2008. Permits a retiree to request immediate suspension of benefits with spousal approval and not be required to repay suspended retirement benefits.

Act 326 permits certain DROP participants, whose post DROP employment was interrupted due to hurricanes Katrina or Rita, to have their service

period adjusted as though they never left. Participants must have returned to work under Option 3 on or before December 30, 2006, and must repay any funds received upon termination plus 8.25% interest.

Act 352 requires retirement systems with international investments to invest a portion of their portfolio in terror-free index funds and to implement a corporate governance strategy of constructive engagement to encourage companies to remove political and business links in prohibited nations of Iran, North Korea, Sudan and Syria.

Act 353 increases the accrual rate to 3.33% and the contribution rate to 9% for certain enforcement personnel within the Office of Alcohol and Tobacco Control of the Department of Revenue. The accrual rate is retroactively applied to all service for those employed as such on June 30, 2007.

Act 367 extends the Louisiana broker-dealers pilot program requiring state retirement systems to direct at least 10% of certain commissions on trades through Louisiana brokers to June 30, 2010.

Act 414 provides a 3.33% accrual rate for certain Department of Public Safety and Corrections peace officers. The accrual rate is retroactively applied to all service for those employed as such on June 30, 2006. DROP is recalculated at 3.33% for those employed as peace officers on June 30, 2006 and either in DROP or working after DROP on June 30, 2007.

LASERS

Contact Information

Location: 8401 United Plaza Blvd. • Baton Rouge, LA 70809

Mail: P.O. Box 44213 • Baton Rouge, LA 70804-4213

Phone: (toll-free) 800.256.3000 • (local) 225.922.0600

Web: www.lasersonline.org

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