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TRSL Teachers' Retirement System of Louisiana

# 2011 Comprehensive Annual Financial Report

A component unit of the State of Louisiana for the fiscal year ended June 30, 2011

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# 2011 Comprehensive Annual Financial Report

Prepared by the Accounting, Investment, and Public Information Departments of the Teachers' Retirement System of Louisiana

Maureen H. Westgard, Director

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A component unit of the State of Louisiana for the fiscal year ended June 30, 2011

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# INTRODUCTORY SECTION

TRSL
Teachers' Retirement System of Louisiana

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Baton Rouge LA 70804-9123



October 6, 2011

Board of Trustees
Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, LA 70804-9123

Dear Board Members:

We are pleased to present the 2011 Comprehensive Annual Financial Report (CAFR) for the Teachers' Retirement System of Louisiana (TRSL). This report is designed to provide a detailed look at the financial, investment, and actuarial aspects of the system for the fiscal year ended June 30, 2011.

We are also pleased to report that TRSL's market rate of return attained a 25-year high. We ended the fiscal year with a 26.76 percent return on investments, making TRSL the highest performing fund among public pension plans with assets greater than $1.0 billion, according to the Wilshire Trust Universe Comparison Service (TUCS). The diversification of the system's portfolio and our long-range investment strategies enabled us to both capitalize on a number of market opportunities available this fiscal year and manage the stability and growth of the portfolio.

***75 years of dedicated service***
The year 2011 also marks an important milestone for the system. We are celebrating the 75th anniversary of TRSL and have chosen this occasion as the theme for our annual report. You'll notice that the photograph on the cover shows Gov. Richard W. Leche, in 1936, signing legislation into law that officially created TRSL.

Ever since then, teachers in Louisiana have been able to retire with a stable source of income after their years of service in the classroom. This is due, in large part, to the many women and men who have served on the TRSL Board of Trustees, and those who have been a part of the retirement system's dedicated staff. Over the years, TRSL board members have worked to protect and maintain the highest standards of financial integrity, and the TRSL staff has provided exceptional customer service to members and employing agencies. We are all proud to be part of TRSL's long history of service to Louisiana's educational community.

***About TRSL***
TRSL is a multiple-employer, defined benefit pension plan that was established by the Legislature and began operation on August 1, 1936. All of its assets are held in trust to provide retirement benefits for retired members and their beneficiaries.

TRSL is the largest public retirement system in the state with a membership of 178,748. In 2011, active membership in TRSL totaled 86,742, down from 88,783 in 2010. The number of retirees increased to 65,512 in 2011 from 63,940 in 2010.

A 16-member Board of Trustees governs the retirement system. The board's primary responsibility is to safeguard and manage the assets held in trust for the membership.

The TRSL Board has 12 elected members and four ex officio members that meet every month. Trustees and executive management staff perform all duties in accordance with their fiduciary responsibilities. Board members are also required to complete continuing education or professional development training each year in investments, actuarial science, law, and ethics.

***Investments***
As mentioned earlier, the TRSL portfolio achieved an investment return of 26.76 percent (gross of fees) at June 30, 2011. Both private and public market assets held by the system delivered strong double-digit returns.

Public market assets earned 28.1 percent, beating the benchmark by 120 basis points. Returns for asset classes in the private market were as follows: private equity earned 22.7 percent, real assets earned 21.9 percent, and debt related allocations earned 14.3 percent.

The diversification of TRSL's portfolio and its long-term investment strategies allowed the system to achieve solid returns and outperform peers. An expanded analysis of the system's returns shows that TRSL ranks in the top (best) 40 percent of public pension funds with assets greater than $1 billion for the 10-year period according to TUCS.

***Funding***
Investment earnings and contributions from employees and employers fund the retirement system. TRSL Regular Plan members, the system's largest membership, contribute eight percent of salary toward their retirement benefits. In Fiscal Year 2010-11, investment earnings and contributions from employees made up almost 78 percent of all TRSL revenues from which retiree benefits are paid.

The employer contribution rate is based on two factors: (1) the normal cost of funding retirement benefits for the current year, and (2) amortization of the retirement system's unfunded accrued liability (UAL). Taking these factors into consideration, each year the TRSL actuary recommends an employer contribution rate which is converted to a percentage of total payroll, and approved by the Public Retirement Systems' Actuarial Committee (PRSAC). The employer contribution rate for Fiscal Year 2011-12 is 23.7 percent, and was 20.2 percent for Fiscal Year 2010-11.

During the year ended June 30, 2011, the funded ratio of the system increased to 55.1 percent from 54.4 percent. Total net assets held in trust increased to $14.6 billion at June 30, 2011, from $12.0 billion at June 30, 2010.

***Accomplishments***
For the last eight years, CEM Benchmarking, Inc. has recognized TRSL for its cost-effective administration. Given the number of services TRSL offers its members, the latest results show that TRSL's operating costs per annuitant and active member were $90 compared to $104—the peer average. Compared to all 88 pension systems participating in the benchmarking analysis, TRSL has the 23rd lowest administrative cost.

These results show TRSL is operating at the highest levels of efficiency and still delivering top-notch services. Here are a few of our other accomplishments from the past year:

- **Online Retirement**: TRSL launched its online retirement service and benefit calculator preloaded with member data, allowing members to create their own benefit estimates and apply for retirement online. With upgraded security features, members can also register and receive their personal identification number (PIN) within minutes to view their retirement information through TRSL's online Member Access.

- **Employer Support Services:** TRSL has established a new unit to assist employers with reporting certain member data used in computing retirement benefits. Upon request, this unit can provide on-site, customized assistance to employers. This will enhance the retirement process for the members and employers.

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- **Retirement Education:** TRSL continued to increase the use of webinars to deliver important retirement information to members and employers. Webinars are interactive online seminars that give members and employers the flexibility to access TRSL information from their homes and offices.

- **Member Information Center (MIC)**: TRSL installed a new telephone system that has enhanced our ability to provide the best customer service to our members who call or walk-in. The new communication system will also save TRSL approximately $100,000 per year in telephone costs.

- **TRSL Mobile Site:** TRSL launched a new mobile site that provides easier access and navigation for mobile device users. The site is designed to give smartphone and tablet users all the TRSL information they might need to readily access "on the go."

- **Online Multimedia Presentations:** TRSL continued to expand its library of online multimedia presentations for members, TRSL Now Showing. Members can now view nine presentations about their retirement. The slideshow format allows TRSL to easily update and/or revise presentations if necessary.

***System Oversight***
All duties of the Board and management are performed in accordance with their fiduciary responsibilities. There can be no conflict of interest concerning the membership; the highest standards of ethical management must be met; assets must be managed prudently; and the best legal and investment expertise must be employed in deciding on the allocation of funds.

Furthermore, in accordance with state law, the system is subject to a substantial degree of legislative oversight. The Legislature annually reviews and approves the system's operating budget and enacts legislation pertaining to the system's administration, benefit structure, investments, and funding. The legislative auditor is responsible for the procurement of audits for TRSL and is authorized to contract with a licensed CPA for each audit. The system's actuarial calculations and results are reviewed by the Public Retirement Systems' Actuarial Committee (PRSAC) on an annual basis.

This report has been prepared to meet all the requirements in Louisiana Revised Statute 11:832(B). Management assumes responsibility for the completeness and reliability of all financial statements and disclosures in this report. To the best of our knowledge, all information is accurate and has been prepared according to the generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

On behalf of the Louisiana Legislative Auditor's Office, the independent certified public accounting firm of Hawthorn, Waymouth & Carroll, L.L.P., located in Baton Rouge, La., performed the annual financial and compliance audit of TRSL. This audit of our financial statements is performed in accordance with generally accepted auditing standards and Government Auditing Standards as issued by the Comptroller General of the United States. It is the opinion of the independent auditors that all financial statements contained in this report fairly present, in all material respects, the financial position of TRSL as of June 30, 2011 and 2010.

This report consists of the following sections:

- **Introductory** — General information regarding TRSL operations
- **Financial** — Management's discussion and analysis and financial statements
- **Investment** — Summary of investments and performance information
- **Actuarial** — Results from actuarial valuation and other actuarial information
- **Statistical** — General statistical information about TRSL finances and members

***Awards and Recognition***

For the past two decades, TRSL has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada (GFOA). The system's 2010 Comprehensive Annual Financial Report (CAFR) received the award this year for the 20th consecutive time. TRSL also won the Award for Outstanding Achievement in Popular Annual Financial Reporting for its 2010 Popular Annual Financial Report (PAFR) for the ninth consecutive year. GFOA presents these prestigious national awards to state and local governments that exceed the minimum accounting requirements when preparing annual financial reports.

We are also pleased to announce that TRSL received the Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. This award recognizes pension systems that meet professional standards for plan funding and administration.

***Acknowledgments***

TRSL staff prepared this report in cooperation with the Board of Trustees and executive management. We are grateful to those who helped in its preparation.

Respectfully submitted,

Maureen H. Westgard
Director

Charlene T. Wilson
Chief Financial Officer

# Mission Statement

## VISION

Retirement security in a changing world

## MISSION

Manage the Teachers' Retirement System of Louisiana in a manner that creates the highest degree of confidence in our integrity, efficiency, fairness, and financial responsibility

## VALUES AND GOALS

***We are here to serve our customers.***
Every customer will be provided timely, accurate, and courteous service.

***We are committed to our role as fiduciaries of the trust.***
We will manage the fund's assets with unwavering integrity and discipline to provide retirement benefits and achieve long-term, optimal results.

***We believe in the value of public service and quality education for all Louisiana citizens.***
We will foster an environment where innovation, initiative, and accountability are expected and supported.

***We know that with an entrepreneurial spirit and team work, we can accomplish any task.***
We will utilize quality principles, leading technology, and partnerships with our stakeholders to improve our products and services.

***Ultimately, our performance comes from our people.***
We value and support employees through open communication, professional development, recognition, and by creating a sense of community.

## Board of Trustees and Ex Officio Members

# *Executive Management and Department Managers*

Seated (left to right): Katherine Whitney, Trudy Berthelot, Lisa Honore, Philip Griffith. Standing (left to right): Ronnie Mazie, Jeff LaCour, Dana Vicknair, Dana Brown, Charlene Wilson, Maureen Westgard, Maurice Coleman, Stuart Cagle, Roth Aymond, and Roy Mongrue.

**Executive Management**

Maureen H. Westgard, *Director*

A. Stuart Cagle, Jr., *Deputy Director*

Dana L. Vicknair, *Assistant Director*

Roy A. Mongrue, Jr., *General Counsel*

Philip Griffith, *Chief Investment Officer*

**Department Managers**

Roth Aymond, *Information Technology Director*

Trudy Berthelot, *Human Resource Director*

Dana Brown, *Investment Director of Public Assets*

Jim Buras, *Retirement Benefits Administrator*

Maurice Coleman, *Investment Director of Private Assets*

Lisa Honoré, Ph.D., *Public Information Director*

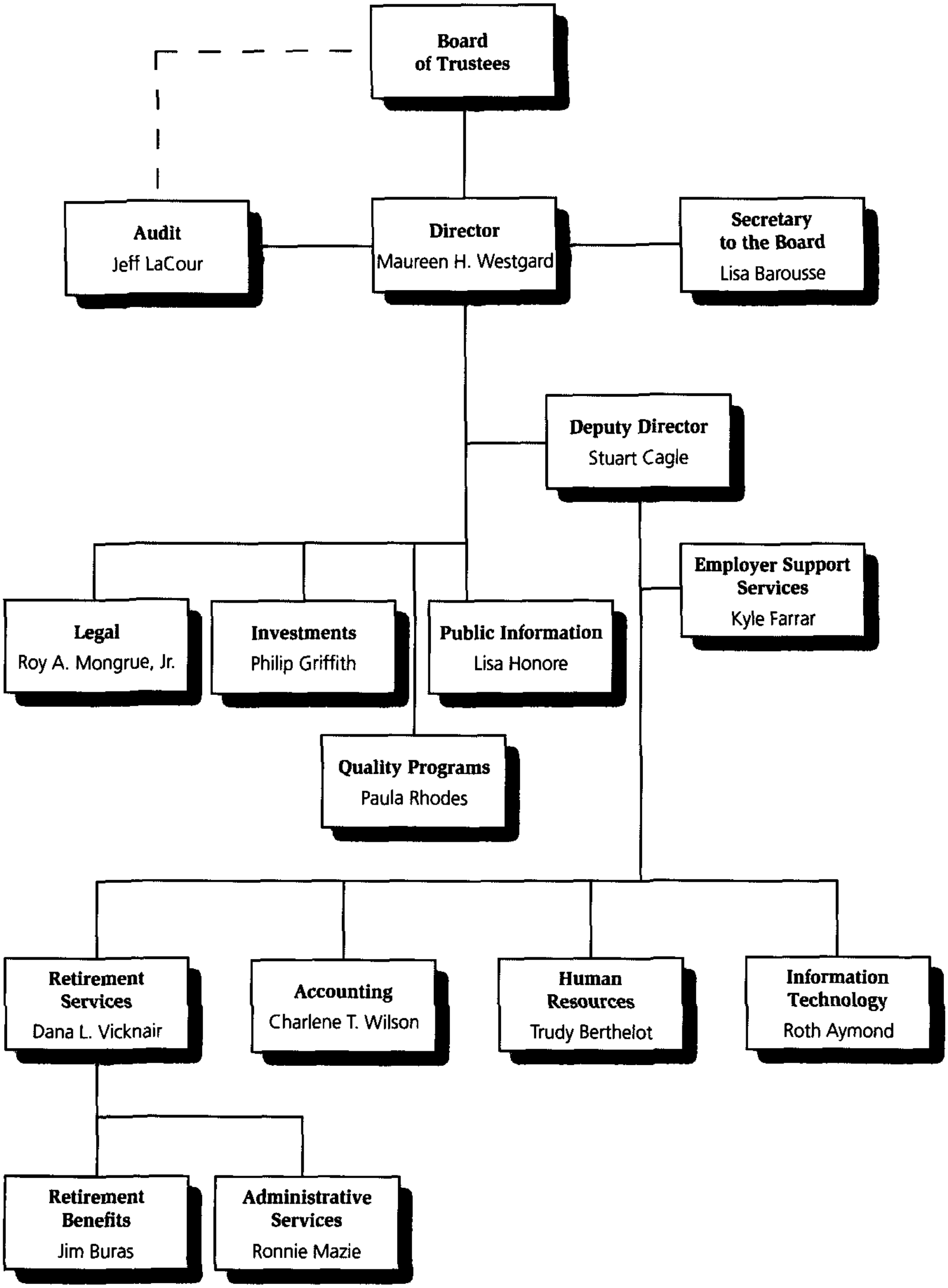
Jeff LaCour, *Audit Director*

Ronnie Mazie, *Administrative Services Manager*

Charlene T. Wilson, *Chief Financial Officer*

Katherine Whitney, *Deputy General Counsel*

# *Organizational Chart*



# Professional Consultants and Vendors

**Actuaries**

Hall Actuarial Associates

SJ Actuarial Associates

**Auditor**

Hawthorn, Waymouth & Carroll, L.L.P.

Louisiana Legislative Auditor

**Custodian Bank and Securities Lending Vendor**

BNY Mellon Asset Servicing

**Information Technology and Other Consultants**

CEM Benchmarking, Inc.

EFL Associates

IBM Corporation

McLagan Management Consultants

Modiphy, Inc.

RMJ Consulting

SSA Consultants, L.L.C.

Scope Solutions Group, Inc.

USA Consulting, Inc.

VR Election Services

**Investment Advisors**

Acadian Asset Management

Aletheia Research and Management, Inc.

Alliance Bernstein, L.P.

Artisan Partners Limited Partnership

Atlanta Capital Management Company, L.L.C.

Augustus Asset Managers Limited

Baillie Gifford Overseas Limited

BNY Mellon Center

Brandywine Global Investment Management, Inc.

Chicago Equity Partners, L.L.C.

The Clifton Group

Columbus Circle Investors

Fiduciary Management Associates, L.L.C.

First Quadrant, L.P.

GAM Investment Managers Ltd.

Golden Capital Management

Hamilton Lane Advisors, L.L.C.

J. P. Morgan Investment Management, Inc.

LSV Asset Management

Madison Square Investors, L.L.C.

Mellon Capital Management

MFS Institutional Advisors, Inc.

Mondrian Investment Partners

New Star Institutional Managers Limited

Perimeter Capital Management

Prudential Real Estate Investors

Rhumbline Advisers

Rothschild Asset Management, Inc.

Shenkman Capital Management, Inc.

Smith Asset Management Group, L.P.

Systematic Financial Management

TCW Asset Management Company

UBS Global Asset Management, Inc.

Westwood Management Corp.

**Investment Consultants**

Hammond Associates Inst. Fund Consultants

Hewitt EnnisKnupp, Inc.

**Legal Consultants**

Avant & Falcon

Ice Miller, L.L.P.

Investor Responsibility Support Services, Inc.

Jones, Day, Reavis and Pogue

Law Offices of Randy P. Zinna

**Medical Examiners**

Capitol Clinical & Forensic Psychiatry, L.L.C.
C/O Dr. Terry LeBourgeois, M.D.

Jeanne M. Estes, M.D.

Brian C. Gremillion, M.D.

Anthony Ioppolo, M.D.

W. J. Laughlin, M.D.

Tulane Medical Group
C/O Dr. Terry LeBourgeois, M.D.

Lawrence D. Wade, M.D.

Richard W. Williams, M.D.

Michael W. Yorek, M.D.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Teachers' Retirement System of Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Public Pension Coordinating Council

# *Public Pension Standards Award For Funding and Administration 2010*

Presented to

## *Teachers' Retirement System of Louisiana*

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

## *Summary of 2010-11 Legislation*

| | |
|---|---|
| Act 357 and H.B. 384 | Proposed Constitutional Amendment and companion legislation requiring, for FY 2013-14 and 2014-15, the payment of a minimum of 5%, and for FY 2015-16 and thereafter, the payment of a minimum of 10% of any money designated as nonrecurring to the UAL. (Effective upon passage of the constitutional amendment proposed as H.B. 384.) |
| Act 347 | Allows members who retired between May 1, 2009, and June 30, 2010, and return to work in positions requiring a valid Louisiana teaching or ancillary certificate to receive a retirement benefit after completing a 12-month waiting period following retirement. (Effective 7/1/2011.) |
| Act 368 | Makes changes to provisions enacted by Act 992 of the 2010 Regular Session. (Effective July 1, 2011.) |
| Act 75 | Excludes from membership employees of the Louisiana High School Athletic Association employed on or after July 1, 2011. (Effective July 1, 2011.) |
| Act 377 | Provides that for any individual who was a part-time public official on January 1, 1997, and who gets elected to the Legislature on or after July 1, 2011, but who was not in the legislature on June 30, 2011, his total accrual shall be 2%. (Effective June 30, 2011.) |
| H.R. 80 | Amends and readopts House Rule No. 7.2(A) of the Rules of Order of the House of Representatives to require bills and joint resolutions relative to retirement to be pre-filed not later than 5 p.m. of the 45th day prior to the first day of the regular session. |
| H.R. 149 | Directs the state and statewide retirement systems to study the nature of irrevocable decisions and to provide the Legislature with solutions for allowing members and retirees to revoke certain elections under certain circumstances. |
| H.C.R.135 | Directs the Louisiana State Employees' Retirement System, the Teachers' Retirement System of Louisiana, the Louisiana School Employees' Retirement System, and the Louisiana State Police Pension and Retirement System to report specified information to the House and Senate Committees on Retirement, including the feasibility of consolidating the administrative and investment functions of the systems. |
| H.C.R. 93, H.C.R. 94, and S.C.R. 57 | Memorializes Congress to review and consider eliminating the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) Social Security benefit reductions. |

# *FINANCIAL SECTION*

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

October 5, 2011

**Independent Auditor's Report**

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

Members of the Board:

We have audited the accompanying statements of plan net assets of the

**Teachers' Retirement System of Louisiana**
**Baton Rouge, Louisiana**

a component unit of the State of Louisiana, as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended, which collectively comprise the System's basic financial statements. These financial statements are the responsibility of the Teachers' Retirement System of Louisiana's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of Louisiana as of June 30, 2011 and 2010, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

# *Independent Auditor's Report (cont'd)*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2011, on our consideration of the Teachers' Retirement System of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information as listed in the table of contents are required to be presented supplement to the basic financial statements by the U.S. generally accepted accounting principles. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Teachers' Retirement System of Louisiana's financial statements as a whole. The accompanying financial information listed in the Table of Contents as supporting schedules is presented for the purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

# *Management's Discussion and Analysis*

Management is pleased to provide this overview and analysis of TRSL's financial performance. This narrative overview and analysis assist in interpreting the key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for 2010 and 2011. We encourage readers to consider the information and data presented here in conjunction with information provided in other areas of the Financial Section, as well as information presented in the letter of transmittal in the Introductory Section.

## Financial Highlights

- The net assets held in trust were $14.6 billion in 2011 compared to $12.0 billion in 2010, and $11.3 billion in 2009.
- The market rate of return on the System's investments was 26.8 percent for 2011 compared to 12.6 percent for 2010, and -22.3 percent for 2009.
- The System's funded ratio (assets include IUAL funds and employer credit account) was 55.1 percent at June 30, 2011, compared to 54.4 percent at June 30, 2010, and 59.1 percent at June 30, 2009.
- The unfunded actuarial accrued liability (UAAL) is $10.8 billion for 2011 and 2010. The unfunded actuarial accrued liability was $9.3 billion in 2009. This liability includes all actuarial assets required in accordance with GASB 25.
- Total benefit payments were $1.6 billion in 2011. The benefit payments were $1.5 billion in 2010 and 2009.

## Overview of the Financial Statements

The System's basic financial statements include the following:

1. Statements of plan net assets,
2. Statements of changes in plan net assets, and
3. Notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements. The statements of plan net assets report the pension fund's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2011, and June 30, 2010.

The statements of changes in plan net assets report the results of the pension fund's operations during the years, disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

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, and descriptions of the various plans offered.
- **Note B** provides a summary of significant accounting policies and plan asset matters including the basis of accounting, estimates, methods used to value investments, property and equipment, budgetary accounting methods, accumulated leave requirements, and reclassifications.
- **Note C** provides information regarding member and employer contribution requirements.
- **Note D** provides information regarding TRSL employee pension benefit plans.
- **Note E** describes the System's investments and includes information regarding cash and cash equivalents, security collateralization, investment credit risk, interest rate risk, foreign credit risk, and alternative investments.
- **Note F** provides information regarding securities lending transactions.
- **Note G** describes the various types of derivative investments in which the System is invested.
- **Note H** provides information on contingent liabilities.
- **Note I** provides the required supplementary information.
- **Note J** provides information on the presentation of GASB Statement 44.
- **Note K** provides information on the presentation of GASB Statement 45.
- **Note L** provides information on subsequent events.

Required supplementary information consists of two schedules and related notes concerning the funded status of the System. It also includes the schedule of funding progress for the Other Post-Employment Benefits (OPEB) plan.

Supporting schedules include information on administrative expenses, investment 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. Employee contributions, employer contributions, and earnings on investments fund these benefits. Total net assets held in trust to pay pension benefits at June 30, 2011, is $14.6 billion, compared to $12.0 billion held in trust at June 30, 2010, and $11.3 billion held in trust at June 30, 2009.

**Condensed Comparative Statements of Plan Net Assets**

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Cash and cash equivalents | $ 193,169,842 | $ 150,796,599 | $ 131,091,325 |
| Receivables | 881,409,503 | 232,042,241 | 321,442,995 |
| Investments (fair value) | 14,226,894,390 | 11,740,975,822 | 10,978,695,442 |
| Securities lending collateral | 1,193,140,158 | 1,199,699,967 | 747,644,119 |
| Capital assets | 4,298,781 | 4,249,381 | 4,435,754 |
| **Total assets** | **16,498,912,674** | **13,327,764,010** | **12,183,309,635** |
| Accounts payable and other liabilities | 728,561,935 | 106,632,659 | 185,384,219 |
| Securities lending collateral | 1,193,140,158 | 1,199,699,967 | 747,644,119 |
| **Total liabilities** | **1,921,702,093** | **1,306,332,626** | **933,028,338** |
| **Net assets held in trust** | **$ 14,577,210,581** | **$ 12,021,431,384** | **$ 11,250,281,297** |



Teachers' Retirement System of Louisiana • 2011 Comprehensive Annual Financial Report

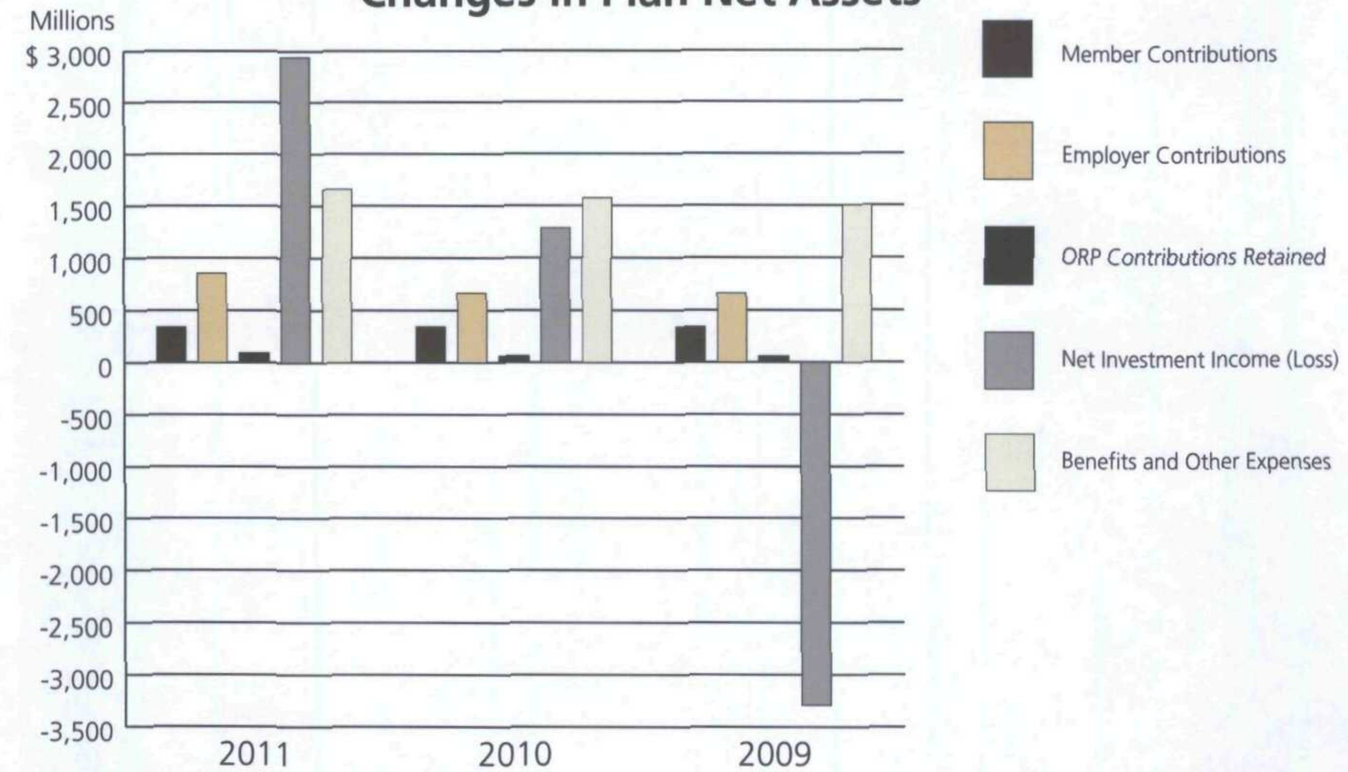
**Changes in Plan Net Assets**

For June 30, 2011, additions to TRSL's plan net assets were derived from investment income and member and employer contributions. For 2011, member contributions decreased $4,791,303 (-1.4 percent) compared to 2010, and employer contributions increased $188,698,589 (28.4 percent) over 2010. For 2010 member contributions increased $2,566,761 (0.8 percent) while employer contributions increased $4,975,240 (0.8 percent) over 2009. For 2009, member contributions increased 6.5 percent and employer contributions increased 0.6 percent over 2008. The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contributions annually. The employer rate was 20.2 percent for 2011, 15.5 percent for 2010, and 15.5 percent for 2009.

**Condensed Comparative Statements of Changes in Plan Net Assets**

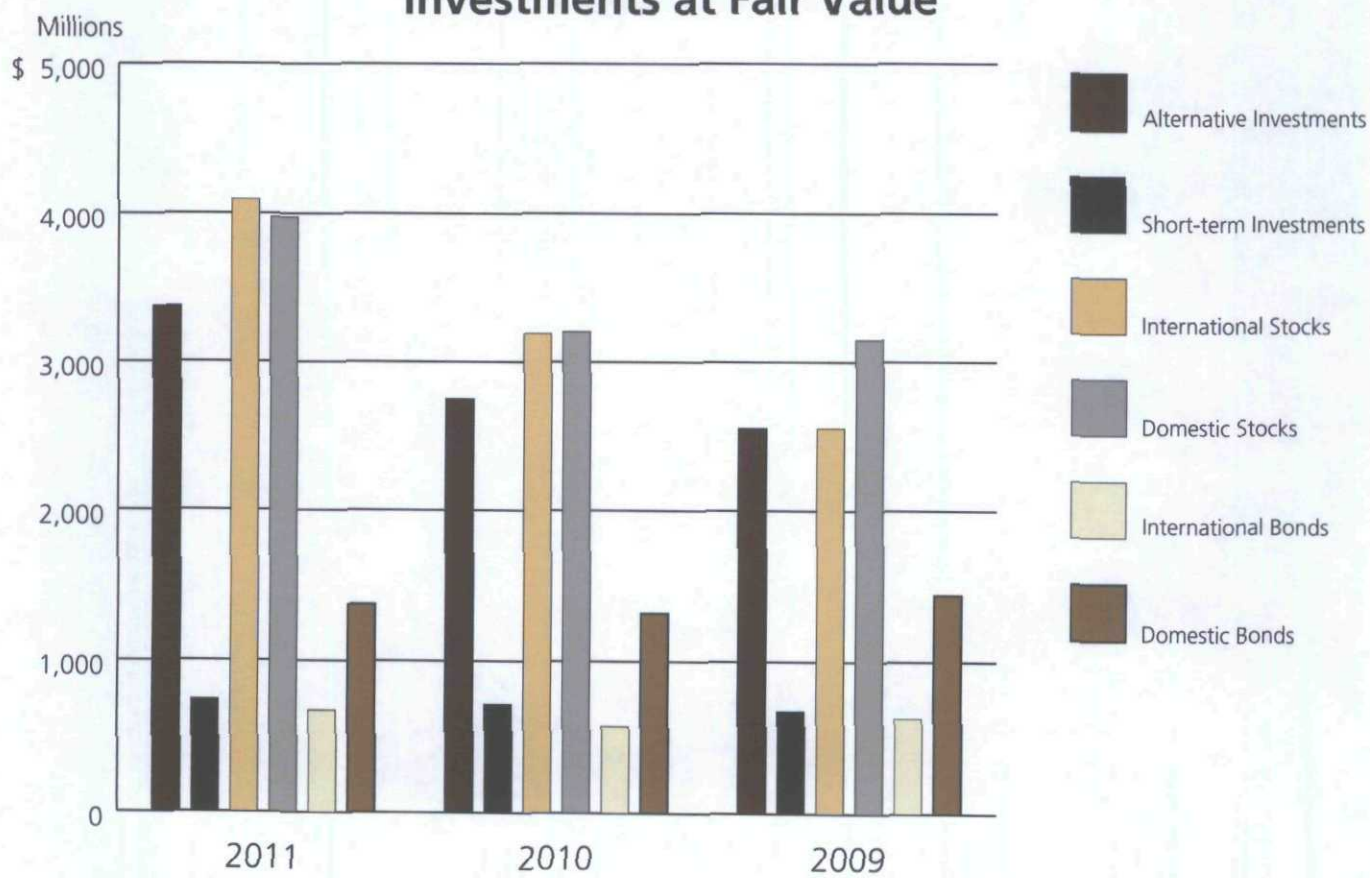
| | 2011 | 2010 | 2009 |
|---|---|---|---|
| **Additions** | | | |
| Member contributions | $ 342,323,329 | $ 347,114,632 | $ 344,547,871 |
| Employer contributions | 853,918,265 | 665,219,676 | 660,244,436 |
| ORP contributions retained | 89,760,676 | 61,339,786 | 54,447,510 |
| Other operating revenues | 3,299,671 | 3,605,633 | 4,407,243 |
| Total investment income (loss) | 2,942,693,424 | 1,285,742,297 | (3,292,248,484) |
| **Total additions** | **4,231,995,365** | **2,363,022,024** | **(2,228,601,424)** |
| | | | |
| **Deductions** | | | |
| Benefits, refunds, and other | 1,660,261,512 | 1,575,174,018 | 1,501,027,245 |
| Administrative expenses | 15,417,596 | 16,154,823 | 15,799,028 |
| Depreciation expense | 537,060 | 543,096 | 540,725 |
| **Total deductions** | **1,676,216,168** | **1,591,871,937** | **1,517,366,998** |
| **Net increase (decrease)** | **2,555,779,197** | **771,150,087** | **(3,745,968,422)** |
| **Net assets beginning of year** | **12,021,431,384** | **11,250,281,297** | **14,996,249,719** |
| **Net assets end of year** | **$ 14,577,210,581** | **$ 12,021,431,384** | **$ 11,250,281,297** |

## Changes in Plan Net Assets




*NOTE: Operating revenue, excluding contributions and investment income, was less than $5 million for the years 2011, 2010, and 2009.*

## Investments at Fair Value



**Financial Section**

Deductions from plan net assets totaled $1,676,216,168 in fiscal year 2011, an increase of $84,344,231 (or 5.3 percent) over fiscal year 2010. In 2010, total deductions from plan net assets increased by $74,504,939 (or 4.9 percent) over fiscal year 2009. Benefit payments continue to be the major reason for this increase. For fiscal year 2011, benefit payments increased by 5.4 percent, compared to 4.7 percent in 2010 and 5.8 percent in 2009.

**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 member pension benefits. Funds are invested to achieve maximum returns and minimize risk.

Total investments at June 30, 2011, amounted to $14.2 billion, compared to $11.7 billion at June 30, 2010, and 11.0 billion for June 30, 2009. For 2011, the System successfully achieved a $2.9 billion gain, compared to $1.3 billion for 2010. The System experienced a net loss on investments of $3.3 billion in 2009. For 2011, the gain is directly related to the increase the markets have experienced on both domestic and international investments.

TRSL's market rate of return is 26.8 percent for fiscal year ended 2011. This return makes TRSL the highest performing fund among public pension plans with assets great than $1.0 billion, according to the Wilshire Trust Universe Comparison Service (TUCS). In 2011, the continuing improvement in the financial world market played key roles in the outcome of the System's earnings potential.

| Investments at Fair Value | | | |
|---|---|---|---|
| | **2011** | **2010** | **2009** |
| Domestic bonds | $ 1,374,952,322 | $ 1,319,516,370 | $ 1,422,286,805 |
| International bonds | 669,538,563 | 569,848,847 | 626,067,234 |
| Domestic stocks | 3,975,570,172 | 3,203,068,233 | 3,151,788,583 |
| International stocks | 4,094,745,522 | 3,189,810,406 | 2,555,387,559 |
| Short-term investments | 738,220,668 | 712,442,177 | 671,061,232 |
| Alternative investments | 3,373,867,143 | 2,746,289,789 | 2,552,104,029 |
| **Total Investments** | **$ 14,226,894,390** | **$ 11,740,975,822** | **$ 10,978,695,442** |

**Funded Status**

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio is 55.1 percent at June 30, 2011, compared to 54.4 percent at June 30, 2010, and 59.1 percent at June 30, 2009. The amount by which TRSL's actuarial liabilities exceed the actuarial assets is $10.8 billion at June 30, 2011, and 2010, compared to $9.3 billion at June 30, 2009. For the year ending June 30, 2011, the net realized actuarial rate of return was 6.44 percent, which was less than the System's long-term investment assumption of 8.25 percent. This resulted in a net investment experience loss. For the years ending June 30, 2010, and 2009, the net realized actuarial rates of return were -.89 percent and -12.31 percent, respectively.

**Requests for Information**

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

**Charlene T. Wilson**
**Chief Financial Officer**
**Teachers' Retirement System of Louisiana**
**P. O. Box 94123**
**Baton Rouge, LA 70804-9123**
***charlene.wilson@trsl.org***

# BASIC FINANCIAL STATEMENTS

# Statements of Plan Net Assets

| Statements of Plan Net Assets as of June 30, 2011 and 2010 | | |
|---|---|---|
| | **2011** | **2010** |
| **Assets** | | |
| Cash and cash equivalents | $ 193,169,842 | $ 150,796,599 |
| | | |
| Receivables | | |
| Member contributions | 56,787,814 | 59,257,475 |
| Employer contributions | 123,373,311 | 96,897,980 |
| ORP contributions retained | 6,636,474 | 4,279,761 |
| Pending trades | 659,633,553 | 36,016,308 |
| Accrued interest and dividends | 29,523,435 | 28,455,058 |
| Other receivables | 5,454,916 | 7,135,659 |
| Total receivables | 881,409,503 | 232,042,241 |
| | | |
| Investments, at fair value | | |
| Domestic bonds | 1,374,952,322 | 1,319,516,370 |
| International bonds | 669,538,563 | 569,848,847 |
| Domestic common and preferred stocks | 3,975,570,172 | 3,203,068,233 |
| International common and preferred stocks | 4,094,745,522 | 3,189,810,406 |
| Domestic and international short-term investments | 738,220,668 | 712,442,177 |
| Alternative investments | 3,373,867,143 | 2,746,289,789 |
| Total investments | 14,226,894,390 | 11,740,975,822 |
| | | |
| Invested securities lending collateral | | |
| Collateral held under domestic securities lending program | 912,105,082 | 939,717,625 |
| Collateral held under international securities lending program | 281,035,076 | 259,982,342 |
| Total securities lending collateral | 1,193,140,158 | 1,199,699,967 |
| | | |
| Property and equipment (at cost) - net | 4,298,781 | 4,249,381 |
| | | |
| **Total assets** | **16,498,912,674** | **13,327,764,010** |
| | | |
| **Liabilities** | | |
| Accounts payable | 9,112,130 | 8,167,523 |
| Benefits payable | 12,864,067 | 10,819,919 |
| Refunds payable | 6,299,057 | 6,356,179 |
| Pending trades payable | 690,646,242 | 72,754,781 |
| Other liabilities | 9,640,439 | 8,534,257 |
| Total accounts payable and other liabilities | 728,561,935 | 106,632,659 |
| | | |
| Securities lending collateral | | |
| Obligations under domestic securities lending program | 912,105,082 | 939,717,625 |
| Obligations under international securities lending program | 281,035,076 | 259,982,342 |
| Total securities lending collateral | 1,193,140,158 | 1,199,699,967 |
| | | |
| **Total liabilities** | **1,921,702,093** | **1,306,332,626** |
| | | |
| **Net assets held in trust for pension benefits** | **$ 14,577,210,581** | **$ 12,021,431,384** |
| | | |
| See accompanying notes to financial statements. | | |

# Statements of Changes in Plan Net Assets

| Statements of Changes in Plan Net Assets for the Years Ended June 30, 2011 and 2010 | 2011 | 2010 |
|---|---|---|
| **Additions** | | |
| Contributions | | |
| Member contributions | $ 342,323,329 | $ 347,114,632 |
| Employer contributions | 853,918,265 | 665,219,676 |
| Total contributions | 1,196,241,594 | 1,012,334,308 |
| | | |
| ORP contributions retained | 89,760,676 | 61,339,786 |
| | | |
| Investment income: | | |
| | | |
| *From investment activities* | | |
| Net appreciation (depreciation) in fair value of domestic investments | 1,635,477,750 | 858,442,001 |
| Net appreciation (depreciation) in fair value of international investments | 1,038,540,671 | 189,051,016 |
| Domestic interest | 76,984,822 | 88,485,556 |
| International interest | 27,669,760 | 30,639,991 |
| Domestic dividends | 63,345,760 | 58,019,267 |
| International dividends | 97,544,773 | 77,539,701 |
| Alternative investment income | 67,989,337 | 41,032,314 |
| Miscellaneous investment income | 331,196 | 88,306 |
| Commission rebate income | 10,675 | 6,118 |
| Total investment income (loss) | 3,007,894,744 | 1,343,304,270 |
| | | |
| Investment activity expenses: | | |
| International investment expenses | (5,410,956) | (4,491,280) |
| Alternative investment expenses | (35,504,651) | (30,548,101) |
| Custodian fees | (485,364) | (468,022) |
| Performance consultant fees | (738,617) | (713,829) |
| Advisor fees | (29,952,344) | (27,145,172) |
| Total investment expenses | (72,091,932) | (63,366,404) |
| Net income from investing activities (loss) | 2,935,802,812 | 1,279,937,866 |
| | | |
| *From securities lending activities* | | |
| Securities lending income | 5,708,833 | 4,779,079 |
| Securities lending expenses: | | |
| Fixed | (1,449,599) | (1,206,030) |
| Equity | 769,792 | 1,269,163 |
| International | 1,861,586 | 962,219 |
| Total securities lending activities expenses | 1,181,779 | 1,025,352 |
| Net income from securities lending activities | 6,890,612 | 5,804,431 |
| | | |
| Total net investment income (loss) | 2,942,693,424 | 1,285,742,297 |
| | | |
| Other operating revenues | 3,299,671 | 3,605,633 |
| | | |
| **Total additions** | **4,231,995,365** | **2,363,022,024** |
| **Deductions** | | |
| Retirement benefits | 1,615,778,191 | 1,532,526,141 |
| Refunds of contributions & other | 43,005,926 | 40,834,543 |
| TRSL employee health & life expense | 1,477,395 | 1,813,334 |
| Administrative expenses | 15,417,596 | 16,154,823 |
| Depreciation expense | 537,060 | 543,096 |
| | | |
| **Total deductions** | **1,676,216,168** | **1,591,871,937** |
| | | |
| **Net increase (decrease)** | **2,555,779,197** | **771,150,087** |
| | | |
| **Net assets held in trust for pension benefits** | | |
| Beginning of year | 12,021,431,384 | 11,250,281,297 |
| **End of year** | **$ 14,577,210,581** | **$ 12,021,431,384** |
| | | |
| See accompanying notes to financial statements. | | |

# Notes to the Financial Statements

## A. Plan Description

### 1. General

The System is the administrator of a cost-sharing, multiple-employer, defined benefit pension plan established and provided for within Title 11, Chapter 2, of the Louisiana Revised Statutes. The System provides pension benefits to employees who meet the legal definition of a "teacher." The System is considered part of the State of Louisiana's financial reporting entity and is included in the State's financial reports as a pension trust fund. The State of Louisiana issues general purpose financial statements, which include the activities in the accompanying financial statements. The accompanying statements present information only as to transactions of the program of the System, as authorized by Louisiana Revised Statutes.

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

- The Commission on Public Retirement reviews administration, benefits, investments, and funding of the public retirement systems.
- 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 audits for the public retirement systems and is authorized to contract with a licensed CPA for each audit.
- Actuarial calculations and results are reviewed by the Public Retirement Systems' Actuarial Committee (PRSAC) annually.
- The Louisiana Legislature enacts legislation pertaining to the public retirement systems, including administration, benefits, investments, and funding. All proposed retirement legislation is considered by the House and/or Senate Committees on Retirement. The legislative auditor prepares actuarial notes identifying the costs or savings related to such legislation.

In May 2002, the Governmental Accounting Standards Board issued Statement No. 39, Determining Whether Certain Organizations Are Component Units, that amended Statement No. 14, The Financial Reporting Entity. The definition of the reporting entity is based primarily on the notion of financial accountability. 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 if there is a potential for the organization to provide specific financial burdens or to impose specific financial burdens on the System. The System also determined whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the System.

### 2. Membership

At June 30, 2011, and 2010, the number of participating employers was:

| | 2011 | 2010 |
|---|---|---|
| School Boards | 69 | 69 |
| Colleges and Universities | 27 | 27 |
| State Agencies | 63 | 63 |
| Charter Schools | 32 | 33 |
| Other | 15 | 16 |
| **Total** | **206** | **208** |

Membership of this plan consisted of the following at June 30, 2011, and 2010, the dates of the latest actuarial valuations:

| | 2011 | 2010 |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 65,512 | 63,940 |
| Deferred Retirement Option Plan participants | 3,032 | 3,148 |
| Terminated vested employees entitled to but not yet receiving benefits | 5,852 | 5,745 |
| Terminated nonvested employees who have not withdrawn contributions | 17,610 | 16,502 |
| **Current active employees:** | | |
| Vested | 56,323 | 55,640 |
| Nonvested | 26,709 | 29,407 |
| Post Deferred Retirement Option Plan participants | 3,710 | 3,736 |
| **Total** | 178,748 | 178,118 |

### 3. Funding Status and Funding Progress

Contributions to the System are determined through an annual actuarial valuation. Administration of TRSL is financed through investment earnings. The schedule below reflects the funding status and progress of the System for the fiscal year ended June 30, 2011. (Dollars are presented in thousands.)

| Actuarial Valuation Date | Actuarial Value of Assets[1] (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL)[2] (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 06/30/11 | $13,286,295 | $24,096,754 | $10,810,459 | 55.1% | $3,902,647 | 277.0% |

[1] The Actuarial Value of Assets for GASB reporting includes the IUAL Fund Assets in the Valuation Assets.
[2] UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes IUAL Fund.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress located in Required Supplementary Information following Notes to the Financial Statements presents multi-year trend information regarding whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Additional information on the actuarial methods and assumptions used as of the June 30, 2011 actuarial valuation follows:

| | |
|---|---|
| **Valuation date** | June 30, 2011 |
| **Actuarial cost method** | Projected Unit Credit |
| **Amortization method** | The unfunded accrued liability on June 30, 1988, is amortized over a 40-year period commencing in 1989. The amortization payment reflects a 4% increase for the first five years, reducing by 0.5% at the end of each quinquennial period. Changes in unfunded accrued liabilities occurring after June 30, 1988, are amortized as level dollar amounts.<br><br>Act 257 of 1992 further amended the amortization schedule to reflect a 4.5% payment increase over the remaining amortization period.<br><br>Act 588 of 2004 re-amortized changes in liabilities occurring from 1993 through 2000 as a level dollar payment to 2029. Amortization periods for changes in liabilities beginning with 2001 through 2003 were extended to a 30-year period from the date of occurrence. Amortization periods for changes in liabilities beginning with 2004 are extended to a 30-year period from the date of occurrence, paid as a level dollar amount.<br><br>Act 484 of 2007 and resulting constitutional amendment requires increases in UAL due to altered benefit provisions by legislative enactment to be amortized over a 10-year period with level payments.<br><br>Act 497 of 2009 consolidated the outstanding balance of all amortization schedules established on or before July 1, 2008, into two amortization schedules, the Original Amortization Base (OAB) and the Experience Account Amortization Base (EAAB). The consolidation was effective July 1, 2010. The outstanding balance of the OAB was credited with funds from the Initial UAL fund, excluding the sub-account of this fund, and the Employer Credit Account. The OAB will be paid off in plan year 2028/2029. The EAAB was credited with funds from the Initial UAL sub-account, which were transferred from the Employee Experience Account on June 30, 2009. The EAAB will be paid off in plan year 2039/2040. The payment schedule for each of these bases will increase each plan year as follows: |

| Plan Year | Original Amortization Base | Experience Account Amortization Base |
|---|---|---|
| 2011/2012 – 2013/2014 | 7.0% | 7% |
| 2014/2015 – 2017/2018 | 6.5% | 6.5% |
| 2018/2019 + | 2.0% | Level Payments |

| | |
|---|---|
| **Amortization approach** | Closed |
| **Remaining amortization period** | Dependent upon the amortization method as described above. |
| **Asset valuation method** | Assets are valued on a basis which reflects a four-year moving weighted average value between market value and cost value. This value is subject to Corridor Limits of 80% to 120% of the Market Value of Assets. |
| **Actuarial assumptions:** | |
| **Investment rate of return*** | 8.25% |
| **Projected salary increases*** | 3.50% - 7.50% |
| **Cost-of-living adjustments** | None |

* Includes inflation at 3.0 %

**4. Eligibility**

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 Statutes 11:701(33)(a).
- **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. Plan members become vested after five years of credited service. Members applying for disability retirement must be in active service at the time of filing the application. The formula for annual maximum retirement benefits is 2 or 2.5 percent (Regular Plan), 1 or 3 percent (Plan A), or 2 percent (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive 36 months of salary (or 60 months of salary, for members on or after January 1, 2011). Benefits are paid monthly for life. If a member leaves covered employment prior to vesting or dies prior to establishing eligibility for survivor benefits, accumulated member contributions are refunded.

In 1989, the Legislature established an Optional Retirement Plan (ORP) 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.

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 the TRSL 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 employees' working lifetime.

Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than TRSL and purchase annuity contracts—fixed, variable, or both—for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of TRSL to implement the ORP no later than March 1, 1990, and the public institutions of higher education to implement their ORP on July 1, 1990. The 1995 legislative session amended the ORP to allow ORP participants who assume positions, other than as employees of a public institution of higher education covered by TRSL, to continue to participate in the ORP. The number of participating employers is currently 126. Current membership in the ORP is 24,516, which includes 6,769 active participants.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 14.5 percent of the 20.2 percent ORP employer contributions. The amount transferred to the carriers is the employer portion of the normal cost contribution that has been approved by the Public Retirement Systems' Actuarial Committee to be 5.7 percent for FY 2011.

*Member contributions (8 percent) are transferred to the carriers in their entirety* less 0.1 percent, which has been established by the Board of Trustees to cover the cost of administration and maintenance of the ORP. The administrative fee may be adjusted by the Board should the cost of administering the plan change in the future.

| At June 30, 2011, and 2010, employees joining ORP consisted of: | 2011 | 2010 |
|---|---|---|
| Members of TRSL joining ORP | 57 | 66 |
| New employees joining ORP | 519 | 567 |
| | 576 | 633 |
| | | |
| **Total actively contributing members** | **6,769** | **7,735** |

| At June 30, 2011, and 2010, the amounts transferred to ORP were: | 2011 | 2010 |
|---|---|---|
| Amounts previously held in TRSL reserves | $ 323,400 | $ 271,619 |
| Contributions | 83,663,936 | 85,384,448 |
| **Total** | $83,987,336 | $85,656,067 |

| At June 30, 2011, and 2010, member and employer contribution rates were: | 2011 | 2010 |
|---|---|---|
| **Member** | | |
| Member contribution rate (applicable for ORP transfers) | 7.900% | 7.900% |
| Member contribution rate (administrative fee – TRSL) | 0.100% | 0.100% |
| | **8.000%** | **8.000%** |
| **Employer** | | |
| Employer contribution rate (normal cost is applicable for ORP transfers) | 5.7000% | 5.7600% |
| Unfunded rate (retained by TRSL) | 14.5000% | 9.7400% |
| | **20.2000%** | **15.5000%** |

The Deferred Retirement Option Plan (DROP) was implemented on July 1, 1992, with the passage of Louisiana Revised Statutes 11:786 by the Legislature. When a member enters the DROP, his status changes from active member to 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, the 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 the 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 actuary in his actuarial report, less one-half of one percent after participation ends.

For members eligible to enter the 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. As of June 30, 2011, DROP/ILSB accounts for members who joined on or after January 1, 2004, earned approximately 0.01 percent. At the time of retirement, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROP account.

Effective January 1, 1996, the Legislature authorized TRSL to establish an Initial Lump-Sum Benefit (ILSB) program. ILSB is available to members who have not participated in the 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 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).

| Deferred Retirement Option Plan (DROP) | | | |
|---|---|---|---|
| *For members who became eligible to participate **before** January 1, 2004* | | | |
| | **2011** | **2010** | **% Increase (Decrease)** |
| **DROP** | | | |
| Members entering DROP | 0 | 3 | **(100%)** |
| Disbursements | $ 84,180,153 | $ 74,014,720 | **14%** |
| DROP Reserves at June 30 | $ 613,746,349 | $ 697,744,364 | **(12%)** |
| **ILSB** | | | |
| Members choosing ILSB | 0 | 10 | **(100%)** |
| Disbursements | $ 556,127 | $ 2,003,136 | **(72%)** |
| ILSB Reserves at June 30 | $ 5,695,266 | $ 6,251,393 | **(9%)** |

| Deferred Retirement Option Plan (DROP)/Initial Lump-Sum Benefit (ILSB) | | | |
|---|---|---|---|
| *For members who became eligible to participate **on or after** January 1, 2004* | | | |
| | **2011** | **2010** | **% Increase (Decrease)** |
| **DROP** | | | |
| Members entering DROP | 1,356 | 1,485 | **(9%)** |
| Disbursements | $ 80,929,733 | $ 67,882,285 | **19%** |
| DROP Reserves at June 30 | $ 530,630,580 | $ 492,832,752 | **8%** |
| **ILSB** | | | |
| Members choosing ILSB | 80 | 56 | **43%** |
| Disbursements | $ 3,896,855 | $ 3,876,564 | **1%** |
| ILSB Reserves at June 30 | $ 1,536,962 | $ 812,995 | **89%** |

| DROP/ILSB Account Interest Rates | | |
|---|---|---|
| **Fiscal Year Ending June 30** | **Interest Rate** | |
| | *For members who became eligible to participate **before** January 1, 2004* | *For members who became eligible to participate **on or after** January 1, 2004* |
| 2005 | 9.37% | 1.48% |
| 2006 | 15.15% | 3.72% |
| 2007 | 14.70% | 4.88% |
| 2008 | 4.65% | 3.98% |
| 2009 | 0%* | 1.32% |
| 2010 | 0%* | .01% |
| 2011 | 5.94% | .005% |

*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 -12.81% for 2009 and -1.39% for 2010.

Louisiana Revised Statute 11:945 established the Excess Benefit Plan as a separate, unfunded, nonqualified plan under the provisions set forth in Louisiana Revised Statutes 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.

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.

| **Excess Benefit Plan** | | | |
|---|---|---|---|
| | **2011** | **2010** | **% Increase/Decrease** |
| Number of Excess Benefit Recipients | 46 | 44 | **4.5%** |
| Total Benefits | $905,576 | $829,021 | **9.2%** |

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**1. Reporting Entity**

TRSL (the "System") is a component unit of the State of Louisiana. A 16-member Board of Trustees (composed of 10 active members, two retired members, and four ex officio members) governs TRSL. The Board of Trustees appoints the director, who is the System's managing officer.

**2. Basis of Accounting**

TRSL'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. 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. State General Fund appropriations for supplemental benefits are recognized when drawn from the State Treasury.

Administrative costs are funded through investment earnings and are subject to budgetary control by the Board of Trustees and 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 Plan Net Assets.

**4. Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is the market value on the last business day of the fiscal year. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be sold. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of estimated future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value as determined by the custodian under the direction of trustees.

## 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 10 years. Items with a purchase price of less than $1,000 and more than $250 are computed using 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 LASERS share a 50/50 joint ownership of the Louisiana Retirement Systems building, equipment, and related land.

**Changes in Property and Equipment**

| | June 30, 2010 | Additions | Deletions | June 30, 2011 |
|---|---|---|---|---|
| **Asset Class (at Cost)** | | | | |
| Land | $ 858,390 | | | $ 858,390 |
| Building | 5,540,410 | 355,547 | | 5,895,957 |
| Equipment, furniture, fixtures | 4,569,979 | 230,913 | (97,454) | 4,703,438 |
| Total Property and Equipment | 10,968,779 | 586,460 | (97,454) | 11,457,785 |
| | | | | |
| **Accumulated Depreciation** | | | | |
| Building | (2,832,427) | (172,360) | | (3,004,787) |
| Equipment, furniture, fixtures | (3,886,971) | (364,700) | 97,454 | (4,154,217) |
| Total Accumulated Depreciation | (6,719,398) | (537,060) | 97,454 | (7,159,004) |
| | | | | |
| **Total Property and Equipment — Net** | **$ 4,249,381** | **$ 49,400** | **$ 0** | **$ 4,298,781** |

**Changes in Property and Equipment**

| | June 30, 2009 | Additions | Deletions | June 30, 2010 |
|---|---|---|---|---|
| **Asset Class (at Cost)** | | | | |
| Land | $ 858,390 | $ 0 | $ 0 | $ 858,390 |
| Building | 5,526,827 | 13,583 | 0 | 5,540,410 |
| Equipment, furniture, fixtures | 4,380,232 | 343,139 | (153,392) | 4,569,979 |
| Total Property and Equipment | 10,765,449 | 356,722 | (153,392) | 10,968,779 |
| | | | | |
| **Accumulated Depreciation** | | | | |
| Building | (2,693,172) | (139,255) | 0 | (2,832,427) |
| Equipment, furniture, fixtures | (3,636,523) | (403,840) | 153,392 | (3,886,971) |
| Total Accumulated Depreciation | (6,329,695) | (543,095) | 153,392 | (6,719,398) |
| | | | | |
| **Total Property and Equipment — Net** | **$ 4,435,754** | **$ (186,373)** | **$ 0** | **$ 4,249,381** |

## 6. Budgetary Accounting

Self-generated revenues are budgeted for administrative expenses. State General Funds are appropriated for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 2011, and 2010, includes the original Board of Trustees approved budget and appropriated State General Funds.

| 2011 | State General Funds | Self-Generated Revenue | Total |
|---|---|---|---|
| Original approved budget and appropriations | $ 0* | $ 52,367,793 | $ 52,415,793 |
| **2010** | **State General Funds** | **Self-Generated Revenue** | **Total** |
| Original approved budget and appropriations | $ 2,088,862 | $ 53,314,365 | $ 55,403,227 |

*For Fiscal Year 2011, TRSL received $48,000 directly from the Louisiana Department of Education to fund supplemental retirement benefits for approximately 300 retirees. TRSL also received $1,761,453 from Louisiana State University to fund supplemental retirement benefits for university employees holding membership in the United States Civil Service Retirement System. This $1,761,453 payment is reported as employer contributions for 2011. In prior years, both payments were appropriated through the state Legislature and classified as State General Funds.

## 7. Accumulated 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 employees' current rate of pay. The liability for accrued annual leave of up to 300 hours is included in Other Liabilities. 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.

## 8. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on net assets held in trust for pension benefits or the net increase in plan net assets.

## C. Contributions

## 1. Member Contributions

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statute 11:62, and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 2011, and 2010.

| Plan | % Earned Compensation | |
|---|---|---|
| | 2011 | 2010 |
| TRSL Regular Plan | 8.0% | 8.0% |
| TRSL Plan A | 9.1% | 9.1% |
| TRSL Plan B | 5.0% | 5.0% |

**2. Employer Contributions**

Employer contribution rates are established under Louisiana Revised Statutes 11:885 by the Public Retirement Systems' Actuarial Committee. Rates for the years ended June 30, 2011, and 2010, are as follows:

| Plan | % Earned Compensation | |
|---|---|---|
| | 2011 | 2010 |
| TRSL Regular Plan | 20.2% | 15.5% |
| TRSL Plan A | 20.2% | 15.5% |
| TRSL Plan B | 20.2% | 15.5% |

Employer contributions are collected from the employing agencies throughout the state and from the proceeds of taxes collected in the parishes and remitted by the sheriffs' offices of the respective parishes.

**D. Teachers' Retirement System of Louisiana (TRSL) Employee Pension Benefit**

**1. Cost Sharing Multiple-Employer Defined Benefit Plan**

The administration and staff at TRSL are required to participate in the pension plan if they are not already participating in the Louisiana State Employees' Retirement System (LASERS) pension plan or Louisiana School Employees' Retirement System (LSERS) pension plan. TRSL is a cost sharing, multiple-employer, defined benefit plan administered by TRSL. TRSL provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries.

TRSL was established and provided for within Title 11, Chapter 2 of the Louisiana Revised Statutes (LRS).

**Funding Policy**. Plan members participating in the TRSL regular plan are required to contribute 8.0 percent of their annual covered salary, and TRSL is required to contribute 100 percent of the actuarially determined rate. The TRSL rate for Fiscal Year 2011 is 20.2 percent. The contribution requirements of plan members and TRSL are established and may be amended by the TRSL Board of Trustees.

| TRSL Administration & Staff Contributions | |
|---|---|
| 2011 | $ 842,208 |
| 2010 | 645,135 |
| 2009 | 661,005 |

All full-time TRSL employees who do not participate in TRSL participate in LASERS or LSERS. LSERS is a cost sharing, multiple-employer, defined benefit plan administered by the Louisiana School Employees' Retirement System. LSERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. LSERS was established and provided for within Title 11, Chapter 3 of the Louisiana Revised Statutes (LRS). LSERS issues a financial analysis summary available to the public. The report can be obtained by writing to Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804, or by calling 1-800-526-3718.

**Funding Policy**. Plan members participating in LSERS are required by state statute to contribute 7.5 percent of their gross salary if hired before July 1, 2010, and 8.0 percent if hired on or before July 1, 2010, and TRSL is required to contribute 100 percent of the actuarially determined rate. The LSERS rate for the fiscal year 2011 is 24.3 percent. The contribution requirements of plan members and LSERS are established and may be amended by the LSERS Board of Trustees.

| Contributions Paid by TRSL for Staff Participating in LSERS | |
|---|---|
| 2011 | $ 665 |
| 2010 | 11,955 |
| 2009 | 11,654 |

**2. Single Employer Defined Benefit Pension Plan**

All full-time TRSL employees who do not participate in TRSL participate in LASERS or LSERS. LASERS is a single employer, defined benefit pension plan administered by the Louisiana State Employees' Retirement System. LASERS provides retirement, disability, and death benefits to plan members and beneficiaries.

Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Louisiana Legislature. LASERS was established and provided for within Title 11, Chapter 1 of the Louisiana Revised Statutes. LASERS issues a financial report that includes financial statements and required supplementary information. The report is available to the public, and can be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70904-4213, or by calling 1-800-256-3000.

**Funding Policy.** Plan members participating in LASERS are required by state statute to contribute 7.5 percent of their gross salary to the pension plan if hired before July 1, 2006, and 8.0 percent if hired on or after July 1, 2006. TRSL is required to contribute 100 percent of the actuarially determined rate. The LASERS rate for Fiscal Year 2011 is 22.0 percent. The contribution requirements of plan members and LASERS are established and may be amended by the LASERS' Board of Trustees.

| Contributions Paid by TRSL for Staff Participating in LASERS | |
|---|---|
| 2011 | $ 979,627 |
| 2010 | 832,805 |
| 2009 | 806,628 |

Schedules for LASERS can be found on pages 40- 41.

| Most Recent Accrual Methods and Assumptions for Louisiana State Employees' Retirement System (LASERS) | | | |
|---|---|---|---|
| **Valuation Date** | 06/30/2010 | 06/30/2009 | 06/30/2008 |
| **Actuarial Cost Method** | Projected unit credit | Projected unit credit | Projected unit credit |
| **Amortization Method – Closed by Statute** | For unfunded accrued liability resulting from benefit increases occurring on or after June 30, 2007: Level dollar payment over 10 years. | For unfunded accrued liability prior to 1993<br>- level percentage of payroll, increasing annuity to 2029 | For unfunded accrued liability prior to 1993<br>- level percentage of payroll, increasing annuity to 2029 |
| | All unfunded accrued liability changes occurring prior to 2009, except benefit increases in 2007 and 2008 were re-amortized into two schedules as of June 30, 2010. Payment schedules increase in a prescribed variable manner until 2018, then will either increase until paid off in 2029, or remain level until paid off in 2040, depending on the schedule, as required by statute | For unfunded accrued liability changes occurring between 1993-1998<br>- level dollar payment to 2029 | For unfunded accrued liability changes occurring between 1993-1998<br>- level dollar payment to 2029 |
| | For unfunded accrued liability changes occurring 2009 or later: Level dollar payment over 30 years, from date of occurrence. | For unfunded accrued liability changes occurring 1999-2003: 4.5% increasing payment schedule over 30 years, from date of occurrence<br>For unfunded accrued liability changes occurring 2004 or later: Level dollar payment over 30 years, from date of occurrence | For unfunded accrued liability changes occurring 1999 or later - level dollar payment over 30 years, from date of occurrence |
| **Remaining Amortization Period** | Up to 30 years, dependent upon the amortization method as described above. | 20-30 years dependent upon the amortization method as described above | 21-30 years dependent upon the amortization method as described above |
| **Asset Valuation Method** | Utilizes a four-year weighted average of the unrealized gain or loss in the value of all assets at market | Utilizes a four-year weighted average of the unrealized gain or loss in value of all assets at market | Utilizes a four-year weighted average of the unrealized gain or loss in value of all assets at market |
| **Actuarial Assumptions:** | | | |
| **Investment Rate of Return** | 8.25% per annum | 8.25% per annum | 8.25% per annum |
| **Inflation Rate** | 3.0% per annum | 3.0% per annum | 3.0% per annum |
| **Mortality** | Mortality rates were projected based on the RP-2000 Mortality Table. | Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Mortality Table with females set at attained age plus one. | Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Mortality Table with females set at attained age plus one. |
| **Termination, Disability, and Retirement** | Termination, disability, and retirement assumptions were projected based on a five year (2003-2008) experience study of the System's members. | Termination, disability, and retirement assumptions were projected based on a five-year (2003-2008) experience study of the System's members. | Termination, disability, and retirement assumptions were projected based on a five-year (1997-2001) experience study of the System's members. |
| **Salary Increases** | Salary increases were projected based on a 2003-2008 experience study of the System's members. The salary increase ranges for specific types of members are regular employees 4.3%-14.0%, Judges 3.0%-5.5%, Corrections 4.0%-15.0%, and Wildlife 6.0%-17.0% | Salary increases were projected based on a 2003-2008 experience study of the System's members. The salary increase range for regular employees is 4.3% - 14.0%. The salary increase range for specific types of members is Judges 3.0% - 5.5%, Corrections 4.0% - 15.0% and Wildlife 6.0% - 17.0% | Salary increases were projected based on a 1997-2001 experience study of the System's members. The salary increase range for regular employees is 4.25% - 14.0%. The salary increase range for specific types of members is Judges 2.5% - 4.7%, Corrections 4.0% - 14.0% and Wildlife 6.5% - 18.0% |
| **Cost-of-Living Adjustments** | Liability for raises already granted is included in the retiree reserve. | Liability for raises already granted is included in the retiree reserve. | Liability for raises already granted is included in the retiree reserve. |

## *Most Recent Schedule of Employer Contributions for Louisiana State Employees' Retirement System (LASERS)*

| Date | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 2007 | $ 434,796,738 | 97.0% |
| 2008 | 456,741,202 | 115.4% |
| 2009 | 492,402,961 | 102.8% |
| 2010 | 585,268,922 | 87.2% |

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Louisiana State Employees' Retirement System.

## *Most Recent Schedule of Funding Progress for Louisiana State Employees' Retirement System (LASERS)*

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 2007 | $ 8,345,495 | $ 12,421,907 | $ 4,076,412 | 67.2% | $ 2,175,367 | 187.4% |
| 2008 | 9,167,170 | 13,562,214 | 4,395,044 | 67.6% | 2,436,956 | 180.4% |
| 2009 | 8,499,662 | 13,996,847 | 5,497,185 | 60.7% | 2,562,578 | 214.1% |
| 2010 | 8,512,403 | 14,764,015 | 6,251,612 | 57.7% | 2,546,457 | 245.5% |

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $777,167,377 from June 30, 2009, to June 30, 2010. There was a net experience loss of $630,583,406. (Dollars in above schedule are presented in thousands.)

**3. Defined Contribution Plan**

Staff of TRSL who are members of the Optional Retirement Plan (ORP) before becoming employees of TRSL must remain participants in the ORP. The ORP is a defined contribution plan administered by TRSL. The ORP was created by Louisiana Revised Statute 11:921 and implemented on July 1, 1990. 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. The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the participating employees to approved providers.

**Funding Policy**. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute 20.2 percent of the participating member's covered salary. A total of 7.9 percent of the employee's contribution and 5.7 percent (normal cost) of the employer contributions is transferred to the member's chosen ORP provider.

| Contributions Paid by TRSL for Staff Participating in ORP | |
|---|---|
| 2011 | $ 12,942 |
| 2010 | 9,665 |
| 2009 | 9,336 |

## 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 for interest bearing accounts, and the excess is collateralized by the pledge of government securities held by the agents in the entity'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. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension 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 government, and are held by either a counterparty or by the counterparty's trust department or agent but not in the government's name. 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. TRSL had no custodial credit risk as of June 30, 2011.

### 3. Investments

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.

In accordance with Louisiana Revised Statutes 11:267, the System may invest up to 65 percent of its total assets in equities provided that the System invests an amount equal to at least 10 percent 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 System has no investments of any single organization (other than those issued or guaranteed by the U.S. Government) that represent five percent or more of the System's net plan assets, nor does the System hold more than five percent of any corporation's stock. In addition, 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.

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:

a) 3.9% above the CPI-U seasonally adjusted, or
b) the actuarial rate (currently 8.25%)

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

A. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for domestic managers:

1. All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.
2. Corporate bonds, debentures, notes, asset-backed securities, and equipment trust certificates rated Baa3 or BBB- or higher (investment grade) by Moody's or Standard & Poor's (includes split-rated bonds).
3. Mortgage securities will be limited to pass-throughs, collateralized mortgage obligations, adjustable rate mortgages, commercial mortgage-backed securities, and other mortgage securities deemed prudent by the

investment manager. The use of interest-only strips and principal-only strips may not exceed 10 percent of the portfolio.

4. Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.
5. Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase.
6. Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.
7. Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25 percent of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.
8. Debt obligations of foreign governments, corporations, and supranationals issued outside of the U.S. (Eurobonds and non-U.S. dollar bonds) may be held by investment managers.
9. High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard & Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC, or below shall not exceed 20 percent of the market value of the portfolio.
10. High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).
11. Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.
12. Investment grade fixed income portfolios shall not invest in mortgage–backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.
13. Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations, and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10 percent of the market value of the portfolio.

B. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for global fixed income managers:

Items (1) through (6) of the fixed income guidelines for domestic managers will apply with the following additional guidelines:

1. The debt of countries, foreign and domestic agencies, foreign and domestic corporations, and supranational entities is acceptable for investment. The manager should consider the credit worthiness and the liquidity of a potential security before making an investment. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.
2. Portfolio weightings in countries represented in the Citibank World Government Bond Index, including cash, may range from 0 to 100 percent of the portfolio.
3. Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40 percent of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets.
4. Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.
5. Permitted hedge vehicles for currency exposure management are as follows:
   a) Forward Foreign Exchange Contracts
   b) Currency Futures Contracts
   c) Options on Currency Futures Contracts
   d) Options on Spot Currencies
6. Net short foreign currency positions may not be taken in this portfolio.

C. Investments in common stock securities, including ADRs, shall be high quality, readily marketable securities offering potential for above-average growth. Common stock investments are limited to those meeting all of the following criteria:

1. Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.
2. No more than 5 percent of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.

3. No more than 5 percent of the cost or market value of the System's equity portfolio (whichever is more) or 15 percent of the market value of each manager's portfolio may be invested in the common stock of any one corporation.
4. No more than 20 percent of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.
5. Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.
6. Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50 percent and plus 100 percent of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).
7. Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50 percent of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).
8. Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50 percent of the weighted average market capitalization of the Russell 2500 Index.

D. Investments in common stock securities of Developed Markets (EAFE Countries and Canada) shall be high quality, readily marketable securities offering potential for above-average growth. Items (2), (4), and (5) of the Stock Guidelines for Domestic Managers will apply with the following additional guidelines:

1. Investment managers may invest up to 20 percent of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5 percent (of the 20 percent limit) in emerging market countries not contained in the IFC Investable Index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.
2. Investment managers may invest up to 10 percent of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.
3. No single industry group shall constitute more than 25 percent of the portfolio's market value or its equivalent representation in the EAFE Index; whichever is more, without prior Board approval.
4. No individual security shall constitute more than 10 percent of the portfolio's market value.
5. Cash held by the manager may be in U.S. dollars or foreign currencies of the manager's choice.
6. Residual currency exposures of the underlying international equity portfolio may be actively managed by the investment manager. If actively managed, the objectives of the foreign exchange exposure management, within the international equity portfolio, are to:
   a) Add value by increasing total returns and reducing volatility of returns through hedging and cross-hedging activities;
   b) Avoid currency losses in periods of an appreciating U.S. dollar.
7. Permitted Equity Investments;
   a) Equity managers are to confine investments to common stocks and securities that are directly convertible or exercisable into common stocks, including ADRs and GDRs;
   b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible;
   c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Additional instruments, such as swaps, or other derivatives, may be used if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above-stated hedge vehicles;
   d) International equity managers may invest up to 10 percent of the portfolio in Rule 144A securities.
8. Permitted hedge vehicles for currency exposure management are as follows:
   a) Forward Foreign Exchange Contracts;
   b) Currency Futures Contracts;
   c) Options on Currency Futures Contracts;
   d) Options on Spot Currencies
9. Net short foreign currency positions may not be taken in this portfolio.

**4. Credit Risks**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in core fixed income portfolios shall be rated Baa3 or BBB- or higher by Moody's or Standard & Poor's. High yield investment portfolios shall be invested in securities rated from Ba1 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 percent of the market value of the portfolio.

The System's exposure to credit risk at June 30, 2011, was as follows:

| Moody's Rating | Total | Domestic | International |
|---|---|---|---|
| A1 | $ 26,256,523 | $ 23,286,127 | $ 2,970,396 |
| A2 | 48,205,694 | 28,358,949 | 19,846,745 |
| A3 | 42,290,361 | 25,606,958 | 16,683,403 |
| AA1 | 20,035,704 | 1,779,470 | 18,256,234 |
| AA2 | 20,543,027 | 18,441,099 | 2,101,928 |
| AA3 | 36,713,715 | 17,862,423 | 18,851,292 |
| AAA | 273,706,154 | 218,744,895 | 54,961,259 |
| B1 | 28,205,302 | 27,954,677 | 250,625 |
| B2 | 31,617,046 | 28,509,885 | 3,107,161 |
| B3 | 31,888,158 | 30,940,533 | 947,625 |
| BA1 | 6,849,972 | 6,849,972 | - |
| BA2 | 12,090,448 | 10,077,948 | 2,012,500 |
| BA3 | 39,122,856 | 23,976,737 | 15,146,119 |
| BAA1 | 50,699,678 | 22,276,791 | 28,422,887 |
| BAA2 | 36,052,910 | 34,070,838 | 1,982,072 |
| BAA3 | 11,753,466 | 11,753,466 | - |
| C | 601 | 601 | - |
| CA | 499,782 | 499,782 | - |
| CAA1 | 15,207,825 | 14,039,075 | 1,168,750 |
| CAA2 | 14,253,506 | 13,512,881 | 740,625 |
| CAA3 | 1,603,527 | 1,603,527 | - |
| N/A | 1,192,352,550 | 808,718,913 | 383,633,637 |
| NR | 2,061,541 | 2,061,541 | - |
| VMIG1 | 1,548,125 | 1,548,125 | - |
| WR | 100,932,414 | 2,477,109 | 98,455,305 |
| **Total credit risk debt securities** | $ 2,044,490,885 | $ 1,374,952,322 | $ 669,538,563 |

The System's exposure to credit risk at June 30, 2010, was as follows:

| Moody's Rating | Total | Domestic | International |
|---|---|---|---|
| A1 | $ 27,261,866 | $ 24,460,713 | $ 2,801,153 |
| A2 | 63,402,991 | 33,684,393 | 29,718,598 |
| A3 | 48,846,119 | 19,245,096 | 29,601,023 |
| AA1 | 36,813,439 | 3,374,869 | 33,438,570 |
| AA2 | 21,263,778 | 20,315,924 | 947,854 |
| AA3 | 30,594,952 | 11,523,202 | 19,071,750 |
| AAA | 291,373,961 | 194,902,452 | 96,471,509 |
| B1 | 28,654,189 | 27,875,125 | 779,064 |
| B2 | 34,673,363 | 34,028,362 | 645,001 |
| B3 | 32,970,474 | 32,970,474 | 0 |
| BA1 | 10,307,735 | 4,586,305 | 5,721,430 |
| BA2 | 6,607,103 | 6,607,103 | 0 |
| BA3 | 28,721,330 | 14,509,239 | 14,212,091 |
| BAA1 | 52,809,454 | 21,769,069 | 31,040,385 |
| BAA2 | 47,373,280 | 39,595,223 | 7,778,057 |
| BAA3 | 20,393,734 | 15,213,859 | 5,179,875 |
| C | 601 | 601 | 0 |
| CA | 1,090,328 | 1,090,328 | 0 |
| CAA1 | 27,296,968 | 27,296,968 | 0 |
| CAA2 | 17,074,379 | 17,074,379 | 0 |
| CAA3 | 3,065,268 | 1,840,018 | 1,225,250 |
| | 915,899,972 | 754,827,321 | 161,072,651 |
| NR | 5,151,949 | 5,151,949 | 0 |
| VMIG1 | 3,807,187 | 3,807,187 | 0 |
| WR | 133,910,797 | 3,766,211 | 130,144,586 |
| **Total credit risk debt securities** | $ 1,889,365,217 | $ 1,319,516,370 | $ 569,848,847 |

## 5. 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.

**As of June 30, 2011, the System had the following investments and maturities:**

| Investment Maturities (in years) | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1** | **1 - 5** | **5 - 10** | **More than 10** |
| U. S. Treasury & Government Agency | $ 773,144,067 | $ 0 | $ 335,364 | $ 14,222,360 | $ 758,586,343 |
| Collateralized Mortgage Obligations | 117,260,548 | 0 | 233,363 | 15,879,862 | 101,147,323 |
| Corporate Bonds | 325,734,372 | 11,849,100 | 109,749,783 | 128,206,972 | 75,928,517 |
| Foreign Corporate Bonds | 140,317,523 | 5,737,898 | 97,049,164 | 28,046,449 | 9,484,012 |
| Foreign Government Bonds | 424,890,269 | 21,884,395 | 154,334,874 | 155,762,132 | 92,908,868 |
| Foreign Treasuries | 104,330,772 | 0 | 40,504,455 | 54,814,451 | 9,011,866 |
| Other | 158,813,334 | 629,130 | 80,301,496 | 45,856,597 | 32,026,111 |
| Short-Term Investments | 738,220,668 | 738,220,668 | 0 | 0 | 0 |
| **TOTAL** | $ 2,782,711,553 | $ 778,321,191 | $ 482,508,499 | $ 442,788,823 | $ 1,079,093,040 |

**As of June 30, 2010, the System had the following investments and maturities:**

| Investment Maturities (in years) | | | | | |
|---|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1** | **1 - 5** | **5 - 10** | **More than 10** |
| U. S. Treasury & Government Agency | $ 727,728,278 | $ 2,807,829 | $ 54,304,388 | $ 186,738,768 | $ 483,877,293 |
| Collateralized Mortgage Obligations | 194,845,245 | 0 | 187,933 | 12,592,786 | 182,064,526 |
| Corporate Bonds | 386,653,156 | 6,472,580 | 154,675,329 | 135,427,275 | 90,077,972 |
| Foreign Corporate Bonds | 108,030,598 | 1,079,473 | 67,770,671 | 15,788,515 | 23,391,939 |
| Foreign Government Bonds | 391,154,243 | 11,718,265 | 159,434,818 | 137,499,237 | 82,501,923 |
| Foreign Treasuries | 70,664,005 | 16,714,151 | 23,790,339 | 7,553,306 | 22,606,209 |
| Other | 10,289,692 | 0 | 0 | 0 | 10,289,692 |
| Short-Term Investments | 712,442,177 | 712,442,177 | 0 | 0 | 0 |
| **TOTAL** | $ 2,601,807,394 | $ 751,234,475 | $ 460,163,478 | $ 495,599,887 | $ 894,809,554 |

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 respective benchmarks, i.e. the Barclays Capital Aggregate for domestic fixed income investments and CITI World Government Bond Index for international fixed income investments.

## 6. 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. Tracking error measures TRSL's actual return versus its target asset allocation benchmark return. TRSL's policy target asset allocation is established to meet TRSL's 8.25 percent actuarial return over the long term at the lowest risk. The System's exposure to foreign currency risk is $3,521,397,847 at June 30, 2011, as follows:

| Currency | Percent | Total | Bonds | Stocks | Short-Term Investments |
|---|---|---|---|---|---|
| AUSTRALIAN DOLLAR | 5.89% | $ 207,365,829 | $ 48,185,783 | $ 156,982,280 | $ 2,197,766 |
| BRAZIL REAL | 0.82% | 28,967,743 | 15,485,580 | 13,441,243 | 40,920 |
| BRITISH POUND STERLING | 18.51% | 651,648,814 | 64,855,829 | 569,505,418 | 17,287,567 |
| CANADIAN DOLLAR | 1.05% | 37,034,549 | 28,256,660 | 8,577,927 | 199,962 |
| CZECH KORUNA | 0.27% | 9,505,430 | 9,064,923 | ------------ | 440,507 |
| DANISH KRONE | 1.02% | 36,071,656 | ------------ | 35,806,662 | 264,994 |
| EUROCURRENCY UNIT | 29.17% | 1,027,210,397 | 117,270,528 | 878,259,329 | 31,680,540 |
| HONG KONG DOLLAR | 7.45% | 262,244,413 | ------------ | 262,244,740 | (327) |
| HUNGARIAN FORINT | 0.32% | 11,376,637 | 11,376,637 | ------------ | ------------ |
| INDONESIAN RUPIAN | 0.40% | 14,219,808 | 14,219,808 | ------------ | ------------ |
| ISRAELI SHEKEL | 0.15% | 5,310,495 | ------------ | 4,123,206 | 1,187,289 |
| JAPANESE YEN | 15.46% | 544,543,883 | 79,743,691 | 459,621,138 | 5,179,054 |
| MALAYSIAN RINGGIT | 0.86% | 30,453,381 | 25,278,467 | ------------ | 5,174,914 |
| MEXICAN NEW PESO | 1.46% | 51,264,810 | 44,385,007 | 5,993,816 | 885,987 |
| NEW TURKISH LIRA | 0.41% | 14,510,884 | ------------ | 14,510,884 | ------------ |
| NEW ZEALAND DOLLAR | 0.65% | 22,976,690 | 15,905,173 | 7,071,517 | ------------ |
| NORWEGIAN KRONE | 0.98% | 34,406,039 | 18,845,999 | 15,553,322 | 6,718 |
| PERUVIAN NUEVO SOL | 0.07% | 2,403,840 | 2,403,840 | ------------ | ------------ |
| POLISH ZLOTY | 0.86% | 30,267,739 | 30,267,737 | ------------ | 2 |
| S AFRICAN COMM RAND | 0.61% | 21,385,662 | 16,824,847 | 4,560,797 | 18 |
| SINGAPORE DOLLAR | 1.54% | 54,177,738 | ------------ | 54,177,738 | ------------ |
| SOUTH KOREAN WON | 1.29% | 45,337,503 | 19,752,231 | 25,585,272 | ------------ |
| SWEDISH KRONA | 3.72% | 131,097,551 | 22,219,731 | 108,603,803 | 274,017 |
| SWISS FRANC | 7.04% | 247,616,356 | ------------ | 245,037,962 | 2,578,394 |
| **Total** | **100.00%** | **$ 3,521,397,847** | **$ 584,342,471** | **$ 2,869,657,054** | **$ 67,398,322** |

The System's exposure to foreign currency risk is $2,789,716,180 at June 30, 2010, as follows:

| Currency | Percent | Total | Bonds | Stocks | Short-Term Investments |
|---|---|---|---|---|---|
| AUSTRALIAN DOLLAR | 5.76% | $ 160,796,761 | $ 53,179,405 | $ 105,951,646 | $ 1,665,710 |
| BRAZIL REAL | 1.10% | 30,814,841 | 14,895,567 | 15,720,016 | 199,258 |
| BRITISH POUND STERLING | 17.29% | 482,213,345 | 51,351,618 | 422,828,430 | 8,033,297 |
| CANADIAN DOLLAR | 1.61% | 45,035,761 | 21,312,291 | 23,656,373 | 67,097 |
| CZECH KORUNA | 0.00% | 25,055 | ------------ | ------------ | 25,055 |
| DANISH KRONE | 1.64% | 45,773,542 | ------------ | 44,403,224 | 1,370,318 |
| EURO CURRENCY UNIT | 32.00% | 892,814,998 | 146,220,548 | 709,052,327 | 37,542,123 |
| HONG KONG DOLLAR | 6.12% | 170,834,776 | ------------ | 166,005,009 | 4,829,767 |
| HUNGARIAN FORINT | 0.00% | 36,481 | ------------ | ------------ | 36,481 |
| INDONESIAN RUPIAN | 0.54% | 15,132,671 | 14,369,781 | 372,502 | 390,388 |
| ISRAELI SHEKEL | 0.17% | 4,611,352 | ------------ | 4,560,516 | 50,836 |
| JAPANESE YEN | 15.77% | 440,074,339 | 27,541,504 | 409,593,867 | 2,938,968 |
| MALAYSIAN RINGGIT | 0.98% | 27,386,563 | 25,697,678 | 1,663,864 | 25,021 |
| MEXICAN NEW PESO | 1.05% | 29,420,087 | 24,073,899 | 5,343,389 | 2,799 |
| NEW TURKISH LIRA | 0.42% | 11,697,231 | ------------ | 11,583,407 | 113,824 |
| NEW ZEALAND DOLLAR | 0.81% | 22,722,621 | 22,501,184 | 221,270 | 167 |
| NORWEGIAN KRONE | 0.75% | 20,820,693 | 12,192,358 | 8,383,001 | 245,334 |
| PAKISTAN RUPEE | 0.01% | 275,554 | ------------ | 261,267 | 14,287 |
| PHILIPPINES PESO | 0.01% | 70,995 | ------------ | 70,995 | ------------ |
| POLISH ZLOTY | 1.65% | 45,916,428 | 45,536,032 | 85,078 | 295,318 |
| S AFRICAN COMM RAND | 0.41% | 11,394,587 | 5,193,162 | 5,774,845 | 426,580 |
| SINGAPORE DOLLAR | 1.22% | 34,026,390 | ------------ | 33,764,442 | 261,948 |
| SOUTH KOREAN WON | 1.34% | 37,266,090 | 18,756,774 | 18,423,869 | 85,447 |
| SWEDISH KRONA | 3.26% | 91,039,135 | 15,948,261 | 74,527,330 | 563,544 |
| SWISS FRANC | 5.93% | 165,369,784 | ------------ | 162,177,112 | 3,192,672 |
| THAILAND BAHT | 0.16% | 4,146,100 | ------------ | 3,950,813 | 195,287 |
| **Total** | **100.00%** | **$ 2,789,716,180** | **$ 498,770,062** | **$ 2,228,374,592** | **$ 62,571,526** |

## 7. Alternative Investments

TRSL invests in a diversified mix of alternative investments, such as mezzanine, real estate, private equity, and others, both foreign and domestic. Alternative investments totaled $3.4 billion, $2.7 billion, and $2.6 billion for June 30, 2011, June 30, 2010, and June 30, 2009, respectively. The table below shows the cumulative commitments and cumulative cash flow totals since inception for the last three years.

| TRSL Private Market Assets (in billions) | | | |
|---|---|---|---|
| **Total** | **June 30, 2011** | **June 30, 2010** | **June 30, 2009** |
| Active Commitments | $8.8 | $8.4 | $7.5 |
| Calls for Funding | $7.0 | $6.7 | $5.6 |
| Unfunded Commitments | $2.0 | $2.1 | $1.9 |
| Distributions | $6.0 | $5.6 | $5.0 |

## F. Securities Lending Transactions

State statutes and Board of Trustees policies permit the System to use the assets of the plan to enter into securities lending transactions—loans of 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 plan's securities for cash collateral of 100 percent or other securities collateral of 102 percent. The System's global managers lend the plan's securities for cash collateral or other securities collateral of 105 percent. Securities on loan at year-end for cash collateral are presented as uncategorized in the preceding schedule of custodial credit risk. 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 percent of the cash invested.

Two names in security holding, Lehman Brothers and Sigma Finance Corporation, defaulted in an aggregate amount of $5,773,039 at December 31, 2008. Legal collection efforts continue with ultimate recovery amounts undetermined.

The following table presents the market values of securities on loan and the collateral held for the System at June 30, 2011, and 2010:

| Security Type | Fair Value of Securities on Loan 2011 | Fair Value of Collateral Held 2011 | Fair Value of Securities on Loan 2010 | Fair Value of Collateral Held 2010 |
|---|---|---|---|---|
| U.S. Government & Agency | $ 189,143,716 | $ 193,337,143 | $ 154,644,263 | $ 157,820,315 |
| U.S. Fixed Income | 37,635,118 | 38,558,392 | 38,084,171 | 39,029,032 |
| U.S. Equity | 663,262,853 | 680,209,548 | 724,207,407 | 742,868,278 |
| International Fixed Income | 5,914,312 | 6,167,247 | 10,396,530 | 10,840,018 |
| International Equity | 251,178,685 | 274,867,828 | 236,039,296 | 249,142,324 |
| **Total** | **$1,147,134,684** | **$1,193,140,158** | **$1,163,371,667** | **$1,199,699,967** |

## G. Derivatives

TRSL invests 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, and futures. TRSL reviews market 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 at June 30, 2011, which allows TRSL to implement policy target allocation adjustments in an efficient, liquid, and cost effective manner.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, and 2010 classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows:

| | **Changes in Fair Value** | | **Fair Value at June 30, 2011** | | |
|---|---|---|---|---|---|
| | Classification | Amount | Classification | Amount | Notional |
| Investment derivatives: | | | | | |
| Futures Based Overlay Program | Net App/(Depr) in Fair Value of Domestic | $ 4,687,449 | Alternative Investments | $ 1,953,706 | $ 194,903,322 |

| | **Changes in Fair Value** | | **Fair Value at June 30, 2010** | | |
|---|---|---|---|---|---|
| | Classification | Amount | Classification | Amount | Notional |
| Investment derivatives: | | | | | |
| Futures Based Overlay Program | Net App/(Depr) in Fair Value of Domestic | $ (2,733,743) | Alternative Investments | $ (2,733,743) | $ 153,510,952 |

**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 market value.

### 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 market 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.

**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.

**H. Contingent Liabilities**

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

**I. Required Supplementary Information**

In accordance with GASB 25, required supplementary information is presented on pages 55 through 57.

**J. Presentation of GASB Statement 44**

In accordance with GASB 44, the statistical section is presented on pages 96 through 114.

**K. Presentation of GASB Statement 45**

**Other Post-Employment Benefits**

**Plan Description**

The Office of Group Benefits (OGB) is an agent multiple-employer, post-employment healthcare plan that covers retired employees of the state, as well as school boards and various other non-state employers. OGB provides health and life insurance benefits to eligible retirees, their spouses, and their dependents. Louisiana Revised Statutes 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. Additional information on the plan can be obtained by writing the Office of Group Benefits at 7389 Florida Boulevard, Suite 400, Baton Rouge, La. 70806 or by calling 1-800-272-8451.

**Funding Policy.** LRS 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

The state is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 27.57 percent of annual covered payroll.

**Annual Other Post-Employment Benefits (OPEB) Cost**

The following table shows the components of TRSL's annual OPEB cost for the year and the amount actually contributed to the plan during the year:

| | 2011 | 2010 |
|---|---|---|
| Annual required contribution (ARC) | $ 1,866,500 | $ 2,145,300 |
| Interest on net OPEB obligation | 264,100 | 191,700 |
| Adjustment to ARC | (252,300) | (183,100) |
| Annual OPEB cost expense | 1,878,300 | 2,153,900 |
| Less contributions made | (400,905) | (340,566) |
| Increase in net OPEB obligation | 1,477,395 | 1,813,334 |
| Net OPEB obligation – beginning of year | 6,600,760 | 4,787,426 |
| Net OPEB obligation – end of year | 8,078,155 | 6,600,760 |

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/09 | $ 2,819,900 | 11.27% | $ 4,787,426 |
| 6/30/10 | $ 2,153,900 | 15.81% | $ 6,600,760 |
| 6/30/11 | $ 1,878,300 | 21.34% | $ 8,078,155 |

**Funded Status and Funding Progress.** The funding status of the plan as of June 30, 2011, was as follows:

| | |
|---|---|
| Actuarial accrued liability *(in thousands)* | $24,031.4 |
| Actuarial value of plan assets *(in thousands)* | 0 |
| Unfunded actuarial accrued liability *(in thousands)* | $24,031.4 |
| Funded ratio (actuarial value of plan assets/AAL) *(in thousands)* | 0 |
| Covered payroll (active plan members) *(in thousands)* | $6,812.9 |
| UAAL as a percentage of covered payroll | 352.73% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. In future years, it will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation of July 1, 2010, a projected unit cost method was used. The benefits are currently funded on a pay-as-you-go basis. No assets have been segregated and restricted to provide post-retirements benefits. The actuarial assumptions included a 4.0-percent discount rate (net of expenses) and an annual healthcare cost trend rate of 8.0 percent for pre-Medicare and 9.1 percent for Medicare-eligible participants, scaling down to ultimate rates of 5 percent per year. The unfunded actuarial accrued liability is amortized as a level percent of pay over an open amortization period of 30 years.

**L. Subsequent Events**

The System evaluated all subsequent events through October 5, 2011, the date the financial statements were available to be issued. As a result, the System noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

# *Schedules of Funding Progress for Defined Benefit Plan*

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets[1] (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL)[2] (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 06/30/04 | $ 11,409,404 | $ 18,067,486 | $ 6,658,082 | 63.2% | $ 3,017,087 | 220.7% |
| 06/30/05 | 12,082,682 | 18,699,765 | 6,617,083 | 64.6% | 3,132,169 | 211.3% |
| 06/30/06 | 13,088,358 | 19,390,781 | 6,302,423 | 67.5% | 2,892,959 | 217.9% |
| 06/30/07 | 14,812,298 | 20,772,330 | 5,960,032 | 71.3% | 3,224,566 | 184.8% |
| 06/30/08 | 15,507,834 | 22,090,516 | 6,582,682 | 70.2% | 3,675,014 | 179.1% |
| 06/30/09 | 13,500,766 | 22,839,411 | 9,338,645 | 59.1% | 3,912,326 | 238.7% |
| 06/30/10 | 12,868,484 | 23,674,842 | 10,806,358 | 54.4% | 3,977,819 | 271.7% |
| 06/30/11 | 13,286,295 | 24,096,754 | 10,810,459 | 55.1% | 3,902,647 | 277.0% |

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $421,911,893 from June 30, 2010, to June 30, 2011. There was a net experience loss to the fund from all sources of $175,198,199.

[1]The Actuarial Value of Assets for GASB reporting includes the IUAL Fund Assets and the Employer Credit Account Assets in the Valuation Assets.

[2] UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes IUAL Fund Assets and the Employer Credit Account Assets.

**UFAL** — Unfunded Frozen Accrued Liability **IUAL** — Initial Unfunded Accrued Liability

*NOTE: Information on this table was provided by SJ Actuarial Associates.*

## Schedules of Employer Contributions for Defined Benefit Plan

| Year Ended June 30 | Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 2004 | $ 527,899,270 | 94.4% |
| 2005 | 555,169,630 | 105.6% |
| 2006 | 555,342,400 | 103.1% |
| 2007 | 578,895,501 | 106.5% |
| 2008 | 637,097,695 | 116.2% |
| 2009 | 697,190,561 | 106.4% |
| 2010 | 904,382,657 | 83.5% |
| 2011 | 1,086,319,774 | 90.2% |

*NOTE: Information on the table above was provided by SJ Actuarial Associates.*

## Schedules of Funding Progress for Other Post-Employment Benefits (OPEB)

| Actuarial Valuation Date | Actuarial Value of Assets (in thousands) (a) | Actuarial Accrued Liability (AAL) (in thousands) (b) | Unfunded AAL (UAAL) (in thousands) (b-a) | Funded Ratio (a/b) | Covered Payroll (in thousands) (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 06/30/08 | $ 0.0 | $ 22,585.2 | $ 22,585.2 | 0.00% | $ 6,011.8 | 375.68% |
| 06/30/09 | 0.0 | 30,158.8 | 30,158.8 | 0.00% | 7,316.6 | 412.20% |
| 06/30/10 | 0.0 | 27,095.2 | 27,095.2 | 0.00% | 7,235.3 | 374.49% |
| 06/30/11 | 0.0 | 24,031.4 | 24,031.4 | 0.00% | 6,812.9 | 352.73% |

# SUPPORTING SCHEDULES

| Schedules of Administrative Expenses for the Years Ended June 30, 2011, and 2010 | | | |
|---|---|---|---|
| **Personnel Expenses:** | | **2011** | **2010** |
| | | | |
| | Salaries and Wages | $ 9,436,662 | $ 9,477,635 |
| | Employee Benefits | 3,199,618 | 2,845,180 |
| | **Total Personnel Expenses** | **12,636,280** | **12,322,815** |
| | | | |
| **Travel:** | | **62,701** | **62,316** |
| | | | |
| **Operating Expenses:** | | | |
| | | | |
| | Advertising | 4,478 | 6,763 |
| | Printing | 112,895 | 99,968 |
| | Insurance | 45,687 | 61,799 |
| | Automotive Repairs | 4,966 | 2,325 |
| | Maintenance-Computer | 313,866 | 548,414 |
| | Maintenance-Equipment | 30,901 | 53,141 |
| | Rentals-Equipment | 76,139 | 86,277 |
| | Building Rent | 427,033 | 840,004 |
| | Rentals/Disaster Recovery | 85,039 | 86,813 |
| | Membership Dues | 17,347 | 23,602 |
| | Subscriptions | 39,733 | 43,854 |
| | Postage | 368,896 | 673,990 |
| | Telephone | 62,840 | 180,791 |
| | Bank Services Charges | 143,923 | 139,642 |
| | Mail Services | 24,997 | 22,459 |
| | Other Service Charges | 6,732 | 5,199 |
| | **Total Operating Expenses** | **1,765,472** | **2,875,041** |
| | | | |
| **Supplies/Office Acquisitions:** | | **65,786** | **84,079** |
| | | | |
| **Professional Services:** | | **827,167** | **698,071** |
| | | | |
| **Other Charges & Interagency Transfers:** | | **60,190** | **112,501** |
| | | | |
| **Total Administrative Expenses** | | **$15,417,596** | **$16,154,823** |
| | | | |
| **Capital Outlays:** | | **213,590** | **339,196** |
| | | | |
| **Total Administrative Expenses and Capital Outlay** | | **$15,631,186** | **$16,494,019** |
| | | | |

| Schedules of Investment Expenses for the Years Ended June 30, 2011, and 2010 | | |
|---|---|---|
| | **2011** | **2010** |
| **Investment activities expenses:** | | |
| International investment expenses | $ 5,410,956 | $ 4,491,280 |
| Alternative investment expenses | 35,504,651 | 30,548,101 |
| Global custodian fees | 485,364 | 468,022 |
| Performance consultant fees | 738,617 | 713,829 |
| Advisor fees | 29,952,344 | 27,145,172 |
| **Total investment activities expenses** | **72,091,932** | **63,366,404** |
| **Securities lending activities expenses:** | | |
| Fixed | 1,449,599 | 1,206,030 |
| Equity | (769,792) | (1,269,163) |
| International | (1,861,586) | (962,219) |
| **Total securities lending activities expenses** | **$ (1,181,779)** | **$ (1,025,352)** |

| Schedules of Board Compensation for the Years Ended June 30, 2011, and 2010 | | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| BOARD OF TRUSTEES | NUMBER OF MEETINGS | AMOUNT | NUMBER OF MEETINGS | AMOUNT |
| Sheryl R. Abshire, Ph. D. | 20 | $ 1,350 | 12 | $ 900 |
| Anne H. Baker | 24 | 1,800 | 22 | 1,650 |
| William C. Baker, Ed.D. | 24 | 1,800 | 24 | 1,800 |
| Jerry J. Baudin, Ph. D. (term ended 12/31/2010) replaced by Robert Lawyer | 10 | 750 | 24 | 1,800 |
| Eula M. Beckwith | 24 | 1,800 | 24 | 1,800 |
| Dominic Salinas, Ed. D. | 20 | 1,500 | 17 | 1,275 |
| Carole J. White (resigned 06/30/2010) replaced by Gavin L. Vitter | 0 | 0 | 16 | 1,200 |
| Joyce P. Haynes | 19 | 1,425 | 23 | 1,725 |
| Darryl C. Kilbert replaced William Britt | 12 | 900 | 0 | 0 |
| Robert Lawyer replaced Jerry J. Baudin, Ph. D. | 12 | 900 | 0 | 0 |
| Darlene L. LeBlanc (term ended 12/31/2010) replaced by Joe A. Potts, Jr. | 10 | 750 | 22 | 1,650 |
| Bonnie H. Brooks (term ended 12/31/2010) replaced by Kathy Hattaway | 0 | 0 | 7 | 525 |
| Holly B. Gildig replaced D'Shay Oaks | 12 | 900 | 0 | 0 |
| Kathy Hattaway replaced Bonnie H. Brooks | 24 | 1,800 | 12 | 900 |
| William Britt (term ended 12/31/2009) replaced by Darryl C. Kilbert | 7 | 525 | 18 | 1,350 |
| Irvin R. West, Jr. (resigned 12/31/2009) replaced by D'Shay Oaks | 0 | 0 | 12 | 900 |
| D'Shay Oaks (interim appointment ended 12/31/2010) replaced Irvin R. West, Jr. then replaced by Holly B. Gildig | 12 | 900 | 12 | 900 |
| Joe A. Potts, Jr. replaced Darlene L. LeBlanc | 12 | 900 | 0 | 0 |
| Gavin L. Vitter replaced Carol J. White | 14 | 1,050 | 0 | 0 |
| **Total compensation** | | **$ 19,050** | | **$ 18,375** |

| Schedules of Payments to Non-Investment Related Consultants and Vendors for the Years Ended June 30, 2011, and 2010 | | | |
|---|---|---|---|
| | | **2011** | **2010** |
| **Actuary** | | $ 186,710 | $ 174,915 |
| | Hall Actuarial Associates | | |
| | SJ Actuarial Associates | | |
| | | | |
| **Auditor** | | 54,300 | 51,650 |
| | Hawthorn, Waymouth & Carroll, L.L.P. | | |
| | Louisiana Legislative Auditor | | |
| | | | |
| **Information Technology and Other Consultants** | | 418,001 | 284,884 |
| | Bayou Internet | | |
| | CEM Benchmarking, Inc. | | |
| | EFL Associates | | |
| | Element K | | |
| | Equifax/LexisNexis | | |
| | IBM Corporation | | |
| | Investor Responsibility Support Services, Inc. | | |
| | Mail Guard Transcontinental Printing G.P./IWCO Direct | | |
| | McLagan Management Consultants | | |
| | Modiphy, Inc. | | |
| | Pension Benefit Information | | |
| | Pro Source Technical Services, L.L.C. | | |
| | RMJ Consulting | | |
| | SSA Consultants, L.L.C. | | |
| | Scope Solutions Group, Inc. | | |
| | Sign Language Services International | | |
| | Southwest Computer Bureau, Inc. | | |
| | Sungard Availability Services | | |
| | USA Consulting, Inc. | | |
| | VR Election Services | | |
| | Other | | |
| | | | |
| **Legal** | | 87,095 | 120,472 |
| | Avant & Falcon | | |
| | Ice Miller, L.L.P. | | |
| | Investor Responsibility Support Services, Inc. | | |
| | Jones, Day, Reavis and Pogue | | |
| | Law Offices of Randy P. Zinna | | |
| | LA Department of Justice | | |
| | Other | | |
| | | | |
| **Medical** | | 81,061 | 66,150 |
| | Examiners | | |
| | | | |
| **Total** | | $ 827,167 | $ 698,071 |

# INVESTMENT SECTION

# *Report on Investment Activity*

September 19, 2011

Board of Trustees
Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, LA 70804-9123

Dear Board Members:

The Teachers' Retirement System of Louisiana (System) earned a 26.2-percent return on investments (net of fees) for the fiscal year ended June 30, 2011, due in large measure to a period of improved global market conditions and a favorable monetary policy. According to the Wilshire Trust Universe Comparison Universe (TUCS) the System's 2011 fiscal year return was the top performing fund when compared to other public plans with assets greater than $1 billion. The total market value of the System's investments was $14.22 billion on June 30, 2011, a gain of $2.48 billion over the previous fiscal year.

The fiscal year encompassed cyclical commodity expansion and improved confidence toward global economic growth as both developed international equity and sovereign debt returns set precedence. Specifically, developed international equity and sovereign debt earned 30.9 percent and 10.5 percent as measured by the MSCI EAFE Index and the Citigroup World Government Bond Index, respectively.

Multiple rounds of quantitative easing with a deliberate stance by the Federal Open Market Committee (FOMC) to keep rates low for a prolonged period of time influenced and captivated investors to gravitate toward equity investments over its fixed income counterpart. With a monetary policy tailwind, the Russell 3000 Index earned 32.4 percent. While the low coupon rate environment led the Barclays Capital Aggregate Bond Index to earn 3.9 percent.

The System's public market assets beat the benchmark by 120 basis points earning 28.1 percent versus 26.9 percent for the benchmark. Active management within the fixed income and equity segments along with style and market capitalization implementation attributed to the outperformance.

The System's private asset allocations also contributed to the fiscal year out performance as private asset valuations saw market value improvements akin to public assets. Private equity earned 22.7 percent, while real assets and debt related allocations earned 21.9 percent and 14.3 percent, respectively.

Long-term, the System's investment returns continue to outperform peer returns. The System ranks in the top (best) 40 percent of public pension funds with assets greater than $1 billion for the 10-year period according to TUCS.

The System's Board of Trustees actions during the 2011 fiscal year were directed toward incorporating asset classes with varying risk and return characteristics. These investments provide the most efficient and diversified portfolio possible with return maximization and risk reduction a priority. Investment returns achieved through June 30, 2011, have been calculated using a time-weighted rate of return methodology using market values and cash flows gross of fees.

Sincerely,

Philip M. Griffith
Chief Investment Officer

# *Summary of Investment Policy*

## STATEMENT OF INVESTMENT OBJECTIVES

### Introduction

The purpose of the investment policy for Teachers' Retirement System of Louisiana (System) is to establish and communicate the long-term goals and objectives of the System to investment managers and other interested parties. The policy also formalizes the responsibilities and guidelines for investment managers and defines the performance measurement and evaluation process.

The Board of Trustees (Board) is responsible for investing System assets in a prudent manner to preserve the safety of the principal, yet provide reasonable returns, and in general, avoid speculative investments.

The Board adheres to the Prudent-Man Rule, which means that a fiduciary shall exercise the judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

The Board's policies provide for the use of all suitable and prudent avenues of investment authorized under the Louisiana statutes to maintain a high quality, diversified portfolio of investments. The Board shall retain investment managers who possess the requisite skills and specialized research expertise to assist with this. This policy serves, in part, as investment instructions to the managers.

## LOUISIANA CODE OF GOVERNMENTAL ETHICS

The System requires all investment managers, brokers, limited partnerships, and service vendors to adhere to the Louisiana Code of Governmental Ethics (Code). This Code will be included in all Solicitation for Proposals (SFP) and will be referenced in all contracts executed by the System. Detailed information on the Code, including other provisions may be obtained by contacting the Louisiana Ethics Commission at 1-800-842-6630 or by going to their web site: www.ethics.state.la.us/pub/gifts.htm

## STATEMENT OF SYSTEM OBJECTIVES

Financial objectives of the System have been established in conjunction with a comprehensive review of its current and projected financial requirements. The Board's investment objectives are to:

1. Protect System assets to provide benefits to participants and their beneficiaries.
2. Achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System.
3. Maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

While there can be no complete assurance that these objectives will be realized, the System investment policy is believed to provide a sound basis to successfully achieve them.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9% above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), whichever is higher.

## ASSET ALLOCATION GUIDELINES

The asset allocation ranges established by the investment policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence from this allocation should be of a short-term nature. It shall be the policy of the System to invest the assets in accordance with the minimum and maximum range for each asset category as stated below:

| Asset Category | Minimum | Target | Maximum |
|---|---|---|---|
| | | | |
| Domestic Stock | | | |
| Large Cap | 5% | 15% | 25% |
| Small/MidCap | 5% | 15% | 25% |
| International Stock | 10% | 29% | 40% |
| | | | |
| **Total Stock*** | **20%** | **59%** | **65%** |
| | | | |
| U.S. Bonds | 4% | 6% | 10% |
| Global Bonds | 3% | 6% | 9% |
| | | | |
| **Total Fixed Income** | **7%** | **12%** | **19%** |
| | | | |
| Debt Related | 0% | 8% | 12% |
| Core/Opportunistic Real Assets | 0% | 9% | 13% |
| Private Equity | 5% | 10% | 15% |
| Hedge Funds - Multi-Strategy | 0% | 1% | 3% |
| Options/Derivatives | 0% | 0% | 0% |
| | | | |
| **Total Alternative (Illiquid)**** | **9%** | **28%** | **43%** |
| | | | |
| Cash and Equivalents | 0% | 1% | 5% |
| | | | |
| **Total** | **n/a** | **100%** | **n/a** |
| | | | |

*A 10% allocation to indexed equities is mandated by the Legislature (L.R.S. 11:267). This legislation also sets the maximum allocation to equity at 65%.

** To determine the asset allocation for this asset category, only the actual amount invested, is applicable. However, in no case shall total alternative investments exceed the maximum allowed at the time the investment is made without Board approval.

Note: This asset allocation was adopted March 1, 2005. It is anticipated that it will take 18 to 24 months to implement the new policy. In the interim, we may be temporarily outside our policy ranges.

It is expected that all assets of the System will be managed in accordance with the Louisiana Revised Statutes. It is the policy of the Board, provided all investment factors are equal and within the limits of prudence, that investments in Louisiana securities are encouraged.

### Rebalancing

TRSL's Chief Investment Officer will review the asset allocation monthly to determine if each asset class is within the range established by Board policy. Any out-of-range condition and rebalancing recommendation will be reported to the Board at the Board Investment Committee meeting. The Chief Investment Officer will consider market conditions and transaction costs, as well as any other relevant factors, when determining the most cost-effective process to rebalance the portfolio. The Chief Investment Officer will direct staff and investment managers to transfer funds to rebalance the asset allocation, as necessary.

## INVESTMENT GUIDELINES

**Eligible Investments**
The System will invest primarily in limited partnership interests of pooled vehicles covering the broad spectrum of private investments, including:

- Private equity funds, including corporate finance/buyout and venture capital,
- Private debt funds, including mezzanine and distressed debt funds,
- Co-investments – direct investments made alongside a partnership,
- Secondary purchases – purchases of existing partnership interest or pool of partnership interests from an investor,
- Real estate equity funds, including value-add/opportunistic,
- Hedge Funds – Multi-Strategy, and
- Other investments that are deemed appropriate within the System's risk profile.

**Commitment Size**
The maximum investment in any single partnership shall be no greater than one percent (1%) of the System's total assets at the time of commitment.

**Limitation on Percent of Partnership's Total Commitment**
The System's commitment to any given partnership shall not exceed ten percent (10%) of that partnership's total commitments with the exception of the policy for investments in venture capital, emerging businesses, and money managers in Louisiana.

**Diversification**
The System should diversify the sources of risk in the portfolio, specifically partnerships and sub-asset classes. The System's staff and Consultant will also adopt optimal sub-asset allocation targets, which will be periodically updated to reflect general changes in the economy.

**Prohibited Transactions**
The System shall not make direct investments in any company or property. These investments will be done through a commingled partnership in which the System is an existing limited partner.

**Advisory Board**
The System should seek to obtain a limited partner advisory board seat for each partnership investment.

**Illiquidity**
By its nature, alternative investments are not designed to meet any short-term liquidity needs of the System. The Board should assume that the investments in this asset class are illiquid until the partnerships, at their discretion, sell investments and distribute proceeds.

**Distribution**
The Consultant is not responsible for investing or disposing of distributions from partnerships.

**Review of Investment Guidelines**
The Consultant will notify the System via the Chief Investment Officer and Director if the Guidelines would impede the System's investment performance. The Consultant also will review the guidelines annually with the Chief Investment Officer and Director and recommend any changes deemed beneficial to the System's program.

## LOUISIANA VENTURE CAPITAL, EMERGING BUSINESSES, AND MONEY MANAGERS

As required by Act 788 of 2003, the Board has approved the establishment of a program for investing in venture capital, emerging businesses, and money managers focused on Louisiana (the "Program"). The Program is intended to enhance economic development in Louisiana by stimulating job creation and capital formation through investments in Louisiana businesses, as well as result in a market rate of return for the System. These potential investments should have several provisions that differ from the System's current private equity program.

In selecting investments for the Program, the Board will seek attractive business opportunities that are expected to result in the greatest increase in employment and economic growth in the state of Louisiana. In addition to these goals, the Program is intended to produce significant capital gains for the System and additional diversification of the plan's assets. The Board will seek to accomplish these goals by investing in private equity partnerships that invest in Louisiana companies and by co-investing with these partnerships or other qualified investors directly in Louisiana companies. The

Program should include companies suffering a so-called capital gap, which means they cannot get conventional sources of funding.

The Board recognizes that portfolio risk may be higher and diversification may be lower in the Program when compared to TRSL's other investments, due to the relatively small size of the Louisiana economy and the industry concentrations within the state. Nevertheless, the returns earned on Program investments are expected to exceed public market returns and to equal or exceed returns on similar investments that are available outside of the Program.

## CONTROL PROCEDURES

**Review of Liabilities**
All major liability assumptions regarding number of plan participants, payroll, benefit levels, and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the System's assumptions and actual experience.

**Review of Investment Objectives**
The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the investment policy.

**Performance Expectations**
The most important performance expectation is the achievement of investment results that are consistent with the System's investment policy. A long-term average annual return of 3.9% above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), which ever is higher is reasonable in light of the policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Board recognizes that this real-return objective may not be meaningful during some periods. To ensure that investment opportunities available over a specific period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. The Board expects the total fund to perform in the top third of a universe of total funds having similar size and investment policies. To stay abreast of what other state and local plans are achieving, the System's performance will also be compared to the results of other public plans. Each manager is expected to perform in the top half of his or her respective equity manager or fixed income manager universe and in the top quartile of his or her investment manager style universe.

Additionally, each manager will be compared/evaluated versus their specific style benchmarks. This performance should be achieved over rolling three-year periods or over the length of each manager's contract, whichever comes first. Short-term results will also be monitored. For purposes of this evaluation, the universes maintained by the System's consultant, will be used.

The System's investment managers may be placed on a watch list in response to the Board's concern about the manager's recent or long-term investment results; failure of the investment advisor to comply with any of the System's investment guidelines; significant changes in the investment manager's firm; or for any other reason that the Board deems appropriate. Any manager placed on the watch list will be sent a letter advising of the Board's concern with the manager. Failure to correct the problem to the satisfaction of the Board may lead to dismissal by the Board. However, investment managers can be dismissed for any reason, subject to contract provisions, even if they have not been previously placed on the watch list.

## RESPONSIBILITIES

***Chief Investment Officer***

This position administers the investment program of the System, is responsible for all functions of the System's Investment Department, and oversees all System investments and investment managers. Other duties include:

- Meets with the Investment Committee/Board to review investments and policies;
- Monitors existing limited partnerships and reviews/recommends future investments;
- Monitors investment portfolios to ensure they are within the Board's Investment;
- Researches new investment vehicles and presents viable investments to the Board for possible inclusion to the investment policy;
- Ensures investment policy is implemented;
- Implements asset allocation shifts to maintain portfolio allocations within policy guidelines;

- Directs the activities of the System's consultants for the best interest of the System and to leverage the activities of staff;
- Makes recommendations concerning the hiring/terminating of investment manager/advisors;
- Represents TRSL at limited partnership meetings and Advisory Committee meetings;
- Assists the Director with legislative issues; and
- Takes action necessary to preserve and protect the assets and interests of TRSL (during exigent circumstances, after consultation with and the concurrence of the Director, Chair of the Investment Committee and/or Chair of the Board)

**Responsibilities and Review of Investment Consultant**

The Investment Consultants shall assist the Board, the Director and the Chief Investment Officer in developing and modifying policy objectives and guidelines, including the development of an asset allocation strategy and recommendations on the appropriate mix of investment manager styles and strategies. The Consultants shall act as fiduciaries to the Fund.

Additionally, the Consultants shall provide assistance in manager searches and selection, investment performance evaluation, and any other relevant analysis. The Consultants shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board, the Director, or the Chief Investment Officer.

All consultants will be evaluated on an annual basis.

**Responsibilities and Review of Investment Managers**

The Board will require each investment manager to report monthly in a manner agreed upon by the Board, staff, consultant, and manager.

The Board will meet at least annually, and preferably more frequently, with its investment managers and consultants. Additionally, with or without the investment managers, the Board will review investment results at least quarterly. These reviews will focus on:

- manager adherence to the policy guidelines;
- comparison of manager results versus appropriate financial indices;
- comparison of manager results using similar policies (in terms of commitment to equity, style, diversification, volatility, etc.);
- opportunities available in both equity and debt markets; and
- material changes in the manager organizations, such as investment philosophy, personnel changes, acquisitions, or losses of major accounts, etc.

The managers will be responsible for advising the Board of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

**Responsibilities and Review of Custodian Bank**

The custodian bank is responsible for performing the following functions, among others designated by contract:

- safekeeping of securities;
- process and settlement of all investment manager transactions;
- accept instructions from designated System staff concerning the movement or disbursement of cash and securities;
- collection of interest, dividends, proceeds from maturing securities, and other distributions due the System;
- sweep of idle cash balances daily into interest bearing accounts;
- advise investment staff daily of changes in cash equivalent balances;
- notify investment managers of tenders, rights, fractional shares or other dispositions of holdings;
- notify appropriate entities of proxies;
- provide holdings and performance reports as required by the System; and
- manage third-party securities lending and related functions.

The Custodian Bank will be evaluated on an annual basis.

| Investment Summary as of June 30, 2011, and 2010 | | | | |
|---|---|---|---|---|
| | June 30, 2011 | | June 30, 2010 | |
| | Fair Value | % Total Fair Value | Fair Value | % Total Fair Value |
| **Domestic bonds:** | | | | |
| U.S. Treasury & Government Agency securities | $ 890,404,616 | 6.259% | $ 727,728,278 | 6.198% |
| Corporate bonds | 325,734,372 | 2.290% | 386,653,156 | 3.293% |
| Miscellaneous bonds | 158,813,334 | 1.116% | 205,134,936 | 1.747% |
| **Total domestic bonds** | **1,374,952,322** | **9.665%** | **1,319,516,370** | **11.238%** |
| | | | | |
| **International bonds** | **669,538,563** | **4.706%** | **569,848,847** | **4.854%** |
| | | | | |
| **Domestic stocks:** | | | | |
| Common | 3,973,392,270 | 27.929% | 3,202,024,277 | 27.272% |
| Preferred | 2,177,902 | 0.015% | 1,043,956 | 0.009% |
| **Total domestic stocks** | **3,975,570,172** | **27.944%** | **3,203,068,233** | **27.281%** |
| | | | | |
| **International stocks*** | | | | |
| Common | 4,062,499,258 | 28.555% | 3,158,011,836 | 26.897% |
| Preferred | 32,246,264 | 0.227% | 31,798,570 | 0.271% |
| **Total international stocks** | **4,094,745,522** | **28.782%** | **3,189,810,406** | **27.168%** |
| | | | | |
| **Domestic and international short-term investments** | **738,220,668** | **5.189%** | **712,442,177** | **6.068%** |
| | | | | |
| **Alternative investments:** | | | | |
| Private equity investments | 2,178,204,104 | 15.311% | 1,836,846,296 | 15.645% |
| Real estate investments | 867,453,356 | 6.097% | 580,276,386 | 4.942% |
| Mezzanine financing instruments | 326,255,977 | 2.293% | 331,900,850 | 2.827% |
| Derivatives - Domestic and international | 1,953,706 | 0.013% | (2,733,743) | (0.023)% |
| **Total alternative investments** | **3,373,867,143** | **23.714%** | **2,746,289,789** | **23.391%** |
| | | | | |
| **Total Investments** | **$ 14,226,894,390** | **100.000%** | **$ 11,740,975,822** | **100.000%** |
| | | | | |

* The fair value of the equity index portfolios at June 30, 2011, was $1,477,331,135 which represents 18.02% of total equity which has *a market value of $8,198,104,413.*

# *List of Largest Assets Held*

| LARGEST ALTERNATIVE INVESTMENT HOLDINGS (BY FAIR VALUE) | |
|---|---|
| | |
| **Description** | **Fair Value** |
| **DOMESTIC PRIVATE EQUITY INVESTMENTS** | |
| Warburg Pincus Private Equity IX, L.P. | $ 104,843,818 |
| North American Natural Resources Fund | 93,546,347 |
| DLJ Merchant Banking Partners III | 85,863,739 |
| Apollo Investment Fund VI, L.P. | 85,010,995 |
| Kohlberg, Kravis, Roberts 2006 FUND | 83,268,361 |
| Providence Equity Partners VI | 80,723,759 |
| Warburg Pincus Private Equity X, L.P. | 79,094,455 |
| First Reserve Fund XI | 64,963,510 |
| Apollo Investment Fund VII, L.P. | 61,142,500 |
| Green Equity Investors V | 60,351,330 |
| | |
| **REAL ESTATE PARTNERSHIPS** | |
| Blackstone Real Estate Partners VI | $ 106,114,505 |
| Blackstone Real Estate Partners V | 79,001,617 |
| Starwood Global Opportunity Fund VIII | 58,705,911 |
| Rockpoint Real Estate Fund III | 55,371,610 |
| Starwood Global Opportunity Fund VII | 34,859,605 |
| Walton Street Real Estate Fund VI | 31,535,688 |
| Carlyle Realty Partners V | 30,545,061 |
| Crow Holdings Realty Partners V | 29,433,740 |
| Rockpoint Real Estate Fund II | 18,605,032 |
| Starwood Global Opportunity Fund VI | 17,578,353 |
| | |
| A complete list of portfolio holdings is available upon request. | |

# *List of Largest Assets Held (cont'd)*

| LARGEST ALTERNATIVE INVESTMENT HOLDINGS (BY FAIR VALUE) | |
|---|---|
| **Description** | **Fair Value** |
| **MEZZANINE FINANCING INVESTMENTS** | |
| TCW/Crescent Mezzanine Partners IV | $ 62,248,262 |
| TCW/Crescent Mezzanine Partners V | 51,540,216 |
| Levine Leichtman Deep Value Fund | 37,840,332 |
| Prudential Capital Partners | 31,137,138 |
| Falcon Mezzanine Partners II | 26,220,261 |
| 1818 Mezzanine Fund II | 23,509,662 |
| Providence TMT Debt Opportunity Feeder II | 21,087,976 |
| Gleacher Mezzanine Fund II | 16,085,299 |
| Blackstone Mezzanine Partners | 13,083,805 |
| TCW/Crescent Mezzanine Partners III | 12,571,532 |
| | |
| **INTERNATIONAL PRIVATE EQUITY INVESTMENTS** | |
| Warburg Pincus International Partners | $ 79,059,502 |
| CVC European Equity Partners V | 62,400,836 |
| 3I Europartners V | 58,979,412 |
| ICG Recovery Fund 2008, L.P. | 43,458,683 |
| Doughty Hanson & Co III, L.P. | 40,053,261 |
| Apollo European Principal Finance Fund | 32,823,150 |
| Bridgepoint Europe Fund IV, L.P. | 27,028,776 |
| Compass Partners European Equity Fund, L.P. | 9,724,637 |
| Gilde Buy-Out Fund IV | 4,670,057 |
| Second Cinven Fund US, L.P. | 3,090,965 |
| | |
| **REAL ESTATE INVESTMENT TRUSTS** | |
| Prudential Real Estate Investors | $ 212,905,473 |
| J.P. Morgan Investment Management | 163,193,110 |
| | |
| A complete list of portfolio holdings is available upon request. | |

# *List of Largest Assets Held (cont'd)*

| US TREASURY & GOVERNMENT AGENCY SECURITIES (BY FAIR VALUE) | | | | |
|---|---|---|---|---|
| **Security Description** | **Coupon Rate** | **Maturity Date** | **Bonds** | **Fair Value** |
| US TREASURY BOND | 4.25% | 11/15/40 | $ 38,720,000 | $ 37,853,060 |
| US TREASURY BOND | 4.50% | 05/15/38 | 26,020,000 | 26,716,816 |
| FHLMC MULTICLASS MTG | 4.00% | 09/15/18 | 17,034,030 | 17,741,624 |
| US TREAS BD STRIP PRIN PMT | 11.25% | 02/15/15 | 14,000,000 | 13,411,440 |
| FNMA GTD REMIC P/T | 4.50% | 11/25/30 | 12,322,485 | 13,041,872 |
| FHLMC MULTICLASS CTF 3143 BC | 5.50% | 02/15/36 | 10,000,000 | 10,901,600 |
| FNMA POOL #0745418 | 5.50% | 04/01/36 | 8,982,321 | 9,771,305 |
| US TREASURY NOTE | 2.63% | 06/30/14 | 9,000,000 | 9,484,020 |
| FNMA POOL #0888209 | 5.50% | 05/01/36 | 8,289,955 | 9,018,123 |
| US TREASURY NOTE | 3.13% | 05/15/19 | 8,594,000 | 8,872,617 |

| LARGEST INTERNATIONAL BOND HOLDINGS (BY FAIR VALUE) | | | | | |
|---|---|---|---|---|---|
| **Country Name** | **Security Description** | **Coupon Rate** | **Maturity Date** | **At Par (in local currency)** | **Fair Value** |
| UNITED KINGDOM | TREASURY GILT | 3.75% | 09/07/21 | $ 22,930,000 | $ 37,391,668 |
| UNITED KINGDOM | BARCLAYS BANK PLC 144A | 0.00% | 10/30/13 | 25,000,000 | 23,865,000 |
| AUSTRALIA | NEW S WALES TREASURY CRP | 6.00% | 04/01/16 | 20,225,000 | 22,285,149 |
| MEXICO | MEX BONOS DESARR FIX RT | 8.50% | 05/31/29 | 223,930,000 | 20,486,858 |
| POLAND | POLAND (REPUBLIC OF) | 5.25% | 10/25/17 | 52,520,000 | 18,960,173 |
| NORWAY | NORWAY (KINGDOM OF) | 6.50% | 05/15/13 | 94,340,000 | 18,845,999 |
| JAPAN | JAPAN (2 YEAR ISSUE) | 0.20% | 12/15/12 | 1,505,000,000 | 18,644,688 |
| BRAZIL | NOTA DO TESOURO NACIONAL | 10.00% | 01/01/21 | 27,680,000 | 15,485,580 |
| MEXICO | MEXICO (UNITED MEXICAN STATES) | 7.75% | 12/14/17 | 162,800,000 | 14,829,128 |
| KOREA | KOREA ( REPUBLIC OF) | 5.75% | 09/10/18 | 14,404,300,000 | 14,746,764 |

| LARGEST DOMESTIC COMMON STOCK HOLDINGS (BY FAIR VALUE) | | |
|---|---|---|
| **Description** | **Shares** | **Fair Value** |
| EXXON MOBIL CORP | 1,079,434 | $ 87,844,339 |
| INTERNATIONAL BUSINESS MACHINE | 305,924 | 52,481,262 |
| CHEVRON CORP | 463,643 | 47,681,046 |
| APPLE INC | 132,996 | 44,642,767 |
| JPMORGAN CHASE & CO | 999,625 | 40,924,648 |
| INTEL CORP | 1,548,626 | 34,317,552 |
| PFIZER INC | 1,605,535 | 33,074,021 |
| THE COCA-COLA CO | 476,459 | 32,060,926 |
| CONOCOPHILLIPS | 421,070 | 31,660,253 |
| JOHNSON & JOHNSON | 465,815 | 30,986,013 |
| | | |
| A complete list of portfolio holdings is available upon request. | | |

## List of Largest Assets Held (cont'd)

| LARGEST INTERNATIONAL COMMON STOCK HOLDINGS (BY FAIR VALUE) | | | |
|---|---|---|---|
| Country | Description | Shares | Fair Value |
| CAYMAN ISLANDS | BAIDU INC/CHINA | 471,081 | $ 66,012,581 |
| SWITZERLAND | NESTLE SA CHF0.1 (REGD) | 738,759 | 45,843,418 |
| MACAU | SANDS CHINA LTD | 15,055,160 | 40,630,793 |
| GERMANY | BAYER AG ORD NPV | 441,646 | 35,499,366 |
| SWEDEN | ATLAS COPCO AB SER A NPV | 1,307,432 | 34,498,527 |
| SPAIN | BANCO SANTANDER SA EUR0.50 | 2,914,777 | 33,651,084 |
| UNITED KINGDOM | BHP BILLITON PLC USD0.50 | 811,280 | 31,936,552 |
| BELGIUM | ANHEUSER-BUSCH INBEV NV | 540,992 | 31,374,290 |
| SPAIN | INDUSTRIA DE DISENO TEXTIL SA | 335,449 | 30,562,280 |
| GERMANY | LINDE AG NPV | 172,960 | 30,317,616 |

| LARGEST DOMESTIC PREFERRED STOCK HOLDINGS (BY FAIR VALUE) | | |
|---|---|---|
| Description | Shares | Fair Value |
| LUCENT TECH CAP TR I CONV TR | 1,800 | $ 1,770,750 |
| DEUTSCHE BK CONTINGENT CAP TR | 17,000 | 407,150 |

| LARGEST INTERNATIONAL PREFERRED STOCK HOLDINGS (BY FAIR VALUE) | | | |
|---|---|---|---|
| Country | Description | Shares | Fair Value |
| GERMANY | PORSCHE AUTOMOBIL HOLDING SE | 174,822 | $ 13,864,573 |
| BRAZIL | PETROLEO BRASILEIRO SA | 343,600 | 10,541,648 |
| GERMANY | HENKEL AG & CO KGAA NON VTG | 108,630 | 7,539,391 |
| NETHERLANDS | AEGON N V PERP CAP SECS FLTG | 11,824 | 265,804 |
| GERMANY | PROSIEBENSATI MEDIA AG NPV | 573 | 16,241 |
| GERMANY | RWE AG (NEW) NON VTG PRF NPV | 308 | 15,716 |
| ITALY | UNIPOL GRUPPO FINANZIARIO SPA | 7,070 | 2,891 |
| | | | |
| A complete list of portfolio holdings is available upon request. | | | |

## *List of Largest Assets Held (cont'd)*

| **LARGEST DOMESTIC CORPORATE BONDS** | | | | |
|---|---|---|---|---|
| | | | | |
| **Security Description** | **Coupon Rate** | **Maturity Date** | **Bonds** | **Fair Value** |
| GENERAL ELECTRIC CAPITAL CORP | VAR RT | 06/02/2014 | $ 7,315,000 | $ 7,279,449 |
| GOLDMAN SACHS GROUP INC/THE | 5.95% | 01/18/2018 | 6,160,000 | 6,622,466 |
| TIME WARNER CABLE INC | 7.30% | 07/01/2038 | 5,793,000 | 6,599,744 |
| JPMORGAN CHASE & CO | VAR RT | 01/24/2014 | 6,140,000 | 6,155,657 |
| MUNICIPAL ELEC AUTH GA | 6.64% | 04/01/2057 | 5,835,000 | 5,593,781 |
| FIFTH THIRD BANCORP | 8.25% | 03/01/2038 | 3,885,000 | 4,590,914 |
| UNITEDHEALTH GROUP INC | 6.63% | 11/15/2037 | 3,862,000 | 4,307,375 |
| CITIGROUP INC | 6.38% | 08/12/2014 | 3,590,000 | 3,982,333 |
| ORACLE CORP | 6.50% | 04/15/2038 | 3,164,000 | 3,659,497 |
| COMCAST CORP | 6.95% | 08/15/2037 | 3,020,000 | 3,379,418 |
| | | | | |
| A complete list of portfolio holdings is available upon request. | | | | |

## *Net Earnings on Investments for the Years Ended June 30, 2011, and 2010*

| | 2011 | | 2010 | |
|---|---|---|---|---|
| **Earnings on investments:** | | | | |
| Net appreciation (depreciation) in domestic investments: | | | | |
| Bonds | $ 3,145,339 | | $ 154,377,184 | |
| Short-term investments | 16,017 | | 2,574,218 | |
| Common and preferred stocks | 663,672,157 | | 330,321,768 | |
| Alternative investments | 241,044,308 | $ 907,877,821 | 207,557,737 | $ 694,830,907 |
| Net appreciation (depreciation) in international investments: | | | | |
| Bonds | 55,088,180 | | (9,828,837) | |
| Common and preferred stocks | 877,419,968 | | 254,634,102 | |
| Futures and Options | 0 | | (7,101,290) | |
| Alternative investments | (469,032) | 932,039,116 | 3,289,447 | 240,993,422 |
| Domestic interest income: | | | | |
| Bonds | 76,037,299 | | 87,084,167 | |
| Short-term investments | 947,523 | 76,984,822 | 1,401,389 | 88,485,556 |
| International interest income: | | | | |
| Bonds | 27,649,442 | | 30,626,308 | |
| Short-term investments | 20,318 | 27,669,760 | 13,683 | 30,639,991 |
| Domestic common and preferred dividends | | 63,345,760 | | 58,019,267 |
| International common and preferred dividends | | 97,544,773 | | 77,539,701 |
| Securities lending income: | | | | |
| Fixed | 862,702 | | 603,088 | |
| Equity | 3,084,590 | | 2,238,409 | |
| International | 1,761,541 | 5,708,833 | 1,937,582 | 4,779,079 |
| Gain (loss) on sale of domestic securities, net: | | | | |
| Bonds | 7,745,208 | | (30,147,755) | |
| Common and preferred stocks | 352,020,977 | | 119,820,164 | |
| Alternative investments | 367,833,744 | | 73,938,685 | |
| Short-term investments | 0 | 727,599,929 | 0 | 163,611,094 |
| Gain on sale of international securities, net: | | | | |
| Bonds | 15,479,961 | | 9,980,023 | |
| Short-term investments | (80) | | 776 | |
| Common and preferred stocks | 46,843,182 | | (73,258,654) | |
| Alternative investments | 67,799,322 | 130,122,385 | 41,028,388 | (22,249,267) |
| Gain (loss) on international exchange transactions, net | | 44,368,507 | | 11,339,375 |
| Miscellaneous domestic income | | 331,196 | | 88,306 |
| Commission rebate income | | 10,675 | | 6,118 |
| | | | | |
| **Gross earnings (loss)** | | **3,013,603,577** | | **1,348,083,349** |
| **Charges against earnings:** | | | | |
| Securities lending expenses: | | | | |
| Fixed | 267,840 | | 182,029 | |
| Agents | 1,181,759 | | 1,024,001 | |
| Equity | (769,792) | | (1,269,163) | |
| International | (1,861,586) | (1,181,779) | (962,219) | (1,025,352) |
| International tax expense | | 5,410,956 | | 4,750,823 |
| Alternative investments expense | | 35,504,651 | | 30,288,558 |
| Custodian fees | | 485,364 | | 468,022 |
| Performance consultant fees | | 738,617 | | 713,829 |
| Advisors fees | | 29,952,344 | | 27,145,172 |
| **Total charges** | | **70,910,153** | | **62,341,052** |
| **Net income (loss) on investments** | | **$ 2,942,693,424** | | **$ 1,285,742,297** |

# INVESTMENT PERFORMANCE MEASUREMENTS[1] – YEAR ENDED JUNE 30, 2011

| | Rate of Return[1] | Rank[2] |
|---|---|---|
| **Comparative Rates of Return on Total Fund** | | |
| Teachers' Retirement System of Louisiana | 26.8% | 3 |
| Comparison Index: | | |
| Median Return for Public Funds Greater than $1.0 billion | 21.5% | 50 |
| **Comparative Rates of Return on Domestic Equities** | | |
| Teachers' Retirement System of Louisiana | 34.0% | 33 |
| Comparison Indices: | | |
| Median Return for US Equities of Public Funds Greater than $1.0 billion | 33.3% | 50 |
| Standard and Poor's 500 Index | 30.7% | 90 |
| **Comparative Rates of Return on Domestic Bonds** | | |
| Teachers' Retirement System of Louisiana | 5.6% | 68 |
| Comparison Indices: | | |
| Median Return for US Fixed Income of Public Funds Greater than $1.0 billion | 6.4% | 50 |
| Barclays Capital Aggregate Bond Index | 3.9% | 91 |
| **Comparative Rates of Return on International Equities** | | |
| Teachers' Retirement System of Louisiana | 33.1% | 14 |
| Comparison Indices: | | |
| Median Return for Non-US Equity of Public Funds Greater than $1.0 billion | 30.7% | 50 |
| MSCI EAFE Index | 30.9% | 47 |
| **Comparative Rates of Return on Global Bonds** | | |
| Teachers' Retirement System of Louisiana | 13.3% | N/A |
| Comparison Indices: | | |
| Median Return for Global Bonds of Public Funds Greater than $1.0 billion[3] | N/A | N/A |
| Citigroup World Government Bond Index | 10.5% | N/A |
| **Comparative Rates of Return on Private Assets** | | |
| Teachers' Retirement System of Louisiana | 21.8% | N/A |
| Comparison Indices: | | |
| Median Return for Private Assets[4] | N/A | N/A |
| S & P 500 Index Plus 4% | 34.3% | N/A |

**Total Fund performance is compared to Public Funds greater than $1.0 billion in assets as follows:**

| | Rate of Return[1] | Rank |
|---|---|---|
| One-year period ended June 30, 2011 | 26.8% | 3 |
| Three-year period ended June 30, 2011 | 3.5% | 71 |
| Five-year period ended June 30, 2011 | 4.8% | 55 |
| Seven-year period ended June 30, 2011 | 7.0% | 31 |
| Ten-year period ended June 30, 2011 | 6.1% | 41 |
| Fifteen-year period ended June 30, 2011 | 7.6% | 43 |
| Twenty-year period ended June 30, 2011 | 8.7% | 39 |

[1] Investment return calculations were prepared with time-weighted return methodology using market values and cash flows gross of fees.
[2] The BNY Mellon Financial Universe (PARis) consists of public funds with assets greater than $1.0 billion.
[3] BNY Mellon Financial does not provide a universe for global bonds.
[4] BNY Mellon Financial does not provide a universe for private assets.

# RATES OF RETURN[1]

| | ANNUAL YEARS ENDING JUNE 30 | | | | | ANNUALIZED | |
|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 3 YRS. | 5 YRS |
| **TOTAL FUND** | | | | | | | |
| Teachers' Retirement System of Louisiana | 26.8% | 12.6% | (22.3%) | (4.8%) | 19.7% | 3.5% | 4.8% |
| Median Large Fund Returns[2] | 21.5% | 13.5% | (18.0%) | (4.3%) | 18.0% | 4.3% | 4.9% |
| Inflation (US Consumer Price Index) | 3.6% | 1.1% | (1.4%) | 5.0% | 2.7% | 1.0% | 2.2% |
| **DOMESTIC EQUITIES** | | | | | | | |
| Teachers' Retirement System of Louisiana | 34.0% | 16.5% | (28.0%) | (12.1%) | 15.8% | 4.0% | 2.7% |
| Median Return for US Equity Segment[2] | 33.3% | 16.5% | (27.0%) | (12.7%) | 20.0% | 4.2% | 3.5% |
| *Standard & Poor's 500 Index* | *30.7%* | *14.4%* | *(26.2%)* | *(13.1%)* | 20.6% | 3.3% | 2.9% |
| **DOMESTIC BONDS** | | | | | | | |
| Teachers' Retirement System of Louisiana | 5.6% | 15.6% | (5.1%) | 4.2% | 7.8% | 5.1% | 5.4% |
| Median Bond Return for US Bonds Segment[2] | 6.4% | 13.8% | 3.4% | 5.5% | 6.5% | 7.3% | 6.6% |
| Barclays Capital Aggregate Index | 3.9% | 9.5% | 6.0% | 7.1% | 6.1% | 6.5% | 6.5% |
| **INTERNATIONAL EQUITIES** | | | | | | | |
| Teachers' Retirement System of Louisiana | 33.1% | 10.2% | (31.5%) | (11.0%) | 30.3% | 0.2% | 3.1% |
| Median Return for Non-US Equity Segment[2] | 30.7% | 11.9% | (30.7%) | (8.1%) | 30.6% | 0.2% | 4.0% |
| MSCI EAFE Index | 30.9% | 6.4% | (31.0%) | (10.1%) | 27.5% | (1.3%) | 2.0% |
| **GLOBAL BONDS** | | | | | | | |
| Teachers' Retirement System of Louisiana | 13.3% | 9.5% | 1.6% | 13.7% | 4.8% | 8.0% | 8.5% |
| Median Return for Non-US Fixed Segment[3] | N/A | N/A | N/A | N/A | N/A% | N/A | N/A |
| Citigroup World Government Bond Index | 10.5 | 3.0% | 4.0% | 17.0% | 2.9% | 5.8% | 7.3% |
| **ALTERNATIVE INVESTMENTS** | | | | | | | |
| Teachers' Retirement System of Louisiana | 21.8% | 12.3% | (21.1%) | 5.5% | 35.5% | 2.6% | 9.1% |
| Median Return for Alternative Segment[4] | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| S & P 500 Index Plus 4% | 34.3% | 18.4% | (22.2%) | (9.1%) | 24.4% | 7.4% | 6.9% |

[1] Investment return calculations were prepared with time-weighted return methodology using market values and cash flows gross of fees.
[2] The BNY Mellon Financial Universe (PARis) consists of public funds with assets greater than $1.0 billion.
[3] BNY Mellon Financial does not provide a universe for global bonds.
[4] BNY Mellon Financial does not provide a universe for private assets.

| Summary of Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2011 | |
|---|---|
| | **Commission Dollar Amount** |
| **DOMESTIC COMMISSIONS** | |
| **Domestic Equity** | |
| **Louisiana Incorporated Brokers** | $ 758,057 |
| Cullen Investment Group | |
| Doley Securities (Minority) | |
| Dorsey & Company, Inc. | |
| FBT Investments | |
| Francis Financial (Minority) | |
| Johnson Rice | |
| Sisk Investments | |
| Sisung Securities | |
| **Non-Louisiana Incorporated Minority Brokers** | 111,614 |
| GRW | |
| Jackson Partners | |
| Magna Securities | |
| Pacific American | |
| Williams Capital | |
| **All Other Brokers** | 3,977,028 |
| | |
| **Total Domestic Commissions** | **4,846,699** |
| | |
| **INTERNATIONAL COMMISSIONS** | |
| **Total International Commissions** | **3,477,792** |
| | |
| **Total Domestic and International Commissions** | **$8,324,491** |

# ACTUARIAL SECTION

# Actuary's Certification Letter

ACTUARIAL ASSOCIATES

Shelley R. Johnson
M.A.A.A, A.S.A, F.C.A.
P.O Box 1157
Prairieville, LA 70769-1157
(225) 272-7339

October 1, 2011

Board of Directors
**Teachers' Retirement System of Louisiana**
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123

Ladies and Gentlemen:

Pursuant to your request, I have completed the annual valuation of the Teachers' Retirement System of Louisiana as of June 30, 2011. The valuation was prepared on the basis of the data submitted by the Retirement System, the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Retirement System was established by Constitutional Amendment Number 3 during the 1987 Legislative Session and requires the following:

a) Fully fund all current normal costs determined in accordance with the prescribed statutory funding method; and
b) Liquidate the unfunded liability as of June 30, 1988 over a forty year period with subsequent changes in unfunded liabilities amortized over period(s) specified by statute.

The results of the current valuation indicate that the employer contribution rate payable for the fiscal year commencing July 1, 2011 is 24.0% of payroll. When compared to the 23.7% projected rate for this period, as set by the Public Retirement Systems' Actuarial Committee, the current rate reflects an increase resulting primarily from a decrease in projected aggregate payroll and to a lesser extent from investment losses relative to the actuarially assumed rate of return. The current contribution rate, together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

The methodology for determining the actuarial value of assets approved by the Board of Trustees is consistent with the prior plan year. The current method values all assets on a basis which reflects a four-year moving weighted average of the relationship between market value and cost value. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending June 30, 2011 was $13,286,575,076. The Actuarial Value of Assets, when adjusted for the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $280,197, yields assets for funding purposes of $13,286,294,879.

# Actuary's Certification Letter (cont.)

*SJ Actuarial Associates*

Board of Trustees
**TRSL**
October 1, 2011

In performing the June 30, 2011 valuation, I have relied upon the employee data and financial information provided by the administrative staff of the Teachers' Retirement System of Louisiana. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents or compared with data for the same participant utilized in prior valuations. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the June 30, 2011, actuarial valuation and supporting statistical schedules of this certification, which comprises all the schedules of the Actuarial Section in the annual Financial Statement, have been prepared in accordance with the actuarial methods specified in Louisiana Revised Statutes Title II Section 22(13) and assumptions which are appropriate for the purposes of this valuation, unless otherwise stated.

The following supporting schedules were prepared by me for the Comprehensive Annual Financial Report:

**Actuarial Section**

- Summary of Actuarial Assumptions
- Actuarial Valuation Balance Sheet
- Summary of Unfunded Actuarial Liabilities
- Summary of Actuarial and Unfunded Actuarial Liabilities
- Reconciliation of Unfunded Actuarial Liabilities
- Amortization of Unfunded Actuarial Accrued Liability
- Membership Data
- Principle Provisions of the Plan

**Financial Section**

- Schedule of Funding Progress
- Schedule of Employer Contributions

The funding method prescribed by state law is the Projected Unit Credit cost method. The actuarial discount rate of 8.25% is prescribed by PRSAC. A lower discount rate would be preferable due to administrative expenses and contingent liabilities. TRSL typically conducts an experience study every five years to review all actuarial assumptions and methods. The most recent study was adopted effective June 30, 2008, and covers the observation period of 2002-2007. The most recent experience report noted that TRSL's investment consultant had recently completed a Capital Markets Overview based on the system's asset allocation which determined that the expected long-term investment return was 9.0%. Since the prescribed discount rate of 8.25% is less than the long-term expected return, the 8.25% was not considered to be unreasonable. Actuarial recommendations regarding assumption changes are generally not considered by the Board until the completion of an experience study. However, it should be noted the system recently completed a Capital Markets Overview which determined that the projected long–term (30-year) return expectation is currently 8.73%, based on the target asset allocation recently adopted by the Board. The next experience study is expected to be completed after fiscal year ending 2012.

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# Actuary's Certification Letter (cont.)

*SJ Actuarial Associates*

Board of Trustees
**TRSL**
October 1, 2011

The actuarial assumptions and methods used for funding purposes are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25, unless otherwise noted. The actuarial assumptions and methods used for funding purposes were employed in the development of the schedules listed above for the Financial Section of this report.

I certify to the best of my knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principals and practices set forth by the American Academy of Actuaries, are reasonable and represent my best estimate of the funding requirement to achieve the Retirement System's Funding Objective, unless otherwise noted.

Respectfully submitted,

Shelley R. Johnson

Shelley R. Johnson, FCA, MAAA, ASA
Consulting Actuary

# *Summary of Actuarial Assumptions*

The following assumptions were adopted by the Board of Trustees of The Teachers' Retirement System of Louisiana (TRSL) based on the 2002-2007 actuarial experience study in effect as of June 30, 2008, unless otherwise noted.

### I. General Actuarial Method

Actuarial Funding Method (Projected Unit Credit): The unfunded accrued liability on June 30, 1988 is amortized over a forty year period commencing in 1989. The amortization payment reflects a 4% increase for the first five years, reducing by 0.5% at the end of each five year period. Changes in unfunded accrued liabilities occurring after June 30, 1988 are amortized as a level dollar amount as follows:

| | Act 81 Effective 6/30/88 | As Amended Act 257 Effective 6/30/92 |
|---|---|---|
| Experience Gains/Losses | 15 years | Later of 2029 or 15 years |
| Actuarial Assumptions | 30 years | Later of 2029 or 30 years |
| Actuarial Methods | 30 years | Later of 2029 or 30 years |
| Benefit Changes | Determined by enabling statute | |

Act 257 of 1992 further amended the amortization schedule to reflect a 4.5% payment increase over the remaining amortization period.

Act 588 of 2004 re-amortized changes in liabilities occurring from 1993 through 2000 as a level dollar payment to 2029. Amortization periods for changes in liabilities beginning with 2001 through 2003 were extended to a thirty-year period from the date of occurrence. Amortization periods for changes in liabilities beginning with 2004 are extended to a thirty-year period from the date of occurrence, paid as a level dollar amount.

Act 484 of 2007 and resulting Constitutional Amendment requires increases in UAL due to altered benefit provisions by legislative enactment to be amortized over a ten year period with level payments.

Act 497 of 2009 consolidates the outstanding balance of all amortization schedules established on or before July 1, 2008, into two amortization schedules, the Original Amortization Base (OAB) and the Experience Account Amortization Base (EAAB). The consolidation is effective July 1, 2010. The outstanding balance of the OAB will be credited with funds from the Initial UAL fund, excluding the subaccount of this fund, and the Employer Credit Account. The OAB will be paid off in plan year 2028/2029. The EAAB will be credited with funds from the Initial UAL subaccount, which were transferred from the Employee Experience Account on June 30, 2009. The EAAB will be paid off in plan year 2039/2040. The payment schedule for each of these bases will increase each plan year as follows:

| Plan Year | Original Amortization Base | ExperienceAccount Amortization Base |
|---|---|---|
| 2011/2012 – 2013/2014 | 7.0% | 7% |
| 2014/2015 – 2017/2018 | 6.5% | 6.5% |
| 2018/2019 + | 2.0% | Level Payments |

Employer contribution requirements for normal costs and amortization of the unfunded accrued liabilities are determined as a projected percentage of payroll. Discrepancy between dollars generated by percentage of payroll versus the required dollar amount are treated as a short-fall credit/debit and applied to the following year's contribution requirement. The five year level amortization payment of the debit/credit is applied to the following year's contribution requirement.
Act 497 changes the amortization of contribution variance credits. Beginning with plan year 2009-2010 through plan year 2039-2040, any overpayment will be credited to the EAAB. The EAAB will then be re-amortized according to the new payment schedule.

Asset Valuation Method: Assets are valued on a basis which reflects a four year moving weighted average value between market value and cost value. This value is subject to Corridor Limits of 80% to 120% of the Market Value of Assets. Prior to July 1, 1997, fixed income securities were valued at amortized cost.

Valuation Data: The administrative staff of TRSL furnishes the actuary with demographic data relating to the active life membership and retired life members. Retired life members included inactive members who are entitled to a deferred reciprocal or vested benefit. The book value and market value of system assets are provided by the administrative staff of TRSL. All data is reviewed for reasonableness and consistency from year to year, but is not audited by the actuary.

## II. Economic Assumptions

Actuarially Assumed Rate of Return: 8.25% per annum, compounded annually, as prescribed by the Public Retirement Systems' Actuarial Committee.

Employee Salary Increases: Incorporated within the salary scales (shown for periodic durations, but representing full range of assumptions) is an explicit 3.0% inflation assumption. The following salary scale is based upon years of service:

| Duration (Years) | Teachers | University | School Lunch A | School Lunch B |
|---|---|---|---|---|
| 1 | 5.50% | 5.50% | 6.50% | 6.50% |
| 5 | 6.20% | 5.40% | 6.60% | 6.60% |
| 10 | 6.00% | 5.20% | 4.50% | 5.50% |
| 15 | 5.10% | 5.00% | 4.50% | 5.00% |
| 20 | 5.10% | 4.80% | 5.20% | 5.00% |
| 25 | 4.80% | 4.50% | 4.50% | 4.30% |
| 30 | 4.80% | 4.50% | 5.00% | 4.30% |

## III. Decrement Assumptions

Mortality Assumption: pre-retirement deaths and post-retirement life expectancies are projected in accordance with the experience of the RP-2000 mortality table.

Disability Assumption: Rates of total and permanent disability were projected by age in accordance with the 2002-2007 disability experience of the Retirement System. Rates were projected separately for School Lunch and University Employees. Mortality rates after disability are based on the RP-2000 table for disabled lives.

| Age | Teachers | University | School Lunch A | School Lunch B |
|---|---|---|---|---|
| 25 | 0.01% | 0.01% | 0.00% | 0.00% |
| 30 | 0.01% | 0.01% | 0.00% | 0.00% |
| 35 | 0.06% | 0.01% | 0.01% | 0.00% |
| 40 | 0.11% | 0.10% | 0.01% | 0.03% |
| 45 | 0.18% | 0.10% | 1.00% | 0.30% |
| 50 | 0.22% | 0.10% | 1.50% | 1.50% |
| 55 | 0.40% | 0.10% | 3.00% | 2.55% |

Termination Assumption: Voluntary withdrawal rates are derived from the 2002-2007 termination experience study.

| Age | Teachers | University | School Lunch A | School Lunch B |
|---|---|---|---|---|
| 25 | 13% | 10% | 0% | 20% |
| 30 | 13% | 12% | 2% | 7% |
| 35 | 9% | 10% | 2% | 7% |
| 40 | 6% | 7% | 2% | 6% |
| 45 | 4% | 5% | 2% | 4% |
| 50 | 3% | 2% | 2% | 3% |

Furthermore, for members terminating with ten (10) or more years of service, it is assumed that 80% will not withdraw their accumulated employee contributions.

Retirement/DROP Assumptions: Retirement rates were projected based upon the 2002-2007 experience study. Rates illustrated below are retirement rates and the probability of DROP participation, respectively.

| | Members Hired before 1/1/2011 | | | | Members Hired on or after 1/1/2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Teachers | | University | | Teachers | | University | | Lunch A | | Lunch B | |
| Age | Ret | DROP | Ret | DROP | Ret | DROP | Ret | DROP | Ret | DROP | Ret | DROP |
| 50 | 2.8% | 3% | 4% | 0% | 0% | 0% | 0% | 0% | 1% | 2% | 0% | 0% |
| 51 | 3% | 15% | 3% | 3% | 0% | 0% | 0% | 0% | 1% | 2% | 0% | 0% |
| 52 | 3.5% | 50% | 5% | 7% | 0% | 0% | 0% | 0% | 1% | 2% | 0% | 0% |
| 53 | 5% | 40% | 5% | 12% | 0% | 0% | 0% | 0% | 3% | 2% | 0% | 0% |
| 54 | 7.5% | 40% | 9% | 12% | 0% | 0% | 0% | 0% | 3% | 2% | 0% | 30% |
| 55 | 20% | 60% | 18% | 55% | 0% | 0% | 0% | 0% | 15% | 50% | 35% | 50% |
| 56 | 23% | 15% | 18% | 10% | 0% | 0% | 0% | 0% | 15% | 20% | 33% | 45% |
| 57 | 25% | 7% | 18% | 10% | 0% | 0% | 0% | 0% | 15% | 20% | 30% | 15% |
| 58 | 36.5% | 7% | 28% | 7% | 0% | 0% | 0% | 0% | 25% | 20% | 30% | 15% |
| 59 | 28% | 7% | 21% | 7% | 0% | 0% | 0% | 0% | 25% | 20% | 30% | 15% |
| 60 | 28% | 15% | 28% | 7% | 75% | 35% | 50% | 25% | 35% | 55% | 30% | 15% |
| 61 | 28% | 3% | 21% | 2% | 28% | 3% | 21% | 2% | 35% | 20% | 30% | 3% |
| 62 | 28% | 1% | 21% | 1% | 28% | 1% | 21% | 1% | 35% | 10% | 30% | 1% |
| 63 | 33% | 1% | 21% | 1% | 33% | 1% | 21% | 1% | 50% | 2% | 45% | 1% |
| 64 | 33% | 1% | 21% | 1% | 33% | 1% | 21% | 1% | 50% | 2% | 45% | 1% |
| 65 | 33% | 1% | 28% | 1% | 33% | 1% | 28% | 1% | 40% | 2% | 30% | 1% |
| 66 | 40% | 0% | 28% | 1% | 40% | 0% | 28% | 1% | 40% | 2% | 25% | 1% |
| 67 | 34% | 0% | 28% | 1% | 34% | 0% | 28% | 1% | 35% | 2% | 25% | 1% |
| 68 | 34% | 0% | 28% | 1% | 34% | 0% | 28% | 1% | 25% | 2% | 25% | 1% |
| 69 | 34% | 0% | 20% | 1% | 34% | 0% | 20% | 1% | 20% | 2% | 25% | 1% |
| 70 | 34% | 0% | 20% | 1% | 34% | 0% | 20% | 1% | 20% | 2% | 50% | 1% |

# Actuarial Valuation Balance Sheet

**ACTUARIAL VALUATION BALANCE SHEET**
**June 30, 2011 and 2010**

| | 2011 | 2010 |
|---|---|---|
| **Assets** | | |
| Present Assets Creditable To: | | |
| Members' Savings Account | $ 2,432,596,036 | $ 2,340,677,474 |
| Annuity Reserve Account | 10,853,698,843 | 10,527,806,082 |
| **Total Present Assets** | **13,286,294,879** | **12,868,483,556** |
| Present Value Of Prospective Contributions Payable To: | | |
| Members' Savings Account | 2,474,622,026 | 2,528,866,134 |
| Annuity Reserve Account | | |
| Normal Costs | 1,940,023,455 | 2,038,541,893 |
| Accrued Liability | 12,017,975,887 | 12,020,244,270 |
| **Total Prospective Contributions** | **16,432,621,368** | **16,587,652,296** |
| **Total Assets** | **$ 29,718,916,247** | **$ 29,456,135,852** |
| **Liabilities** | | |
| Present Value Of Prospective Benefits Payable On Account Of: | | |
| Current Retiree Members | $ 16,555,882,802 | $ 16,091,625,502 |
| Current Active Members | 12,720,097,655 | 12,952,091,636 |
| Deferred Vested & Reciprocal Members | 442,935,790 | 412,418,714 |
| **Total Liabilities** | **$ 29,718,916,247** | **$ 29,456,135,852** |

# Summary of Unfunded Actuarial Liabilities/Salary Test

SUMMARY OF UNFUNDED ACTUARIAL LIABILITIES/SALARY TEST
(Dollar Amounts in Millions)

| Valuation Date | (1) Active Member Contribution | (2) Retirees Term. Vested Inactive | (3) Active Members Employer Fin. Portion | Actuarial Valuation Assets | Portion of Actuarial Accrued Liabilities Covered By Assets (1) | (2) | (3) |
|---|---|---|---|---|---|---|---|
| 2006 | $ 1,912.0 | $ 13,430.0 | $ 4,048.8 | $ 13,088.4 | 100% | 83% | 0% |
| 2007 | $ 1,984.1 | $ 14,397.9 | $ 4,390.3 | $ 14,812.7 | 100% | 89% | 0% |
| 2008 | $ 2,100.9 | $ 15,378.1 | $ 4,611.5 | $ 15,507.8 | 100% | 87% | 0% |
| 2009 | $ 2,227.5 | $ 15,823.1 | $ 4,788.8 | $ 13,500.8 | 100% | 71% | 0% |
| 2010 | $ 2,340.7 | $ 16,504.0 | $ 4,830.1 | $ 12,868.5 | 100% | 64% | 0% |
| 2011 | $ 2,432.6 | $ 16,998.8 | $ 4,665.4 | $ 13,286.3 | 100% | 64% | 0% |

# Summary of Actuarial and Unfunded Actuarial Liabilities

SUMMARY OF ACTUARIAL AND UNFUNDED ACTUARIAL LIABILITIES
(Dollar Amounts in Millions)

| Valuation Date | Actuarial Accrued Liabilities | Actuarial Valuation Assets | Ratio of Assets To AAL | Unfunded AAL | Active Member Payroll | Unfunded AAL As A Percent of Active Payroll |
|---|---|---|---|---|---|---|
| 2006 | $ 19,390.8 | $ 13,088.4 | 67.5% | $ 6,302.4 | $ 2,893.0 | 217.8% |
| 2007 | $ 20,772.3 | $ 14,812.7 | 71.3% | $ 5,959.6 | $ 3,224.6 | 184.8% |
| 2008 | $ 22,090.5 | $ 15,507.8 | 70.2% | $ 6,582.7 | $ 3,675.0 | 179.1% |
| 2009 | $ 22,839.4 | $ 13,500.8 | 59.1% | $ 9,338.6 | $ 3,912.3 | 238.7% |
| 2010 | $ 23,674.8 | $ 12,868.5 | 54.4% | $ 10,806.3 | $ 3,977.8 | 271.7% |
| 2011 | $ 24,096.8 | $ 13,286.3 | 55.1% | $ 10,810.5 | $ 3,902.6 | 277.0% |

# *Reconciliation of Unfunded Actuarial Liabilities*

**RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES**
**(Dollar Amounts in Thousands)**

| | Fiscal Year Ending | | | |
|---|---|---|---|---|
| | **2011** | **2010** | **2009** | **2008** |
| **Unfunded Actuarial Liability at Beginning of Fiscal Year (7/1)** | **$ 10,806,358** | **$ 10,117,515** | **$ 6,967,625** | **$ 6,250,578** |
| **Interest on Unfunded Liability** | 891,525 | 834,695 | 574,829 | 515,672 |
| **Investment Experience** Gains decrease UAL | 223,289 | 1,183,557 | 3,170,379 | 470,047 |
| **Plan Experience** Gains decrease UAL | (398,487) | (32,650) | (144,959) | 326,425 |
| **Employer Amortization Payments** Payments decrease UAL | (818,152) | (644,194) | (360,294) | (303,273) |
| **Employer Contribution Variance** Excess contributions decrease UAL | 105,926 | 148,936 | (90,065) | (103,413) |
| **Experience Account Allocation** Allocations decrease UAL | - | - | (296,655) | - |
| **Other** - Miscellaneous gains and losses from transfers or Acts of the Legislature | | (801,501) | 296,655 | (188,411) |
| **Unfunded Actuarial Liability at End of Fiscal Year (6/30)** | **$ 10,810,459** | **$ 10,806,358** | **$ 10,117,515** | **$ 6,967,625** |

# *Amortization of Unfunded Actuarial Accrued Liability*

**AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**

**June 30, 2011**

| Date | Description | Amtz. Method | Amtz. Period | Initial Liability | Years Remain | | Remaining Balance | | Mid-Year Payment |
|---|---|---|---|---|---|---|---|---|---|
| 2010 | Original Amort. Base | Note 1 | 19 | 2,677,501,778 | 18 | | 2,701,633,321 | | 202,354,020 |
| 2010 | Exper Acct Amort Base | Note 2 | 30 | 3,999,115,151 | 29 | | 4,069,673,396 | | 266,739,591 |
| 2009 | Change in Liability | L | 30 | 2,979,708,647 | 28 | | 2,927,392,808 | | 260,418,228 |
| 2010 | Change in Liability | L | 30 | 1,150,854,854 | 29 | | 1,141,152,102 | | 100,581,505 |
| 2011 | Change in Liability | L | 30 | (175,198,199) | 30 | | (175,198,199) | | (15,311,834) |
| | **Total Outstanding Balance** | | | | | **$** | **10,664,653,428** | **$** | **814,781,510** |
| **Employers Credit Balance** | | | | | | | | | |
| 2007 | Contribution Variance | L | 5 | (37,534,025) | 1 | | (8,741,490) | | (9,094,931) |
| 2008 | Contribution Variance | L | 5 | (103,413,475) | 2 | | (46,333,439) | | (25,058,287) |
| 2009 | Contribution Variance | L | 5 | (44,404,927) | 3 | | (28,720,637) | | (10,759,830) |
| 2010 | Contribution Variance | L | 5 | 148,936,071 | 4 | | 123,675,185 | | 36,088,942 |
| 2011 | Contribution Variance | L | 5 | 105,925,850 | 5 | | 105,925,850 | | 25,667,065 |
| | **Total Credit Balance** | | | | | **$** | **145,805,469** | **$** | **16,842,959** |
| | **Total Unfunded Actuarial Accrued Liability** | | | | | **$** | **10,810,458,897** | **$** | **831,624,469** |

Note 1: Act 497 of 2009 created the Original Amortization Base, effective July 1, 2010, which combines the following schedules shown in Exhibit A-1: 1993 (Initial Liability) 1993 (Change in Liability), 1994 - 1996, 1998-2000, 2005-2008. The new combined balance is reduced by applying funds from the IUAL Fund, excluding the subaccount of this fund. Payment will increase by 7.0% for 3 years, 6.5% for 4 years, and thereafter at 2% until paid off in 2029.

Note 2: Act 497 of 2009 created the Experience Account Amortization Base, which combines the following schedules shown in Exhibit A-1: 1997, 2001 – 2003, 2004 (the liability resulting from Act 588 of 2004 which zeroed out the Experience Account), and 2008. The new combined balance is reduced by applying funds from the subaccount of the IUAL Fund, which were transferred from the Experience Account on June 30, 2009. Payments will increase by 7.0% for 3 years, 6.5% for 4 years, and will be level thereafter until paid off in 2040.

# *Membership Data*

Data regarding the membership of the System for valuation were furnished by the System.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| **Active Members** | **Census** | **Avg. Sal.** | **Census** | **Avg. Sal.** |
| Regular Teachers | 74,645 | $ 43,311 | 77,173 | $ 43,353 |
| University Members | 7,077 | 60,566 | 6,527 | 59,765 |
| School Lunch A | 79 | 24,235 | 113 | 24,563 |
| School Lunch B | 1,231 | 19,158 | 1,234 | 18,895 |
| Active After DROP | 3,710 | 58,108 | 3,736 | 57,810 |
| **Total** | **86,742** | **$ 44,992** | **88,783** | **$ 44,804** |

| | 2011 | 2010 |
|---|---|---|
| Males (%) | 17.4% | 17.4% |
| Females (%) | 82.6% | 82.6% |
| Valuation Salaries | $3,902,646,534 | $3,977,819,262 |

| | 2011 | 2010 |
|---|---|---|
| **Inactive Members** | **Census** | **Census** |
| Due Refunds | 17,610 | 16,502 |
| Vested & Reciprocals | 5,852 | 5,745 |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| **Annuitants and Survivors** | **Census** | **Avg. Ben.** | **Census** | **Avg. Ben.** |
| Retirees | 55,723 | $ 23,863 | 54,381 | $ 23,447 |
| Disabilities | 3,983 | 11,202 | 3,943 | 11,034 |
| Survivors | 5,806 | 16,770 | 5,616 | 16,570 |
| DROP | 3,032 | 32,681 | 3,148 | 32,070 |
| **Total** | **68,544** | **$ 22,917** | **67,088** | **$ 22,546** |

# *Historical Membership Data*

(Dollar Amounts in Thousands)

| Year Ended 6/30 | Number of Active Members | Pecentage Change In Membership | Annual Active Member Payroll | Annual Active Member Average Payroll | Percentage Change In Payroll |
|---|---|---|---|---|---|
| 2006 | 81,347 | -7.18% | $ 2,892,959 | $ 35,563 | -7.64% |
| 2007 | 82,672 | 1.63% | $ 3,224,563 | $ 39,004 | 11.46% |
| 2008 | 85,979 | 4.00% | $ 3,675,014 | $ 42,744 | 13.97% |
| 2009 | 88,206 | 2.59% | $ 3,912,326 | $ 44,354 | 6.46% |
| 2010 | 88,783 | 0.65% | $ 3,977,819 | $ 44,804 | 1.67% |
| 2011 | 86,742 | -2.30% | $ 3,902,647 | $ 44,991 | -1.89% |

**HISTORY OF ANNUITANTS AND SURVIVOR ANNUITANT MEMBERSHIP FOR LAST 6 YEARS**

| Year Ending 6/30 | Total Members | | Members Added | | Members Removed | | Average Annuity | Percent Change in Annuity |
|---|---|---|---|---|---|---|---|---|
| | No. | Amount | No. | Amount | No. | Amount | | |
| 2006 | 57,512 | $ 1,119,651 | 4,148 | $ 101,347 | 1,161 | $ 13,482 | $ 19,468 | 8.5% |
| 2007 | 59,530 | $ 1,218,176 | 3,069 | $ 72,780 | 1,161 | $ 9,737 | $ 20,463 | 8.8% |
| 2008 | 61,070 | $ 1,305,367 | 2,704 | $ 66,525 | 1,164 | $ 17,354 | $ 21,375 | 7.2% |
| 2009 | 62,417 | $ 1,356,439 | 2,556 | $ 65,723 | 1,209 | $ 15,560 | $ 21,732 | 3.9% |
| 2010 | 63,940 | $ 1,411,613 | 2,733 | $ 72,079 | 1,210 | $ 16,905 | $ 22,077 | 4.1% |
| 2011 | 65,512 | $ 1,471,714 | 2,804 | $ 74,719 | 1,232 | $ 14,618 | $ 22,465 | 4.3% |

# *Principle Provisions of the Plan*

The Teachers' Retirement System of Louisiana (TRSL) was enacted by Act No. 83 in 1936. Initially, the plan covered classroom teachers (Regular Plan), but membership has expanded to participating agencies, and the merger of School Lunch Employees. Employees of school food services that have not terminated their agreement with the Department of Health, Education and Welfare participate in (Plan A). Food service programs of school without agreements enroll employees in (Plan B).

The purpose of the plan is to provide benefits to members and their dependents at retirement or in the event of death, disability or termination of employment. TRSL is a defined benefit plan and is funded on an actuarial reserve basis to fund benefits as prescribed by law.

**Administration**

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of sixteen members; one elected member from each of seven membership districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, one elected school food services member, two elected retired members, and four ex officio members. Elected members serve staggered four terms. The Treasurer, Chairman of the House Retirement Committee, Chairman of the Senate Retirement Committee and State Superintendent of Public Education serve as ex officio members.

The Board of Trustees appoints an Executive Director who is responsible for the operation of the system. The Board also retains other consultants as deemed necessary. Administrative expenses are paid entirely from investment earnings.

**Member Contributions**

Members contribute a percentage of their gross compensation, depending on plan participation:

| REGULAR PLAN | PLAN A | PLAN B |
|---|---|---|
| 8.0% | 9.1% | 5.0% |

Member contributions have been tax-deferred for federal income tax purposes since January 1, 1990. Therefore, contributions after the effective date are not considered as income for federal income tax purposes until withdrawn through refund or through payment of benefits.

**Employer Contributions**

All participating employers, regardless of plan participation, contribute a percentage of their total gross payroll to the system. The employer percentage is actuarially determined and is sufficient to pay annual accruals plus an amortization charge which liquidates the system's unfunded liability as required by law. The rate is subject to a statutory minimum of 15.5% per Act 588 of 2004. The rate is determined annually and recommended by the Public Employees' Retirement System's Actuarial Committee to the State Legislature.

**Termination**

A member who terminates covered employment, regardless of plan membership, may request a refund of the member's contributions without interest. Upon re-employment, a member may reinstate the credit forfeited through termination of previous membership by repaying the refunded contributions plus interest. A member who terminates covered employment with 5 years of service may, in lieu of a refund of contributions, elect to receive a monthly annuity upon attainment of age 60.

**Retirement Benefits**

Service retirement benefits are payable to members who have terminated covered employment and met both age and service eligibility requirements.

Normal Retirement

Regular Teachers - Members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after January 1, 2011 may retire with a 2.5% accrual rate after attaining age sixty with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age. All other members, if initially hired on or after July 1, 1999, are eligible for a 2.5% accrual rate at the earliest of age 60 with 5 years of service, age 55 with 25 years of service, or at any age with 30 years of service. Members may retire with an actuarially reduced benefit with 20 years of service at any age. If hired before July 1, 1999, members are eligible for a 2% accrual rate at the earliest of age 60 with 5 years of service, or at any age with 20 years of service and are eligible for a 2.5% accrual rate at the earliest of age 65 with 20 years of service, age 55 with 25 years of service, or at any age with 30 years of service.

Plan A - Members may retire with a 3.0% annual accrual rate at age 55 with 25 years of service, age 60 with 5 years of service or 30 years of service, regardless of age.

Plan B - Members may retire with a 2.0% annual accrual rate at age 55 with 30 years of service, or age 60 with 10 years of service. Benefits are reduced by 3% for each year under age 62 at retirement unless the member has 25 years of creditable service.

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 teachers whose first employment makes them eligible for membership in a Louisiana state retirement system on or after January 1, 2011 and for all Plan A and Plan B members, final average compensation is defined as the highest average thirty six month period. For all other members, final average compensation is defined as the highest average sixty month period.

Payment Options

A retiring member is entitled to receive the maximum benefit payable until the member's death. In lieu of the maximum benefit, the member may elect to receive a reduced benefit payable in the form of a Joint and Survivor Option, or a reduced benefit with a lump sum payment which cannot exceed 36 monthly benefit payments.

Effective July 1, 2009, members may 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.

**Deferred Retirement Option Program (DROP)**

In lieu of terminating employment and accepting a service retirement, an eligible member may begin participation on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

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

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

**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 medical board 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.

Regular Plan - An eligible member shall be entitled to a pension equal to 2.5% of average compensation; however, in no event shall the disability benefit be less than the lesser of (a) 40% of the state minimum salary for a beginning teacher with a bachelor's degree , or (b) 75% of average compensation.

Plan A - An eligible member shall be entitled to a service retirement benefit, but not less than 60%, nor more than 100% of final average compensation.

Plan B - An eligible member shall be entitled to a service retirement benefit, but not less than 30%, nor more than 75% of final average compensation.

**Survivor Benefits**

A surviving spouse with minor children of an active member with 5 years of creditable service (2 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, 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 2) shall receive an amount equal to the greater of (a) 50% of the spouses benefit, or (b) $300 (up to 2 eligible children). Benefits to minors cease at attainment of age 18, marriage or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with 10 years of creditable service (2 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) the option 2 equivalent of the benefit calculated at the 2.5% accrual rate for all creditable service.

**Post-Retirement Increases**

Post-retirement increases, previously referred to as cost of living adjustments, are permitted provided there are sufficient funds in the Employee Experience Account to fund the increase in the retiree reserves if approved by concurrent resolution of both houses as provided by law. Beginning July 1, 2009, the Employee Experience Account is credited with fifty percent of excess investment income above $200,000,000. Excess investment income is investment income over the actuarial valuation rate of 8.25%. The Employee Experience Account balance is limited to the funds necessary to fund two such increases. The Experience Account is debited for the increase in actuarial accrued liability resulting from the increase. Balances in the Employee Experience Account accrue interest at the average actuarial yield for the System portfolio.

## *STATISTICAL SECTION*

# Introduction

The objective of the statistical section is to provide financial statement users with historical perspective, context, and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess TRSL's economic condition.

# 10-Year Statements of Plan Net Assets – 2011-2002

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 193,169,842 | $ 150,796,599 | $ 131,091,325 | $ 36,087,141 | $ 15,294,772 |
| Receivables | | | | | |
| Member contributions | 56,787,814 | 59,257,475 | 61,727,888 | 57,451,866 | 57,266,938 |
| Employer contributions | 123,373,311 | 96,897,980 | 97,504,616 | 100,182,352 | 76,218,878 |
| ORP contributions retained | 6,636,474 | 4,279,761 | 3,867,065 | 4,230,253 | 3,641,433 |
| Pending trades | 659,633,553 | 36,016,308 | 119,795,990 | 257,071,878 | 170,641,032 |
| Accrued interest and dividends | 29,523,435 | 28,455,058 | 33,408,160 | 49,159,508 | 51,423,625 |
| Other receivables | 5,454,916 | 7,135,659 | 5,139,276 | 7,551,200 | 4,579,755 |
| Total receivables | 881,409,503 | 232,042,241 | 321,442,995 | 475,647,057 | 363,771,661 |
| Investments, at fair value | | | | | |
| Domestic bonds | 1,374,952,322 | 1,319,516,370 | 1,422,286,805 | 2,068,620,083 | 1,908,652,650 |
| International bonds | 669,538,563 | 569,848,847 | 626,067,234 | 791,074,725 | 772,811,203 |
| Domestic common and preferred stocks | 3,975,570,172 | 3,203,068,233 | 3,151,788,583 | 4,488,267,744 | 5,956,585,766 |
| International common and preferred stocks | 4,094,745,522 | 3,189,810,406 | 2,555,387,559 | 3,568,846,836 | 3,601,296,445 |
| Domestic short-term investments | 738,220,668 | 712,442,177 | 671,061,232 | 624,681,156 | 981,706,327 |
| International short-term investments | 0 | 0 | 0 | 0 | 0 |
| Alternative investments | 3,373,867,143 | 2,746,289,789 | 2,552,104,029 | 3,223,390,354 | 2,824,436,837 |
| Total investments | 14,226,894,390 | 11,740,975,822 | 10,978,695,442 | 14,764,880,898 | 16,045,489,228 |
| Invested securities lending collateral | | | | | |
| Collateral held under domestic securities lending program | 912,105,082 | 939,717,625 | 437,332,021 | 776,026,712 | 2,115,371,825 |
| Collateral held under international securities lending program | 281,035,076 | 259,982,342 | 310,312,098 | 287,648,965 | 391,908,563 |
| Total securities lending collateral | 1,193,140,158 | 1,199,699,967 | 747,644,119 | 1,063,675,677 | 2,507,280,388 |
| Building at cost, net of accumulated depreciation | 2,891,170 | 2,707,983 | 2,833,655 | 2,921,252 | 2,864,857 |
| Equipment, furniture and fixtures, at cost, net of accumulated depreciation | 549,221 | 683,008 | 743,709 | 863,850 | 600,753 |
| Land | 858,390 | 858,390 | 858,390 | 858,390 | 858,390 |
| **Total assets** | 16,498,912,674 | 13,327,764,010 | 12,183,309,635 | 16,344,934,265 | 18,936,160,049 |
| **Liabilities** | | | | | |
| Accounts payable | 9,112,130 | 8,167,523 | 7,296,980 | 11,370,139 | 13,006,673 |
| Benefits payable | 12,864,067 | 10,819,919 | 9,896,296 | 8,337,907 | 7,217,168 |
| Refunds payable | 6,299,057 | 6,356,179 | 6,705,543 | 6,615,715 | 5,858,882 |
| Pending trades payable | 690,646,242 | 72,754,781 | 150,091,261 | 255,395,415 | 252,855,646 |
| Other liabilities | 9,640,439 | 8,534,257 | 11,394,139 | 3,289,693 | 1,211,075 |
| Total accounts payable and other liabilities | 728,561,935 | 106,632,659 | 185,384,219 | 285,008,869 | 280,149,444 |
| Securities lending collateral | | | | | |
| Obligations under domestic securities lending program | 912,105,082 | 939,717,625 | 437,332,021 | 776,026,712 | 2,115,371,825 |
| Obligations under international securities lending program | 281,035,076 | 259,982,342 | 310,312,098 | 287,648,965 | 391,908,563 |
| Total securities lending collateral | 1,193,140,158 | 1,199,699,967 | 747,644,119 | 1,063,675,677 | 2,507,280,388 |
| **Total liabilities** | 1,921,702,093 | 1,306,332,626 | 933,028,338 | 1,348,684,546 | 2,787,429,832 |
| **Net assets held in trust for pension benefits** | $14,577,210,581 | $12,021,431,384 | $11,250,281,297 | $14,996,249,719 | $16,148,730,217 |

# 10-Year Statements of Plan Net Assets – 2011-2002

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 59,572,968 | $ 24,677,100 | $ 30,677,716 | $ 7,808,257 | $ 38,505,718 |
| Receivables | | | | | |
| Member contributions | 48,790,153 | 48,912,587 | 48,885,390 | 47,231,216 | 52,108,891 |
| Employer contributions | 72,017,765 | 72,934,679 | 64,691,821 | 57,746,203 | 54,589,415 |
| ORP contributions retained | 3,498,870 | 3,375,808 | 2,319,164 | 2,040,857 | 1,773,663 |
| Pending trades | 281,323,928 | 52,151,909 | 33,712,000 | 157,176,524 | 147,253,370 |
| Accrued interest and dividends | 44,597,792 | 42,821,985 | 40,170,526 | 41,423,260 | 47,177,102 |
| Other receivables | 29,173,670 | 2,473,479 | 1,518,187 | 1,444,449 | 1,168,914 |
| Total receivables | 479,402,178 | 222,670,447 | 191,297,088 | 307,062,509 | 304,071,355 |
| Investments, at fair value | | | | | |
| Domestic bonds | 2,121,505,657 | 1,913,039,451 | 1,659,559,992 | 1,704,534,901 | 1,902,126,260 |
| International bonds | 449,917,634 | 497,213,792 | 560,651,839 | 416,432,668 | 472,011,350 |
| Domestic common and preferred stocks | 5,630,073,349 | 5,796,790,444 | 4,926,745,546 | 4,468,939,880 | 4,586,782,472 |
| International common and preferred stocks | 3,188,085,062 | 1,969,333,621 | 1,454,136,303 | 1,033,655,198 | 1,075,238,305 |
| Domestic short-term investments | 178,839,314 | 256,739,631 | 910,719,505 | 434,080,034 | 470,234,146 |
| International short-term investments | 24,802,808 | 40,210,400 | 0 | 0 | 0 |
| Alternative investments | 2,162,400,411 | 2,017,705,199 | 2,263,185,124 | 2,318,479,242 | 2,003,507,564 |
| Total investments | 13,755,624,235 | 12,491,032,538 | 11,774,998,309 | 10,376,121,923 | 10,509,900,097 |
| Invested securities lending collateral | | | | | |
| Collateral held under domestic securities lending program | 1,860,049,089 | 1,508,767,585 | 1,593,822,121 | 3,064,894,429 | 2,938,825,140 |
| Collateral held under international securities lending program | 308,982,174 | 233,943,130 | 344,348,505 | 471,789,763 | 188,926,541 |
| Total securities lending collateral | 2,169,031,263 | 1,742,710,715 | 1,938,170,626 | 3,536,684,192 | 3,127,751,681 |
| Building at cost, net of accumulated depreciation | 2,933,836 | 2,995,632 | 3,127,099 | 3,240,290 | 3,291,565 |
| Equipment, furniture and fixtures, at cost, net of accumulated depreciation | 723,281 | 823,147 | 937,545 | 900,324 | 937,121 |
| Land | 858,390 | 858,390 | 858,390 | 858,390 | 889,816 |
| **Total assets** | 16,468,146,151 | 14,485,767,969 | 13,940,066,773 | 14,232,675,885 | 13,985,347,353 |
| **Liabilities** | | | | | |
| Accounts payable | 10,936,762 | 9,240,444 | 7,096,770 | 6,214,751 | 7,089,866 |
| Benefits payable | 5,118,886 | 2,077,116 | 2,616,254 | 3,067,010 | 2,067,335 |
| Refunds payable | 5,369,804 | 5,385,301 | 4,875,048 | 4,730,334 | 4,191,545 |
| Pending trades payable | 269,051,248 | 39,836,267 | 92,991,945 | 160,488,115 | 214,835,778 |
| Other liabilities | 1,025,440 | 605,537 | 919,238 | 813,873 | 917,097 |
| Total accounts payable and other liabilities | 291,502,140 | 57,144,665 | 108,499,255 | 175,314,083 | 229,101,621 |
| Securities lending collateral | | | | | |
| Obligations under domestic securities lending program | 1,860,049,089 | 1,508,767,585 | 1,593,822,121 | 3,064,894,429 | 2,938,825,140 |
| Obligations under international securities lending program | 308,982,174 | 233,943,130 | 344,348,505 | 471,789,763 | 188,926,541 |
| Total securities lending collateral | 2,169,031,263 | 1,742,710,715 | 1,938,170,626 | 3,536,684,192 | 3,127,751,681 |
| **Total liabilities** | 2,460,533,403 | 1,799,855,380 | 2,046,669,881 | 3,711,998,275 | 3,356,853,302 |
| **Net assets held in trust for pension benefits** | $14,007,612,748 | $12,685,912,589 | $11,893,396,892 | $10,520,677,610 | $10,628,494,051 |

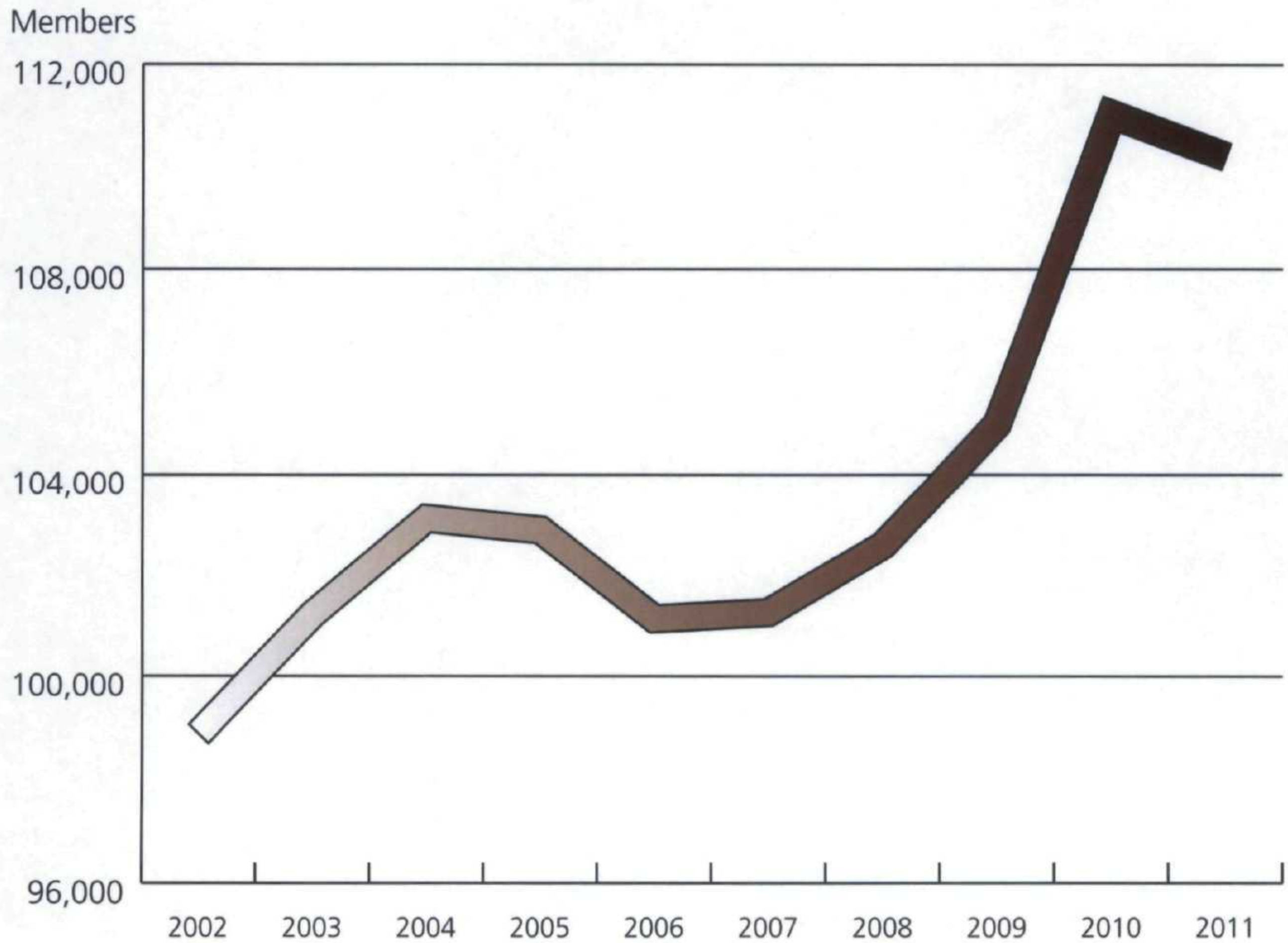
# 10-Year Statements of Changes in Plan Net Assets – 2011-2002

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Additions** | | | | | |
| Contributions | | | | | |
| Member contributions | $ 342,323,329 | $ 347,114,632 | $ 344,547,871 | $ 323,678,452 | $ 282,326,101 |
| Employer contributions | 853,918,265 | 665,219,676 | 660,244,436 | 656,091,577 | 544,401,879 |
| Total contributions | 1,196,241,594 | 1,012,334,308 | 1,004,792,307 | 979,770,029 | 826,727,980 |
| | | | | | |
| ORP contributions retained | 89,760,676 | 61,339,786 | 54,447,510 | 57,569,465 | 49,429,250 |
| | | | | | |
| Net appreciation (depreciation) in fair value domestic investments | 1,635,477,750 | 858,442,001 | (2,349,746,089) | (733,440,605) | 1,423,223,165 |
| Net appreciation (depreciation ) in fair value of international investments | 1,038,540,671 | 189,051,016 | (1,241,530,644) | (439,358,948) | 824,462,472 |
| Domestic interest | 76,984,822 | 88,485,556 | 127,898,837 | 151,520,486 | 144,497,859 |
| International interest | 27,669,760 | 30,639,991 | 32,949,523 | 39,474,147 | 30,984,724 |
| Domestic dividends | 63,345,760 | 58,019,267 | 72,833,729 | 88,058,251 | 97,594,609 |
| International dividends | 97,544,773 | 77,539,701 | 78,873,116 | 108,299,133 | 94,658,995 |
| Alternative investment income | 67,989,337 | 41,032,314 | 39,105,891 | 40,521,294 | 58,246,838 |
| Miscellaneous foreign income | 331,196 | 88,306 | 7,772 | 104,281 | 0 |
| Commission rebate income | 10,675 | 6,118 | 482,025 | 617,547 | 566,068 |
| Total investment income | 3,007,894,744 | 1,343,304,270 | (3,239,125,840) | (744,204,414) | 2,674,234,730 |
| Investment activity expenses: | | | | | |
| International investment expenses | (5,410,956) | (4,491,280) | (3,095,851) | (7,885,244) | (10,188,879) |
| Alternative investment expenses | (35,504,651) | (30,548,101) | (30,910,869) | (20,647,902) | (18,645,263) |
| Custodian fees | (485,364) | (468,022) | (446,588) | (744,317) | (763,878) |
| Performance consultant fees | (738,617) | (713,829) | (1,238,734) | (1,233,754) | (1,202,817) |
| Trade cost analysis fees | 0 | 0 | 0 | (40,000) | (40,000) |
| Advisor fees | (29,952,344) | (27,145,172) | (26,318,814) | (32,881,518) | (32,298,534) |
| Total investment expenses | (72,091,932) | (63,366,404) | (62,010,856) | (63,432,735) | (63,139,361) |
| Net income from investing activities | 2,935,802,812 | 1,279,937,866 | (3,301,136,696) | (807,637,149) | 2,611,095,359 |
| *From securities lending activities* | | | | | |
| Securities lending income | 5,708,833 | 4,779,079 | 17,685,073 | 32,251,979 | 40,981,124 |
| Securities lending expenses: | | | | | |
| Fixed | (1,449,599) | (3,031,970) | (13,202,812) | (24,866,799) | (11,354,478) |
| Equity | 769,792 | (2,565,874) | (2,018,542) | (249,396) | (249,909) |
| International | 1,861,586 | (3,199,017) | (9,313,289) | (9,993,981) | (5,024,341) |
| Total securities lending activities expenses | 1,181,779 | 1,025,352 | (8,796,861) | (24,534,643) | (35,110,176) |
| Net income from securities lending activities | 6,890,612 | 5,804,431 | 8,888,212 | 7,717,336 | 5,870,948 |
| | | | | | |
| Total net investment income (loss) | 2,942,693,424 | 1,285,742,297 | (3,292,248,484) | (799,919,813) | 2,616,966,317 |
| | | | | | |
| Other operating revenues | 3,299,671 | 3,605,633 | 4,407,243 | 46,264,759 | 5,496,271 |
| | | | | | |
| **Total additions** | **4,231,995,365** | **2,363,022,024** | **(2,228,601,424)** | **283,684,440** | **3,498,619,818** |
| | | | | | |
| **Deductions** | | | | | |
| Retirement benefits | 1,615,778,191 | 1,532,526,141 | 1,464,106,312 | 1,383,381,577 | 1,295,552,338 |
| Refunds of contributions | 43,005,926 | 40,834,543 | 34,418,885 | 35,071,343 | 48,119,943 |
| TRSL employee health & life expense | 1,477,395 | 1,813,334 | 2,502,048 | 2,285,378 | 0 |
| Administrative expenses | 15,417,596 | 16,154,823 | 15,799,028 | 14,880,903 | 13,323,547 |
| Depreciation expense | 537,060 | 543,096 | 540,725 | 545,737 | 506,521 |
| **Total deductions** | **1,676,216,168** | **1,591,871,937** | **1,517,366,998** | **1,436,164,938** | **1,357,502,349** |
| **Net increase (decrease)** | 2,555,779,197 | 771,150,087 | (3,745,968,422) | (1,152,480,498) | 2,141,117,469 |
| **Net assets held in trust for pension benefits** | | | | | |
| Beginning of year | 12,021,431,384 | 11,250,281,297 | $ 14,996,249,719 | $ 16,148,730,217 | $ 14,007,612,748 |
| **End of year** | **$ 14,577,210,581** | **$ 12,021,431,384** | **$ 11,250,281,297** | **$ 14,996,249,719** | **$ 16,148,730,217** |

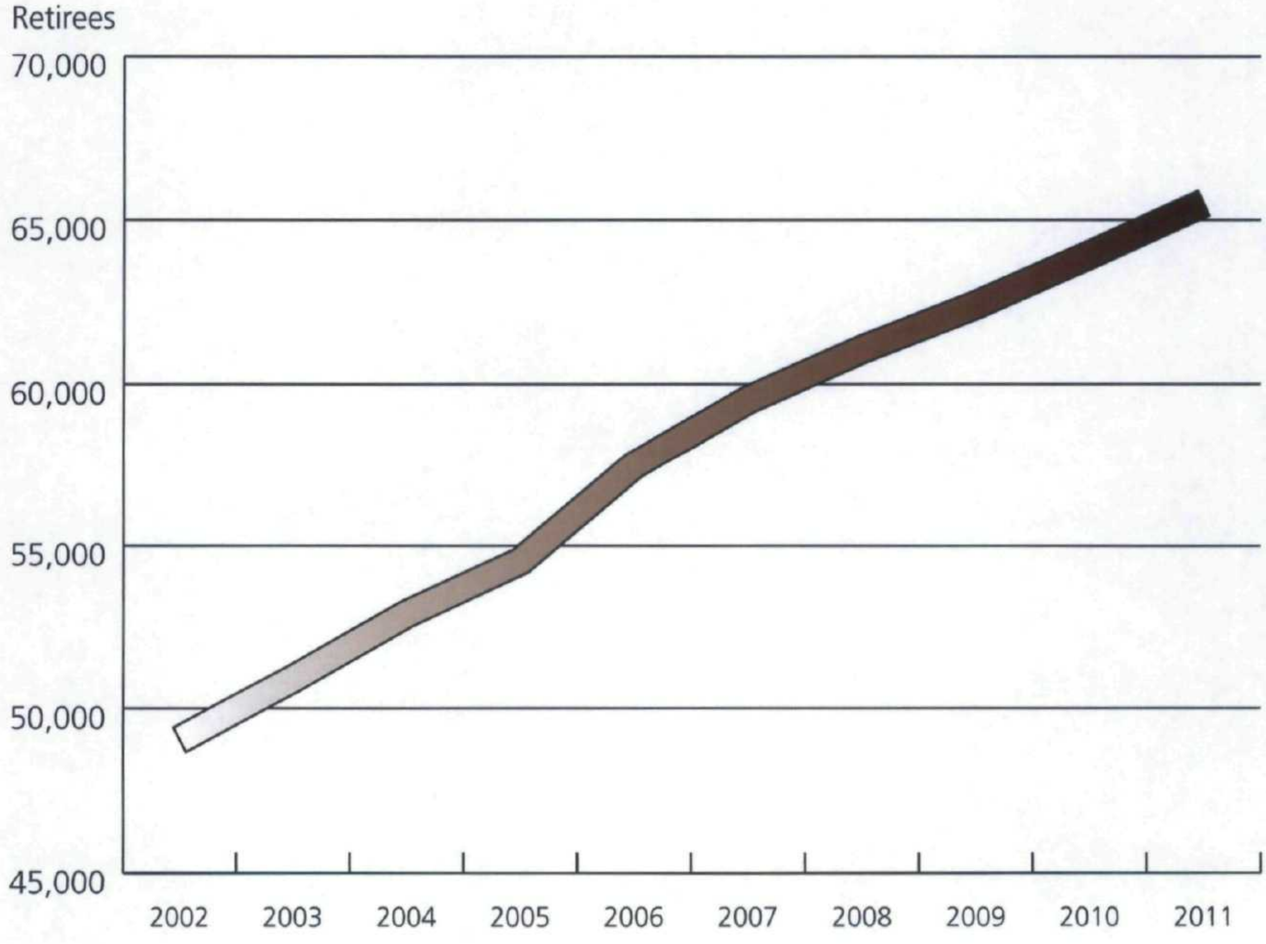
# 10-Year Statements of Changes in Plan Net Assets – 2011-2002

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| **Additions** | | | | | |
| Contributions | | | | | |
| Member contributions | $ 258,412,024 | $270,619,181 | $ 264,999,131 | $ 251,297,401 | $ 246,119,537 |
| Employer contributions | 529,983,453 | 517,815,361 | 444,104,350 | 421,838,213 | 400,478,248 |
| Total contributions | 788,395,477 | 788,434,542 | 709,103,481 | 673,135,614 | 646,597,785 |
| | | | | | |
| ORP contributions retained | 49,293,547 | 48,754,970 | 35,244,313 | 29,499,096 | 27,196,232 |
| | | | | | |
| Investment income: | | | | | |
| *From investment activities* | | | | | |
| Net appreciation (depreciation) in fair value of domestic investments | 809,290,218 | 663,699,379 | 1,164,647,179 | (9,358,002) | (1,141,008,157) |
| Net appreciation (depreciation ) in fair value of international investments | 584,857,302 | 197,833,593 | 323,405,540 | (3,830,620) | (146,482,391) |
| Domestic interest | 135,047,865 | 111,850,200 | 110,597,008 | 120,174,045 | 141,728,180 |
| International interest | 27,792,233 | 29,898,190 | 23,800,877 | 30,745,264 | 32,004,011 |
| Domestic dividends | 77,813,221 | 84,579,303 | 64,865,361 | 59,353,555 | 64,226,682 |
| International dividends | 68,564,525 | 31,583,991 | 41,800,161 | 28,041,533 | 23,023,499 |
| Alternative investment income | 97,733,026 | 108,622,676 | 81,696,047 | 44,050,485 | 137,200,613 |
| Miscellaneous foreign income | 0 | | | | |
| Commission rebate income | 675,608 | 571,219 | 1,078,487 | 1,026,354 | 1,649,282 |
| Total investment income | 1,801,773,998 | 1,228,638,551 | 1,811,890,660 | 270,202,614 | (887,658,281) |
| | | | | | |
| Investment activity expenses: | | | | | |
| International investment expenses | (9,493,180) | (5,710,058) | (4,995,570) | (2,530,171) | (2,618,482) |
| Alternative investment expenses | (28,474,213) | (64,918,175) | (49,401,029) | (31,682,592) | (41,418,046) |
| Custodian fees | (761,689) | (760,908) | (786,062) | (800,000) | (800,000) |
| Performance consultant fees | (1,077,254) | (618,996) | (507,749) | (279,786) | (252,000) |
| Trade cost analysis fees | (40,000) | (10,000) | (40,000) | (40,000) | (40,000) |
| Advisor fees | (29,802,772) | (26,020,649) | (23,311,668) | (19,283,122) | (22,812,775) |
| Total investment expenses | (69,649,108) | (98,038,786) | (79,042,078) | (54,615,671) | (67,941,303) |
| Net income from investing activities | 1,732,124,890 | 1,130,599,765 | 1,732,848,582 | 215,586,943 | (955,599,584) |
| | | | | | |
| *From securities lending activities* | | | | | |
| Securities lending income | 22,168,519 | 24,508,470 | 13,854,504 | 16,602,783 | 20,960,004 |
| Securities lending expenses: | | | | | |
| Fixed | (11,354,478) | (6,053,776) | (9,749,608) | (11,104,163) | (15,769,655) |
| Equity | (249,909) | (249,934) | (249,933) | (249,706) | (249,246) |
| International | (5,024,341) | (1,847,440) | (824,609) | (2,677,010) | (27,847,838) |
| Total securities lending activities expenses | (16,628,728) | (20,284,312) | (8,151,150) | (10,824,150) | (14,030,879) |
| Net income from securities lending activities | 5,539,791 | 4,224,158 | 5,703,354 | (6,053,776) | (9,749,608) |
| | | | | | |
| Total net investment income (loss) | 1,737,664,681 | 1,134,823,923 | 1,738,551,936 | 221,365,576 | (948,670,459) |
| | | | | | |
| Other operating revenues | 3,208,183 | 3,425,773 | 3,217,889 | 4,976,629 | 1,787,499 |
| | | | | | |
| **Total additions** | **2,578,561,888** | **1,975,439,208** | **2,486,117,619** | **928,976,915** | **(273,088,943)** |
| | | | | | |
| **Deductions** | | | | | |
| Retirement benefits | 1,204,472,977 | 1,139,814,334 | 1,075,298,667 | 1,003,327,453 | 920,593,341 |
| Refunds of contributions | 38,538,125 | 30,454,374 | 26,804,821 | 22,287,120 | 23,432,296 |
| TRSL employee health & life expense | 0 | 0 | 0 | 0 | 0 |
| Administrative expenses | 13,362,286 | 12,178,533 | 10,786,450 | 10,688,003 | 8,886,231 |
| Depreciation expense | 488,341 | 476,270 | 508,399 | 490,780 | 475,734 |
| **Total deductions** | **1,256,861,729** | **1,182,923,511** | **1,113,398,337** | **1,036,793,356** | **953,387,602** |
| **Net increase (decrease)** | 1,321,700,159 | 792,515,697 | 1,372,719,282 | (107,816,441) | (1,226,476,545) |
| **Net assets held in trust for pension benefits** | | | | | |
| Beginning of year | $ 12,685,912,589 | $ 11,893,396,892 | $ 10,520,677,610 | $ 10,628,494,051 | $ 11,854,970,596 |
| **End of year** | **$ 14,007,612,748** | **$ 12,685,912,589** | **$ 11,893,396,892** | **$ 10,520,677,610** | **$ 10,628,494,051** |

| Number of Active, Terminated Vested, and Nonvested Members | | |
|---|---|---|
| **Fiscal Year** | **Members** | **% Increase Each Year** |
| 2001-2002 | 98,861 | 1.6% |
| 2002-2003 | 101,218 | 2.4% |
| 2003-2004 | 103,125 | 1.9% |
| 2004-2005 | 102,896 | -0.2% |
| 2005-2006 | 101,135 | -1.7% |
| 2006-2007 | 101,262 | 0.1% |
| 2007-2008 | 102,593 | 1.3% |
| 2008-2009 | 104,983 | 2.3% |
| 2009-2010 | 111,030 | 5.8% |
| 2010-2011 | 110,204 | -0.1% |

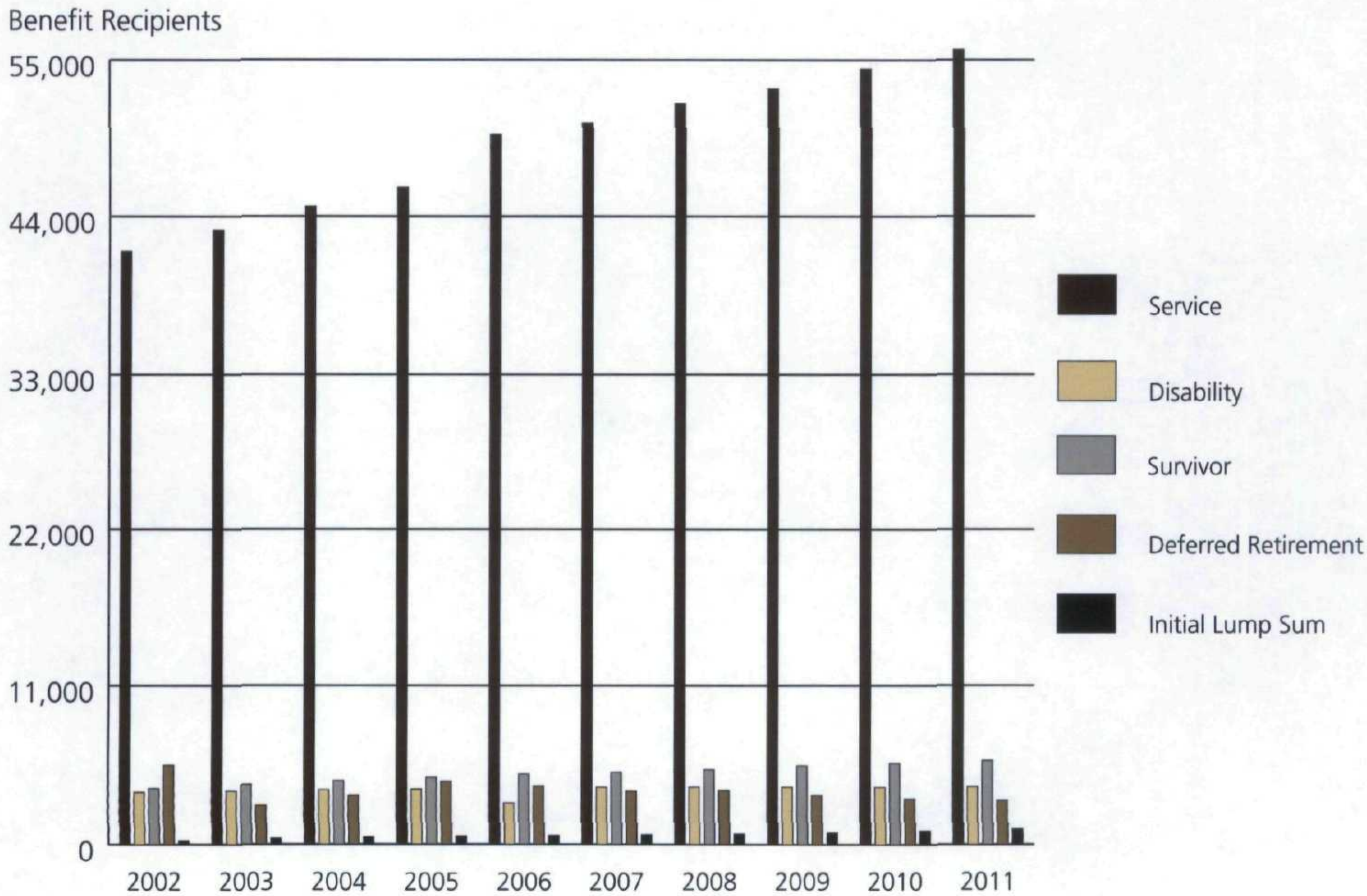


| Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits | | |
|---|---|---|
| **Fiscal Year** | **Retirees** | **% Increase Each Year** |
| 2001-2002 | 49,053 | 3.5% |
| 2002-2003 | 50,903 | 3.8% |
| 2003-2004 | 52,900 | 3.9% |
| 2004-2005 | 54,525 | 3.1% |
| 2005-2006 | 57,512 | 5.5% |
| 2006-2007 | 59,530 | 3.5% |
| 2007-2008 | 61,070 | 2.6% |
| 2008-2009 | 62,417 | 2.2% |
| 2009-2010 | 63,940 | 2.4% |
| 2010-2011 | 65,512 | 2.5% |



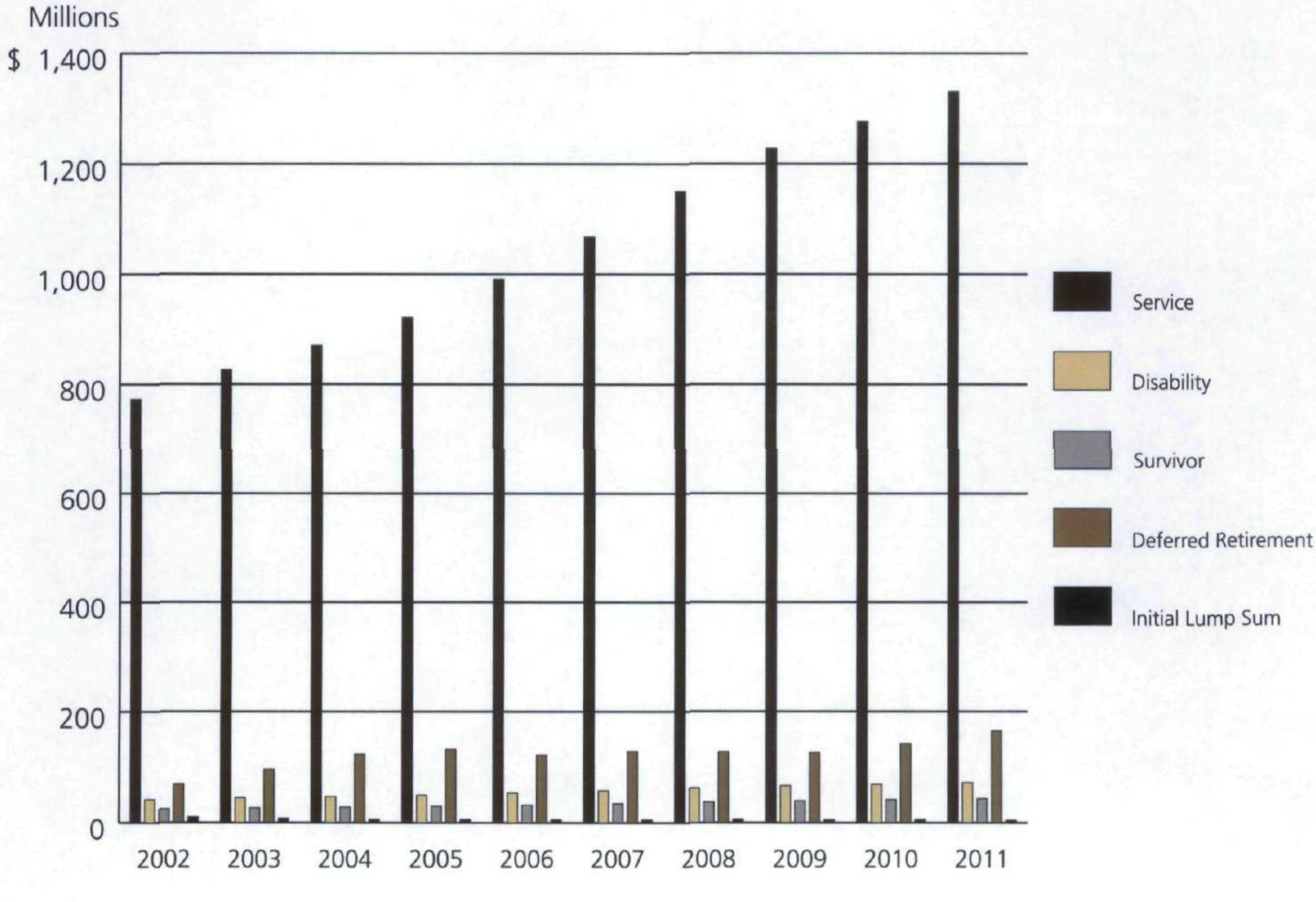
**Number of Benefit Recipients**

| Fiscal Year | Service | Disability | Survivor | Deferred Retirement | Initial Lump Sum | Total |
|---|---|---|---|---|---|---|
| 2001-2002 | 41,566 | 3,622 | 3,865 | 5,496 | 248 | 54,797 |
| 2002-2003 | 43,050 | 3,698 | 4,155 | 2,722 | 437 | 54,062 |
| 2003-2004 | 44,690 | 3,797 | 4,413 | 3,409 | 547 | 56,856 |
| 2004-2005 | 46,035 | 3,836 | 4,654 | 4,375 | 587 | 59,487 |
| 2005-2006 | 49,776 | 2,865 | 4,871 | 4,042 | 627 | 62,181 |
| 2006-2007 | 50,566 | 3,961 | 5,003 | 3,715 | 687 | 63,932 |
| 2007-2008 | 51,916 | 3,969 | 5,185 | 3,760 | 755 | 65,585 |
| 2008-2009 | 53,009 | 3,959 | 5,449 | 3,421 | 815 | 66,653 |
| 2009-2010 | 54,381 | 3,943 | 5,616 | 3,148 | 934 | 68,022 |
| 2010-2011 | 55,723 | 3,983 | 5,806 | 3,032 | 1,085 | 69,629 |



| Schedule of Retired Members By Type of Benefit as of June 30, 2011 (Data include all plans) | | | | |
|---|---|---|---|---|
| **Amount of Monthly Benefit** | **Service Retirees** | **Disability Retirees** | **Beneficiaries/ Survivors** | **Total** |
| $ 0 - $ 299.99 | 1,597 | 151 | 507 | 2,255 |
| $ 300 - $ 599.99 | 4,780 | 764 | 848 | 6,392 |
| $ 600 - $ 899.99 | 5,393 | 1,356 | 1,022 | 7,771 |
| $ 900 - $ 1,199.99 | 6,114 | 777 | 787 | 7,678 |
| $ 1,200 - $ 1,499.99 | 4,907 | 426 | 523 | 5,856 |
| $ 1,500 - $ 1,799.99 | 3,956 | 257 | 459 | 4,672 |
| $ 1,800 - $ 2,099.99 | 3,972 | 133 | 371 | 4,476 |
| $ 2,100 - $ 2,399.99 | 4,974 | 45 | 328 | 5,347 |
| $ 2,400 - $ 2,699.99 | 5,352 | 31 | 299 | 5,682 |
| $ 2,700 - $ 2,999.99 | 4,528 | 20 | 188 | 4,736 |
| $ 3,000 - $ 3,299.99 | 3,362 | 16 | 150 | 3,528 |
| $ 3,300 - $ 3,599.99 | 2,114 | 5 | 97 | 2,216 |
| $ 3,600 - $ 3,899.99 | 1,396 | 1 | 73 | 1,470 |
| $ 3,900 - $ 4,199.99 | 970 | 1 | 54 | 1,025 |
| $ 4,200 - $ 4,499.99 | 688 | 0 | 37 | 725 |
| $ 4,500 - and above | 1,620 | 0 | 63 | 1,683 |
| **TOTALS FOR ALL PLANS** | 55,723 | 3,983 | 5,806 | 65,512 |

| Total Benefit Payments | | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Service | Disability | Survivor | Deferred Retirement | Initial Lump Sum | Total |
| 2001-2002 | $ 773,311,519 | $ 42,027,800 | $ 25,216,680 | $ 69,718,252 | $ 10,319,090 | $ 920,593,341 |
| 2002-2003 | 826,661,700 | 44,927,266 | 26,956,360 | 96,539,409 | 8,242,718 | 1,003,327,453 |
| 2003-2004 | 870,865,365 | 47,329,639 | 28,397,784 | 122,905,311 | 5,800,568 | 1,075,298,667 |
| 2004-2005 | 921,584,123 | 50,086,094 | 30,051,656 | 131,811,600 | 6,280,861 | 1,139,814,334 |
| 2005-2006 | 991,166,824 | 53,867,762 | 32,320,657 | 121,703,237 | 5,414,497 | 1,204,472,977 |
| 2006-2007 | 1,068,519,663 | 58,071,721 | 34,843,032 | 128,592,267 | 5,525,655 | 1,295,552,338 |
| 2007-2008 | 1,149,302,721 | 62,462,104 | 37,477,263 | 127,670,669 | 6,468,820 | 1,383,381,577 |
| 2008-2009 | 1,226,455,421 | 66,655,186 | 39,993,112 | 125,779,104 | 5,223,489 | 1,464,106,312 |
| 2009-2010 | 1,273,969,481 | 69,237,472 | 41,542,483 | 141,897,005 | 5,879,700 | 1,532,526,141 |
| 2010-2011 | 1,330,518,072 | 72,310,765 | 43,386,458 | 165,109,914 | 4,452,982 | 1,615,778,191 |



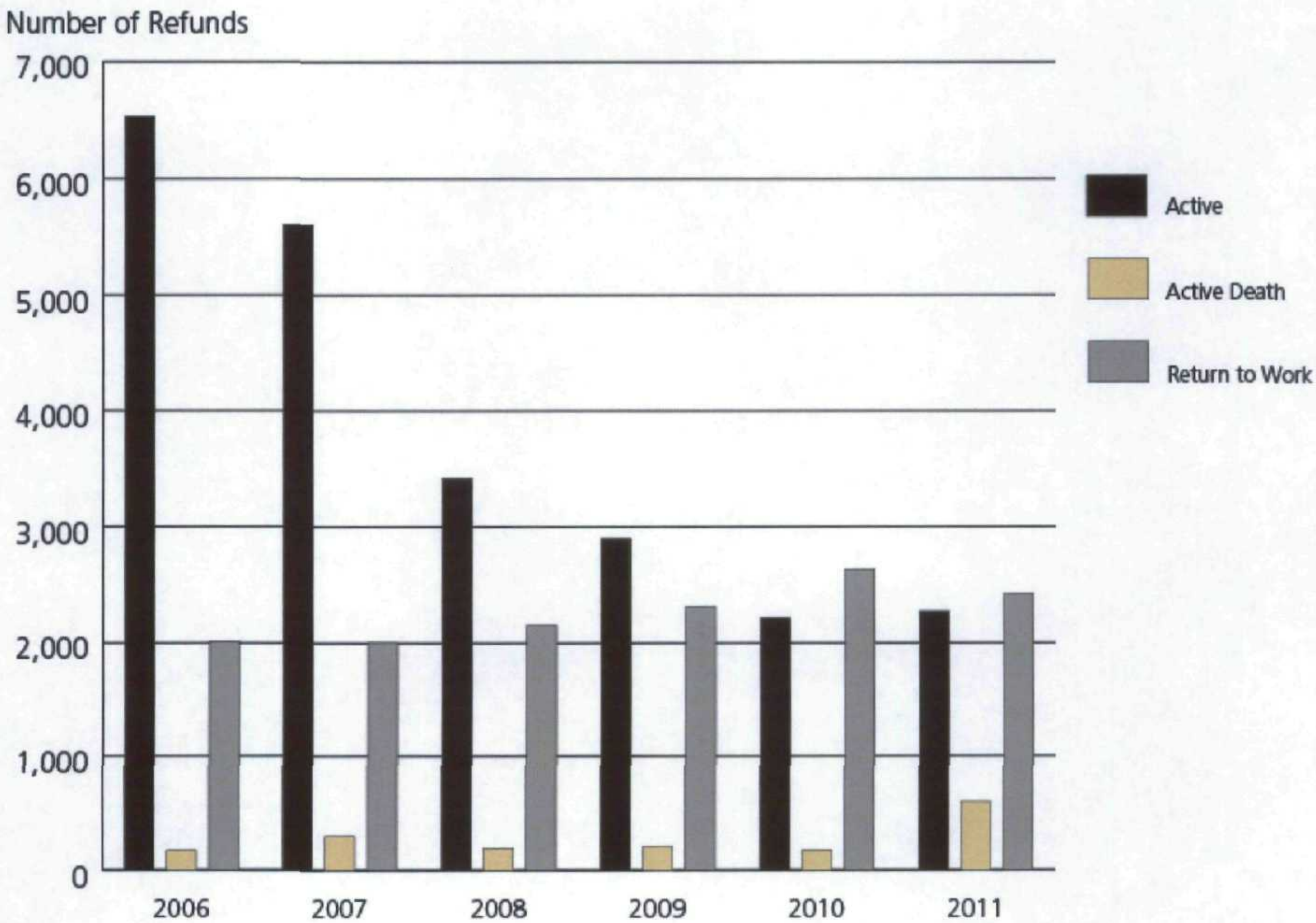
| 10-Year Average Monthly Benefit Payments For Beneficiaries/Survivors | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Years of Service Credit | | | | | | | | | |
| Fiscal Year | Status Type | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30-35 | 35-40 | Over 40 | All Members |
| | | | | | | | | | | | |
| 2002 | AVERAGE BENEFIT | $ 343 | $ 406 | $ 518 | $ 697 | $ 976 | $ 1,565 | $ 1,582 | $ 1,496 | $ 3,519 | $ 1,192 |
| 2002 | AVERAGE COMP | 0 | 919 | 844 | 519 | 1,255 | 1,323 | 802 | 649 | 4,511 | 1,040 |
| 2002 | RETIREE COUNT | 1 | 23 | 40 | 53 | 91 | 103 | 78 | 30 | 6 | 425 |
| | | | | | | | | | | | |
| 2003 | AVERAGE BENEFIT | 0 | 458 | 523 | 617 | 1,000 | 1,470 | 1,545 | 1,773 | 918 | 1,169 |
| 2003 | AVERAGE COMP | 0 | 942 | 1,415 | 873 | 1,036 | 1,372 | 1,245 | 1,328 | 1,640 | 1,211 |
| 2003 | RETIREE COUNT | 0 | 27 | 38 | 56 | 71 | 126 | 84 | 32 | 9 | 443 |
| | | | | | | | | | | | |
| 2004 | AVERAGE BENEFIT | 0 | 428 | 458 | 722 | 1,032 | 1,296 | 1,889 | 1,798 | 1,604 | 1,196 |
| 2004 | AVERAGE COMP | 0 | 1,153 | 1,501 | 1,613 | 1,677 | 1,846 | 1,355 | 1,054 | 895 | 1,511 |
| 2004 | RETIREE COUNT | 0 | 36 | 49 | 36 | 78 | 101 | 80 | 39 | 11 | 430 |
| | | | | | | | | | | | |
| 2005 | AVERAGE BENEFIT | 1,157 | 467 | 550 | 785 | 956 | 1,485 | 1,779 | 1,948 | 1,779 | 1,254 |
| 2005 | AVERAGE COMP | 1,422 | 1,670 | 1,599 | 1,874 | 1,419 | 2,040 | 1,814 | 1,811 | 2,736 | 1,799 |
| 2005 | RETIREE COUNT | 2 | 28 | 51 | 56 | 92 | 119 | 93 | 39 | 16 | 496 |
| | | | | | | | | | | | |
| 2006 | AVERAGE BENEFIT | 0 | 406 | 590 | 854 | 1,035 | 1,467 | 1,590 | 1,761 | 2,087 | 1,187 |
| 2006 | AVERAGE COMP | 0 | 1,716 | 1,427 | 1,844 | 1,557 | 1,817 | 1,571 | 1,606 | 1,785 | 1,669 |
| 2006 | RETIREE COUNT | 1 | 35 | 46 | 70 | 102 | 133 | 86 | 29 | 7 | 509 |
| | | | | | | | | | | | |
| 2007 | AVERAGE BENEFIT | 682 | 524 | 599 | 787 | 1,015 | 1,322 | 1,582 | 1,881 | 2,640 | 1,175 |
| 2007 | AVERAGE COMP | 0 | 1,802 | 1,602 | 1,435 | 1,776 | 2,157 | 1,408 | 1,154 | 2,153 | 1,708 |
| 2007 | RETIREE COUNT | 2 | 38 | 55 | 66 | 111 | 142 | 101 | 38 | 8 | 561 |
| | | | | | | | | | | | |
| 2008 | AVERAGE BENEFIT | 851 | 423 | 468 | 902 | 1,024 | 1,517 | 1,893 | 1,859 | 1,828 | 1,302 |
| 2008 | AVERAGE COMP | 2,133 | 2,424 | 1,873 | 1,211 | 1,731 | 2,298 | 2,080 | 1,623 | 1,083 | 1,944 |
| 2008 | RETIREE COUNT | 6 | 27 | 65 | 52 | 88 | 138 | 124 | 33 | 9 | 542 |
| | | | | | | | | | | | |
| 2009 | AVERAGE BENEFIT | 371 | 386 | 504 | 843 | 1,114 | 1,759 | 1,983 | 1,959 | 2,481 | 1,334 |
| 2009 | AVERAGE COMP | 4,206 | 1,797 | 1,802 | 2,136 | 1,939 | 2,335 | 1,857 | 1,883 | 1,526 | 2,004 |
| 2009 | RETIREE COUNT | 1 | 43 | 65 | 72 | 113 | 126 | 109 | 38 | 7 | 574 |
| | | | | | | | | | | | |
| 2010 | AVERAGE BENEFIT | 263 | 439 | 606 | 846 | 1,261 | 1,593 | 1,753 | 2,119 | 1,543 | 1,292 |
| 2010 | AVERAGE COMP | 2,996 | 2,494 | 2,078 | 1,913 | 2,382 | 1,978 | 1,575 | 1,990 | 580 | 1,999 |
| 2010 | RETIREE COUNT | 4 | 44 | 77 | 70 | 93 | 133 | 121 | 38 | 5 | 585 |
| | | | | | | | | | | | |
| 2011 | AVERAGE BENEFIT | 710 | 350 | 471 | 659 | 1,099 | 1,492 | 1,856 | 2,372 | 1,829 | 1,267 |
| 2011 | AVERAGE COMP | 2,861 | 2,042 | 1,822 | 1,053 | 1,879 | 1,934 | 1,883 | 1,663 | 3,245 | 1,797 |
| 2011 | RETIREE COUNT | 5 | 25 | 51 | 75 | 112 | 139 | 113 | 27 | 6 | 553 |

| 10-Year Average Monthly Benefit Payments For Disability Retirees | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Years of Service Credit | | | | | | | | | |
| Fiscal Year | Status Type | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30-35 | 35-40 | Over 40 | All Members |
| 2002 | AVERAGE BENEFIT | $ 606 | $ 570 | $ 651 | $ 949 | $ 970 | $ 938 | $ 0 | $ 0 | $ 0 | $ 785 |
| 2002 | AVERAGE COMP | 1,121 | 1,454 | 1,569 | 2,022 | 1,763 | 1,721 | 0 | 0 | 0 | 1,727 |
| 2002 | RETIREE COUNT | 1 | 50 | 57 | 75 | 30 | 4 | 0 | 0 | 0 | 217 |
| 2003 | AVERAGE BENEFIT | 647 | 629 | 716 | 985 | 1,185 | 1,279 | 0 | 0 | 0 | 828 |
| 2003 | AVERAGE COMP | 2,041 | 1,642 | 1,844 | 2,097 | 2,450 | 2,182 | 0 | 0 | 0 | 1,926 |
| 2003 | RETIREE COUNT | 3 | 65 | 53 | 56 | 21 | 7 | 0 | 0 | 0 | 205 |
| 2004 | AVERAGE BENEFIT | 911 | 677 | 751 | 1,066 | 891 | 1,252 | 0 | 0 | 0 | 888 |
| 2004 | AVERAGE COMP | 849 | 1,933 | 2,029 | 2,367 | 1,719 | 2,504 | 0 | 0 | 0 | 2,098 |
| 2004 | RETIREE COUNT | 3 | 49 | 41 | 66 | 20 | 11 | 0 | 0 | 0 | 190 |
| 2005 | AVERAGE BENEFIT | 652 | 646 | 783 | 988 | 1,017 | 1,648 | 0 | 0 | 0 | 868 |
| 2005 | AVERAGE COMP | 905 | 1,841 | 2,159 | 2,310 | 2,029 | 3,156 | 0 | 0 | 0 | 2,133 |
| 2005 | RETIREE COUNT | 2 | 51 | 56 | 57 | 23 | 8 | 0 | 0 | 0 | 197 |
| 2006 | AVERAGE BENEFIT | 749 | 691 | 825 | 1,076 | 1,345 | 1,709 | 0 | 0 | 0 | 929 |
| 2006 | AVERAGE COMP | 1,468 | 1,966 | 2,154 | 2,356 | 2,733 | 3,130 | 0 | 0 | 0 | 2,225 |
| 2006 | RETIREE COUNT | 5 | 63 | 66 | 62 | 29 | 2 | 0 | 0 | 0 | 227 |
| 2007 | AVERAGE BENEFIT | 592 | 689 | 842 | 1,028 | 1,373 | 1,805 | 0 | 0 | 0 | 928 |
| 2007 | AVERAGE COMP | 1,480 | 2,072 | 2,097 | 2,243 | 2,739 | 4,616 | 0 | 0 | 0 | 2,245 |
| 2007 | RETIREE COUNT | 7 | 50 | 63 | 37 | 28 | 4 | 0 | 0 | 0 | 189 |
| 2008 | AVERAGE BENEFIT | 808 | 791 | 902 | 1,166 | 1,430 | 1,015 | 0 | 0 | 0 | 981 |
| 2008 | AVERAGE COMP | 619 | 2,193 | 2,243 | 2,688 | 2,880 | 1,730 | 0 | 0 | 0 | 2,340 |
| 2008 | RETIREE COUNT | 4 | 65 | 51 | 38 | 22 | 6 | 0 | 0 | 0 | 186 |
| 2009 | AVERAGE BENEFIT | 869 | 801 | 948 | 1,287 | 1,201 | 1,266 | 0 | 0 | 0 | 1,029 |
| 2009 | AVERAGE COMP | 2,068 | 2,193 | 2,595 | 2,916 | 2,488 | 2,543 | 0 | 0 | 0 | 2,513 |
| 2009 | RETIREE COUNT | 3 | 50 | 28 | 38 | 18 | 5 | 0 | 0 | 0 | 142 |
| 2010 | AVERAGE BENEFIT | 903 | 841 | 1,059 | 1,408 | 1,636 | 1,357 | 832 | 0 | 0 | 1,207 |
| 2010 | AVERAGE COMP | 2,838 | 2,130 | 2,868 | 3,163 | 3,359 | 2,536 | 1,365 | 0 | 0 | 2,847 |
| 2010 | RETIREE COUNT | 2 | 35 | 39 | 52 | 20 | 3 | 1 | 0 | 0 | 152 |
| 2011 | AVERAGE BENEFIT | 862 | 904 | 1,036 | 1,548 | 1,477 | 1,820 | 0 | 0 | 0 | 1,220 |
| 2011 | AVERAGE COMP | 1,158 | 2,180 | 2,102 | 2,442 | 2,824 | 4,062 | 0 | 0 | 0 | 2,341 |
| 2011 | RETIREE COUNT | 3 | 41 | 44 | 44 | 23 | 3 | 0 | 0 | 0 | 158 |

| 10-Year Average Monthly Benefit Payments For Service Retirees | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Years of Service Credit | | | | | | | | | |
| Fiscal Year | Status Type | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30-35 | 35-40 | Over 40 | All Members |
| 2002 | AVERAGE BENEFIT | $ 482 | $ 309 | $ 545 | $ 970 | $1,417 | $ 2,203 | $ 2,674 | $ 3,086 | $ 3,528 | $ 1,852 |
| 2002 | AVERAGE COMP | 2,360 | 2,111 | 2,269 | 2,597 | 2,852 | 3,291 | 3,684 | 4,026 | 4,112 | 3,117 |
| 2002 | RETIREE COUNT | 10 | 92 | 170 | 246 | 566 | 882 | 499 | 74 | 18 | 2,557 |
| 2003 | AVERAGE BENEFIT | 822 | 366 | 578 | 902 | 1,451 | 2,335 | 2,796 | 3,362 | 3,559 | 1,961 |
| 2003 | AVERAGE COMP | 2,399 | 2,256 | 2,403 | 2,497 | 2,910 | 3,488 | 3,884 | 4,310 | 4,395 | 3,267 |
| 2003 | RETIREE COUNT | 7 | 86 | 158 | 231 | 579 | 939 | 509 | 68 | 20 | 2,597 |
| 2004 | AVERAGE BENEFIT | 191 | 417 | 557 | 960 | 1,538 | 2,316 | 2,821 | 3,736 | 4,268 | 2,019 |
| 2004 | AVERAGE COMP | 1,747 | 2,484 | 2,349 | 2,656 | 3,089 | 3,415 | 3,924 | 4,999 | 5,382 | 3,349 |
| 2004 | RETIREE COUNT | 9 | 96 | 188 | 243 | 557 | 1,015 | 539 | 93 | 34 | 2,774 |
| 2005 | AVERAGE BENEFIT | 316 | 377 | 616 | 1,034 | 1,580 | 2,399 | 2,916 | 3,657 | 3,758 | 2,116 |
| 2005 | AVERAGE COMP | 3,426 | 2,341 | 2,560 | 2,807 | 3,092 | 3,556 | 4,021 | 4,938 | 4,926 | 3,464 |
| 2005 | RETIREE COUNT | 7 | 85 | 190 | 274 | 607 | 1,160 | 660 | 110 | 26 | 3,119 |
| 2006 | AVERAGE BENEFIT | 533 | 456 | 617 | 1,041 | 1,623 | 2,486 | 2,965 | 3,603 | 3,812 | 2,170 |
| 2006 | AVERAGE COMP | 2,637 | 2,826 | 2,640 | 2,935 | 3,286 | 3,712 | 4,132 | 4,932 | 4,954 | 3,613 |
| 2006 | RETIREE COUNT | 12 | 123 | 227 | 351 | 867 | 1,572 | 825 | 161 | 42 | 4,180 |
| 2007 | AVERAGE BENEFIT | 424 | 427 | 614 | 1,101 | 1,704 | 2,576 | 3,082 | 4,020 | 4,767 | 2,155 |
| 2007 | AVERAGE COMP | 2,170 | 2,729 | 2,653 | 3,139 | 3,384 | 3,853 | 4,280 | 5,562 | 5,794 | 3,682 |
| 2007 | RETIREE COUNT | 20 | 118 | 258 | 313 | 599 | 1,065 | 622 | 87 | 19 | 3,101 |
| 2008 | AVERAGE BENEFIT | 601 | 485 | 648 | 1,114 | 1,797 | 2,613 | 3,120 | 4,145 | 4,950 | 2,214 |
| 2008 | AVERAGE COMP | 3,745 | 2,876 | 2,700 | 3,120 | 3,465 | 3,883 | 4,433 | 5,788 | 6,389 | 3,775 |
| 2008 | RETIREE COUNT | 13 | 130 | 204 | 254 | 467 | 944 | 495 | 80 | 22 | 2,609 |
| 2009 | AVERAGE BENEFIT | 323 | 536 | 654 | 1,179 | 1,878 | 2,750 | 3,272 | 4,049 | 5,270 | 2,371 |
| 2009 | AVERAGE COMP | 2,865 | 3,141 | 2,788 | 3,308 | 3,715 | 4,141 | 4,632 | 5,879 | 7,695 | 4,052 |
| 2009 | RETIREE COUNT | 12 | 103 | 179 | 229 | 487 | 809 | 519 | 104 | 29 | 2,471 |
| 2010 | AVERAGE BENEFIT | 1,176 | 546 | 712 | 1,134 | 1,971 | 2,818 | 3,312 | 4,012 | 4,323 | 2,408 |
| 2010 | AVERAGE COMP | 3,583 | 3,238 | 2,969 | 3,281 | 3,915 | 4,225 | 4,722 | 6,066 | 6,330 | 4,147 |
| 2010 | RETIREE COUNT | 16 | 126 | 201 | 262 | 493 | 881 | 595 | 126 | 22 | 2,722 |
| 2011 | AVERAGE BENEFIT | 473 | 633 | 772 | 1,204 | 1,993 | 2,832 | 3,361 | 4,262 | 4,403 | 2,443 |
| 2011 | AVERAGE COMP | 2,688 | 2,706 | 2,810 | 2,963 | 3,386 | 3,979 | 4,471 | 5,085 | 5,476 | 3,790 |
| 2011 | RETIREE COUNT | 9 | 142 | 208 | 268 | 506 | 857 | 582 | 135 | 35 | 2,742 |

| Number of Refunds of Contributions | | | | |
|---|---|---|---|---|
| **Fiscal Year** | **Active** | **Active Death** | **Return-to- Work** | **Total** |
| 2001-2002 | | | | 5,191* |
| 2002-2003 | | | | 5,422* |
| 2003-2004 | | | | 5,657* |
| 2004-2005 | | | | 6,572* |
| 2005-2006 | 6,532 | 171 | 2,015 | 8,718 |
| 2006-2007 | 5,608 | 297 | 2,002 | 7,907 |
| 2007-2008 | 3,416 | 192 | 2,154 | 5,762 |
| 2008-2009 | 2,897 | 207 | 2,317 | 5,421 |
| 2009-2010 | 2,213 | 176 | 2,636 | 5,025 |
| 2010-2011 | 2,272 | 598 | 2,427 | 5,297 |

* Specific breakdown by category not available for years prior to 2005-2006.



**Revenues by Source**

| Fiscal Year | Member | Employer | Retained* | ACTS 642 & 7 | Net Investment Income | Other Operating Revenues | Total |
|---|---|---|---|---|---|---|---|
| 2001-2002 | $ 246,119,537 | $400,478,248 | $ 27,196,232 | | $ (948,670,459) | $ 1,787,499 | $ (273,088,943) |
| 2002-2003 | 251,297,401 | 421,838,213 | 29,499,096 | | 221,365,576 | 4,976,629 | 928,976,915 |
| 2003-2004 | 264,999,131 | 444,104,350 | 35,244,313 | | 1,738,551,936 | 3,217,889 | 2,486,117,619 |
| 2004-2005 | 270,619,181 | 517,815,361 | 48,754,970 | | 1,134,823,923 | 3,425,773 | 1,975,439,208 |
| 2005-2006 | 258,412,024 | 503,583,453 | 49,293,547 | $ 26,400,000** | 1,737,664,681 | 3,208,183 | 2,578,561,888 |
| 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) |
| 2009-2010 | 347,114,632 | 665,219,676 | 61,339,786 | | 1,285,742,297 | 3,605,633 | 2,363,022,024 |
| 2010-2011 | 342,323,329 | 853,918,265 | 89,760,676 | | 2,942,693,424 | 3,299,671 | 4,231,995,365 |

***Refers to the ORP administrative fee (.10 percent of member contributions) and UAL payments for ORP participants retained by TRSL**

**** Act 642 of 2006**

*****Act 7 of 2008**

**Expenses by Type**

| Fiscal Year | Benefits | Refunds/Other | Administrative Expenses | Depreciation Expense | Total |
|---|---|---|---|---|---|
| 2001-2002 | $ 920,593,341 | $ 23,432,296 | $ 8,886,231 | $ 475,734 | $ 953,387,602 |
| 2002-2003 | 1,003,327,453 | 22,287,120 | 10,688,003 | 490,780 | 1,036,793,356 |
| 2003-2004 | 1,075,298,667 | 26,804,821 | 10,786,450 | 508,399 | 1,113,398,337 |
| 2004-2005 | 1,139,814,334 | 30,454,374 | 12,178,533 | 476,270 | 1,182,923,511 |
| 2005-2006 | 1,204,472,977 | 38,538,125 | 13,362,286 | 488,341 | 1,256,861,729 |
| 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 |
| 2009-2010 | 1,534,339,475* | 40,834,543 | 16,154,823 | 543,096 | 1,591,871,937 |
| 2010-2011 | 1,617,255,586* | 43,005,926 | 15,417,596 | 537,060 | 1,676,216,168 |

*Includes Other Post- Employment Benefits (OPEB) expense.

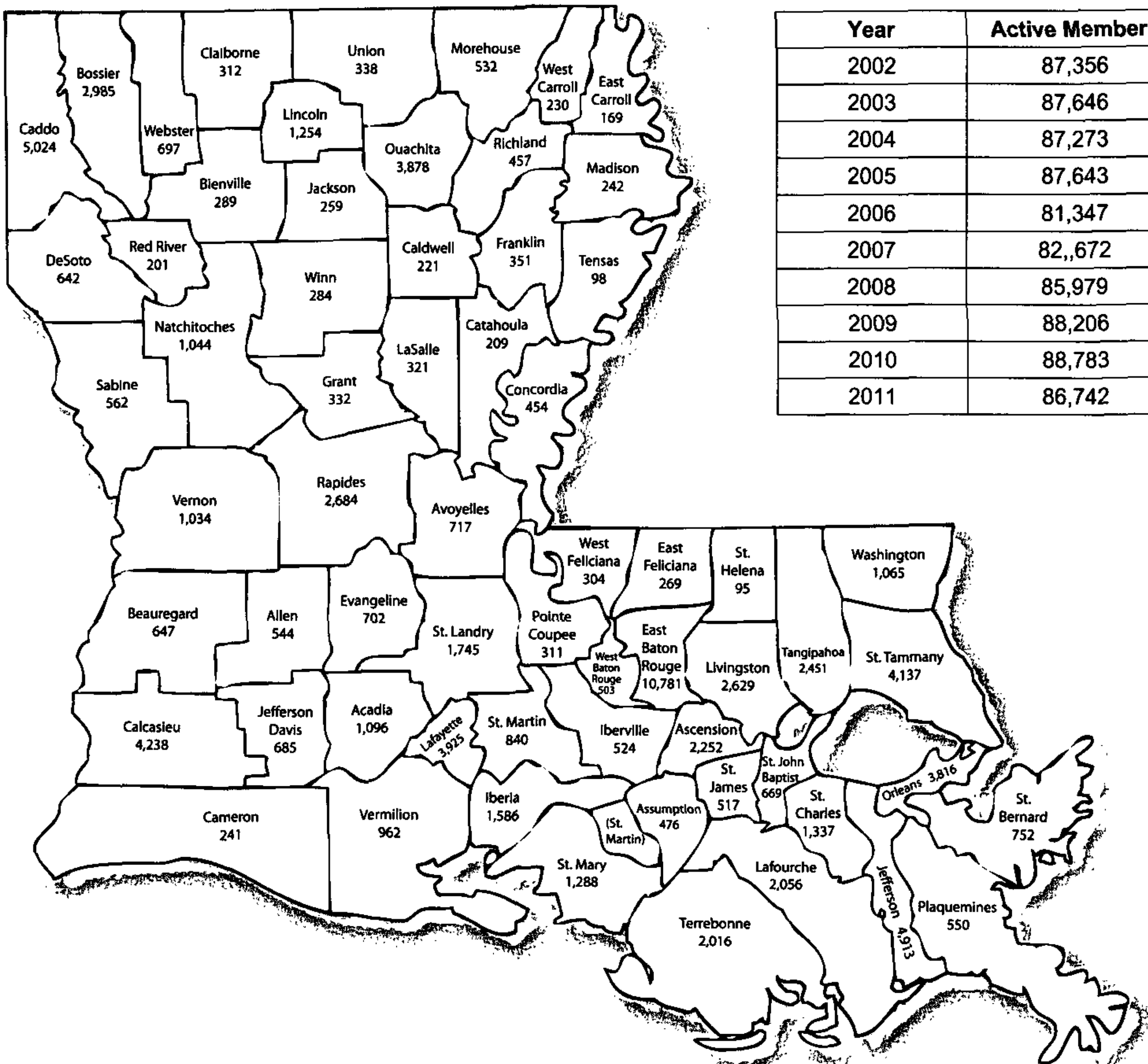
# *Largest 25 Employers*

| EMPLOYER NAME | # of EMPLOYEES |
|---|---|
| | |
| CADDO PARISH SCHOOL BOARD | 5,204 |
| EBR PARISH SCHOOL BOARD | 4,877 |
| JEFFERSON PARISH SCHOOL BOARD | 4,854 |
| ST TAMMANY PARISH SCHOOL BOARD | 4,134 |
| CALCASIEU PARISH SCHOOL BOARD | 3,914 |
| LAFAYETTE PARISH SCHOOL BOARD | 3,404 |
| RAPIDES PARISH SCHOOL BOARD | 2,648 |
| LIVINGSTON PARISH SCHOOL BOARD | 2,629 |
| OUACHITA PARISH SCHOOL BOARD | 2,239 |
| ASCENSION PARISH SCHOOL BOARD | 2,197 |
| BOSSIER PARISH SCHOOL BOARD | 2,179 |
| TANGIPAHOA PARISH SCHOOL BOARD | 2,005 |
| TERREBONNE PARISH SCHOOL BOARD | 1,922 |
| LAFOURCHE PARISH SCHOOL BOARD | 1,805 |
| LOUISIANA STATE UNIVERSITY | 1,802 |
| ST LANDRY PARISH SCHOOL BOARD | 1,745 |
| IBERIA PARISH SCHOOL BOARD | 1,509 |
| ST CHARLES PARISH SCHOOL BOARD | 1,337 |
| ST MARY PARISH SCHOOL BOARD | 1,182 |
| MONROE CITY SCHOOL BOARD | 1,176 |
| ACADIA PARISH SCHOOL BOARD | 1,096 |
| VERNON PARISH SCHOOL BOARD | 1,034 |
| DOE- RECOVERY SCHOOL DISTRICT | 1,024 |
| VERMILION PARISH SCHOOL BOARD | 962 |
| ST MARTIN PARISH SCHOOL BOARD | 840 |

## *Total Active Members Statewide*

**Total number of members – 86,742**

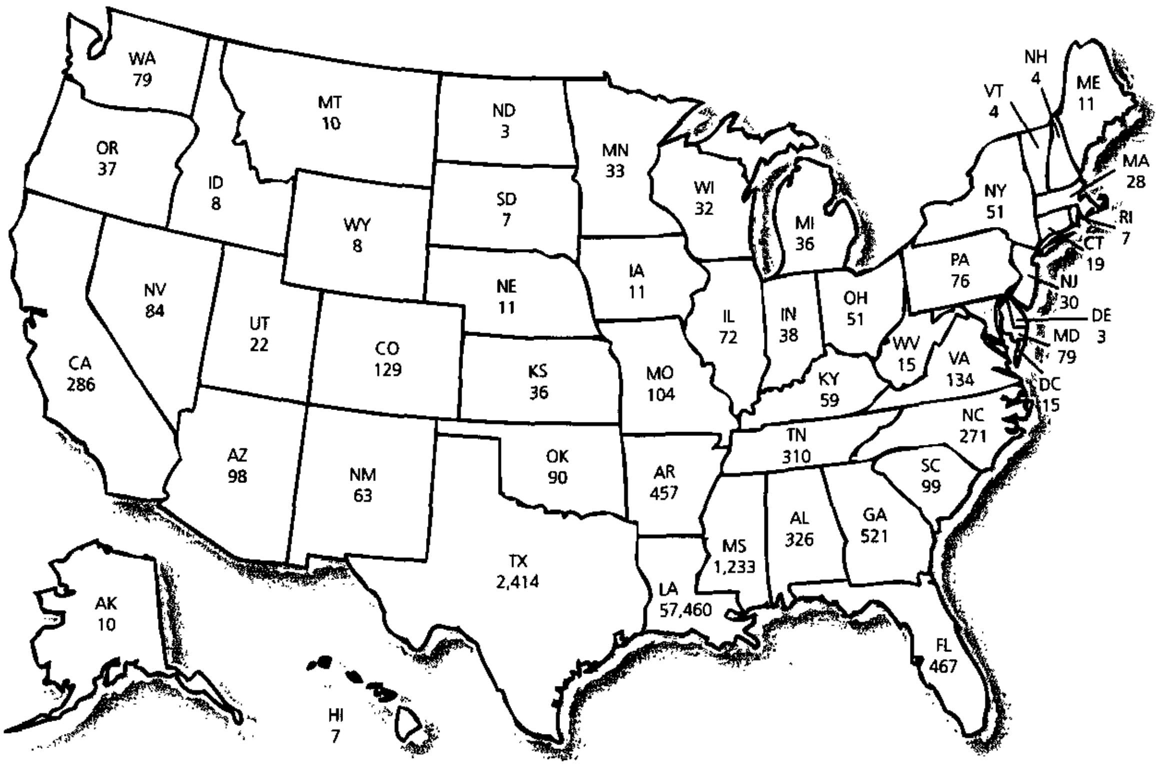
(includes all employing agencies located within each parish)




| Year | Active Members |
|---|---|
| 2002 | 87,356 |
| 2003 | 87,646 |
| 2004 | 87,273 |
| 2005 | 87,643 |
| 2006 | 81,347 |
| 2007 | 82,,672 |
| 2008 | 85,979 |
| 2009 | 88,206 |
| 2010 | 88,783 |
| 2011 | 86,742 |

## *TRSL Retirees Worldwide*

**Total number of retirees – 65,512**




| United States and District of Columbia (DC) | 65,461 |
|---|---|
| U.S. Overseas Military Bases | 7 |
| U.S. Territories | 2 |
| Guam | 1 |
| Virgin Islands | 1 |
| Foreign Countries | 42 |
| Argentina | 1 |
| Australia | 2 |
| Belgium | 1 |
| Canada | 7 |
| Costa Rica | 2 |
| Czech Republic | 3 |
| Finland | 1 |
| Germany | 8 |
| Greece | 1 |
| Hungary | 1 |
| India | 1 |
| Mexico | 2 |
| New Zealand | 1 |
| Pakistan | 2 |
| Philippines | 1 |
| Portugal | 1 |
| Singapore | 1 |
| Switzerland | 1 |
| Thailand | 2 |
| United Kingdom | 3 |
| **TOTAL** | **65,512** |

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J.CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
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October 5, 2011

**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***

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

Members of the Board:

We have audited the financial statements of the Teachers' Retirement System of Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Teachers' Retirement System of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Teachers' Retirement System of Louisiana's internal control over financial reporting.

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 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Teachers' Retirement System of Louisiana's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Trustees, the State of Louisiana Division of Administration, the Office of the Legislative Auditor of the State of Louisiana, and management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP