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TRSL Teachers' Retirement System of Louisiana

2012 Comprehensive Annual Financial Report

A component unit of the State of Louisiana for the fiscal year ended June 30, 2012

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2012 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, 2012

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INTRODUCTORY SECTION

TRSL
Teachers' Retirement System of Louisiana

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October 3, 2012

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

Dear Board Members:

Bienvenue! *In this bicentennial year of Louisiana statehood, we are honored to present the 2012* Comprehensive Annual Financial Report (CAFR) for the Teachers' Retirement System of Louisiana (TRSL).

Two hundred years ago, Louisiana, with its wonderfully unique and diverse culture, became the 18th state admitted to the Union. The history of Louisiana is a medley of heritages with distinct accents from Native American, French, Spanish, African, English, and German life. Thankfully, the influence of these cultures is still very much present in today's Louisiana, and is reflected in its people, food, music, and traditions.

Ten different flags have flown over Louisiana. In 1912, however, the depiction of a brown pelican—a mother feeding her fledgling—was chosen to grace the state flag. The pelican is one of the state's most recognizable symbols, even appearing on the official state seal. Keeping with that tradition, the brown pelican is also prominently featured in the official Louisiana Bicentennial logo. Because of our traditions and cultural diversity, Louisiana remains one of the most distinctive states in the Union, and we are happy to celebrate 200 years of the state's history, resiliency, and contributions to the nation.

In the spirit of this commemorative year, TRSL's 2012 annual report incorporates the brown pelican throughout its design. On the following pages, you'll find photographs beautifully capturing the brown pelican in its natural habitat. Furthermore, this annual report for the fiscal year ended June 30, 2012, is a result of the combined efforts by the TRSL staff and its advisors. It is designed to provide a complete and reliable accounting of information that ultimately facilitates transparency of the system's financial position; illustrates compliance with legal requirements; allows evaluation of fund stewardship; and guides management in decision-making processes.

2012 Legislative Session

Public pensions were a focal point of the 2012 regular legislative session as a wave of pension legislation sponsored by the governor sought to diminish retirement benefits for current and future employees.

Many employees faced having to work longer to attain retirement eligibility as well as pay more toward their pensions in exchange for a smaller benefit upon retirement. Although these proposed changes were not enacted, a new retirement plan did receive legislative approval and was signed into law by the governor.

Starting July 1, 2013, TRSL will administer a cash balance plan. The cash balance plan is considered a defined benefit plan although its plan features differ significantly from those of TRSL's traditional defined benefit plan in which most TRSL members participate. Retirement benefits are based upon contributions from employees and employers and investment earnings, not salary and service credit as is characteristic of most traditional defined benefit plans.

Individuals beginning employment on or after July 1, 2013, and who have no prior state service can choose to participate in the cash balance plan. New hires in post-secondary institutions will have to choose between the cash balance plan and the Optional Retirement Plan (ORP)—a defined contribution plan. Higher education personnel will no longer be able to participate in TRSL's traditional defined benefit plan. Newly hired individuals at a K-12 employer can make an irrevocable election to participate in the cash balance plan, instead of the TRSL defined benefit plan.

Although the cash balance plan is slated to go into effect next July, TRSL will seek a determination from the Internal Revenue Service on whether the new plan meets IRS governmental plan qualifications. In a separate matter, the Division of Administration, as the employer, must request a ruling from the Social Security Administration on whether the retirement benefits afforded in the cash balance plan meet Social Security equivalency requirements.

In other legislative action this year, Act 716 requires the employer contribution rate to be individually calculated for each TRSL subplan—Regular Plan (K-12), Regular Plan (Higher Education), Lunch Plan A, and Lunch Plan B. The individualized rates went into effect for fiscal year starting July 1, 2012.

Act 298 allows charter school teachers to purchase service credit in TRSL. The law will also let charter schools establish a bifurcated pension plan for retirees with TRSL service credit, only if the IRS determines that the arrangement does not adversely affect TRSL's status as a qualified governmental plan.

With passage of Act 113, the Commissioner of the Division of Administration joins the TRSL Board of Trustees as an ex officio member. This increases the number of ex officio trustees to five and brings total board membership to 17.

TRSL Board members are required by statute to complete continuing education hours in investments, actuarial science, law, and ethics. Act 718 of 2012 now requires trustees to complete four additional continuing education hours each year, for a total of 16 hours of trustee education.

Profile of TRSL

TRSL is a multiple-employer, defined benefit pension plan established by the Legislature in 1936. Its assets are held in trust to provide retirement benefits for retired members and their beneficiaries.

As the largest public retirement system in the state, TRSL has a membership of 179,315. Actively employed members numbered 84,513 in 2012 and our annuitant count stood at 67,657. In 2011, active membership totaled 86,742 and the number of retirees was 65,512.

TRSL is governed by a Board of Trustees whose primary responsibility is to manage and safeguard assets held in trust for the membership. The TRSL Board has 12 elected members and five ex officio members who hold their positions by virtue of their state office. The TRSL Board meets every month. Trustees and executive management staff perform all duties in accordance with their fiduciary responsibilities.

Investments

Global events, including the Greek debt crisis and lingering uncertainty about the Euro continued to color the economic environment, both domestic and international. Such market sensitivity resulted in tepid asset performance for many institutional investors.

After a stellar 2011 in which TRSL earned a 26.76 percent investment return and was the highest performing fund among public pension plans with assets greater than $1 billion, TRSL earned a 0.12 percent return on investments (gross of fees) for the fiscal year ended June 30, 2012. The total market value of the System's investments, excluding other assets, was $13.91 billion on June 30, 2012.

TRSL's investment program outperformed similarly sized pension systems in private equity and real assets, such as real estate and commodities, according to the latest results from a study conducted by CEM Benchmarking, Inc. that measures cost and performance in the pension industry.

Over the five-year period ended December 31, 2011, TRSL returned 10.7 percent and 2.6 percent in private equity and real assets, respectively. The U.S. average was 7.4 percent for private equity and 1.8 percent for real assets.

In other investment news, upon recommendation by the retirement system's actuary, the TRSL Board approved lowering the plan's actuarial rate of return to 8.0 percent from 8.25 percent. The new target rate will go into effect starting Fiscal Year 2012-13 if approved and adopted by the Public Retirement Systems' Actuarial Committee (PRSAC) in early 2013.

Funding
TRSL's defined benefit plan is funded through investment earnings and contributions from employees and employers. Regular Plan members, the system's largest membership, contribute eight percent of salary toward their retirement benefits.

As mentioned earlier, legislation passed this year requires TRSL to calculate separate employer contributions rates by class of employees (subplan). The law distinguishes four subplans administered by TRSL—the Regular Plan for K-12, Regular Plan for higher education, and School Lunch Plans A and B.

Despite the distinction by subplan, the employer contribution rate is still 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).

Based upon these two factors, the TRSL actuary recommends an employer contribution rate which is converted to a percentage of total payroll of all active members for each subplan and adopted PRSAC.

The employer contribution rates for Fiscal Year 2012-13 are as follows:

- Regular Plan (K-12): 24.5%
- Regular Plan (Higher Education): 24.4%
- Lunch Plan A 30.0%
- Lunch Plan B 26.6%

The contribution rate for employers in Fiscal Year 2011-12 was 23.7 percent.

During the year ended June 30, 2012, the funded ratio of the system increased to 55.4 percent from 55.1 percent. Total net assets held in trust decreased to $14.2 billion at June 30, 2012, from $14.6 billion at June 30, 2011.

Accomplishments
It is the objective of every department in TRSL to meet the needs of members efficiently and effectively. Much of what we do for our members is driven by our technology. We are pleased to report that this year our Information Technology (IT) Department completed the conversion from a legacy document management system to a new, updated P8 Workflow System. The new system allows staff to easily manage member forms and documents, enabling faster response times and enhanced customer service. Our staff achieved a number of other accomplishments this year that align with our core objectives.

Efficient internal processes
The IT Department upgraded and launched its Employer/Member Information Site (EMIS) that provides secure online access to the TRSL membership database and inquiry system. With EMIS, TRSL staff and employers can quickly and easily update member files, and members can access an expanded array of self-service functions.

Toll free (outside the Baton Rouge area): 1.877.ASK.TRSL (1.877.275.8775)

Cost-effective administration
As mentioned earlier, TRSL participated in a comprehensive benchmarking study that compares TRSL with its peers in the pension industry. Results of the study are an important management tool that we use to assess what we're doing right and where we can improve.

In addition to its investment program, TRSL's performance in pension administration was reviewed. For the ninth year, TRSL was recognized by CEM for its efficient delivery of quality services. In the area of pension administration, TRSL's cost per member was $86 compared to its peer average of $101. Enhancements in key service areas, such as the ability for members to apply for retirement online and receive pension estimates faster, have improved the experience of TRSL members.

Enhanced customer service
Thanks to the work of the TRSL Employer Support Services Group, employers have significantly reduced a backlog of employee retirement data. Upon employer request, this group provides on-site assistance to personnel responsible for handling their agency's retirement information. This has been an invaluable resource for employers as they work to ensure retirement information is accurate and up to date. In Fiscal Year 2011-12, the Employer Support Services Group visited 29 employers and helped them verify, correct, or update almost 200,000 records. Ultimately, this makes the retirement process faster and easier for members.

Finally, this year TRSL added closed captioning to its online *TRSL Now Showing* presentations. We were delighted to provide our deaf and hard of hearing members with greater access to information about their retirement and benefits.

While we are pleased with this year's accomplishments, we continually strive to build upon our successes and achieve the highest standards in pension administration.

Report structure and oversight
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.

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

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 and adopted by the Public Retirement Systems' Actuarial Committee (PRSAC) on an annual basis.

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Furthermore, the Board and management perform their duties 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 the allocation of funds.

TRSL also maintains a system of internal controls to reasonably assure that assets are properly safeguarded, resources are efficiently and economically employed, and financial information is reliable and accurate. We use leading technology, emphasize continuing professional development, and maintain an internal audit department to ensure the interests of our membership are never compromised.

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, 2012 and 2011.

Awards and Recognition

We take great pride in our work, and are equally pleased when others notice. For the 21st consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded TRSL the *Certificate of Achievement for Excellence in Financial Reporting* for its 2011 *Comprehensive Annual Financial Report (CAFR).*

TRSL also received the *Award for Outstanding Achievement in Popular Annual Financial Reporting* for its *2011 Popular Annual Financial Report (PAFR)* for the 10th year in a row. 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, which 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. Our sincere appreciation goes to those whose dedicated work and skill were essential to the production of this report.

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

Maureen H. Westgard
Director

A. Stuart Cagle, Jr.
Deputy Director

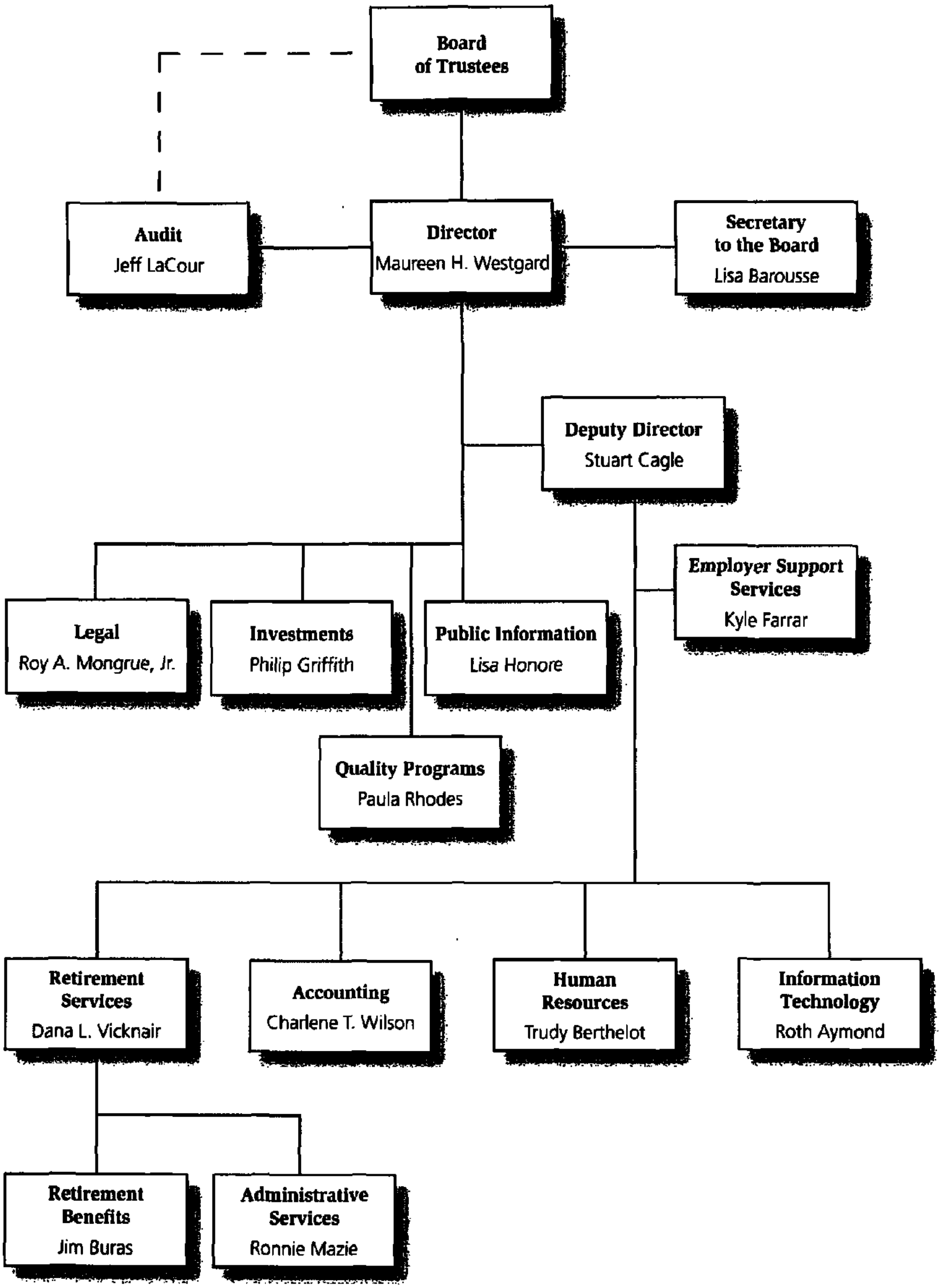
Dana L. Vicknair
Assistant Director

Roy A. Mongrue, Jr.
General Counsel

Philip Griffith
Chief Investment Officer

Executive Management	**Department Managers**
Maureen H. Westgard, *Director*	Roth Aymond, *Information Technology Director*
A. Stuart Cagle, Jr., *Deputy Director*	Trudy Berthelot, *Human Resource Director*
Dana L. Vicknair, *Assistant Director*	Dana Brown, *Investment Director of Public Assets*
Roy A. Mongrue, Jr., *General Counsel*	Jim Buras, *Retirement Benefits Administrator*
Philip Griffith, *Chief Investment Officer*	Maurice Coleman, *Investment Director of Private Assets*
	Lisa Honoré, Ph.D., *Public Information Director*
	Jeff LaCour, *Audit Director*
	Ronnie Mazie, *Administrative Services Manager*
	Katherine Whitney, *Deputy General Counsel*
	Charlene T. Wilson, *Chief Financial Officer*

Organizational Chart



Professional Consultants and Vendors

Actuaries

Hall Actuarial Associates

SJ Actuarial Associates

Auditor

Louisiana Legislative Auditor/Hawthorn, Waymouth & Carroll, L.L.P.

Custodian Bank and Securities Lending Vendor

BNY Mellon Asset Servicing

Information Technology and Other Consultants

CEM Benchmarking, Inc.

McLagan Management Consultants

Modiphy, Inc.

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.

USA Consulting, Inc.

VR Election Services

Investment Advisors

Acadian Asset Management

Aletheia Research and Management, Inc.

Artisan Partners Limited Partnership

Augustus Asset Managers Limited

Baillie Gifford Overseas Limited

BNY Mellon Center

The Boston Company Asset Management

Brandywine Global Investment Management, Inc.

Brown Advisory

The Clifton Group

Columbus Circle Investors

Fiduciary Management Associates, L.L.C.

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

Pacific Investment Management Co.

Perimeter Capital Management

Prudential Real Estate Investors

Rhumbline Advisers

Rothschild Asset Management, Inc.

Shenkman Capital Management, Inc.

Systematic Financial Management

TCW Asset Management Company

UBS Global Asset Management, Inc.

Vontobel Asset Management

Westwood Management Corp.

Western Asset Management Co.

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

Klausner, Kaufman, Jensen & Levinson

Medical Examiners

Capitol Clinical & Forensic Psychiatry, L.L.C.
C/O Dr. H. W. 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. H. W. 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, 2011

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 2011

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 2011-12 Legislation

New Benefit Structure - Cash Balance Plan	
Act 483	Creates a cash balance plan for TRSL members whose first employment makes them eligible for membership in one of the state systems on or after July 1, 2013. Membership in this plan would be mandatory for employees of post-secondary management boards who do not choose the Optional Retirement Plan (ORP). The cash balance plan would be optional for all other employees, including K-12 teachers. (*Effective 6/30/12*)
Return to Work	
Act 228	Expands the definition of "retired teacher" in the TRSL return-to-work law to include retirees returning to service as adjunct professors, subject to an earnings limit of 25 percent of the annual retirement benefit. (*Effective 7/1/12*)
Act 297	Expands the definition of "retired teacher" in the TRSL return-to-work law to include retirees who are re-employed as substitute, preK-12 classroom teachers and retirees with valid Louisiana teaching certificates who instruct adults in an adult education or literacy program administered through a public elementary/secondary education institution. Substitutes (preK-12) and adult education or literacy instructors are subject to an earnings limit of 25 percent of the annual retirement benefit. It also allows retirees with advanced degrees in speech therapy, speech pathology, or audiology to return to work after they have been retired for at least 12 months without a limitation on earnings. (*Effective 7/1/12*)
Charter School Employee Participation	
Act 298	Allows for the purchase of service credit in TRSL for the time served in a charter school that did not participate in TRSL. Also, upon receipt of a favorable IRS ruling, allows a charter school to set up a bifurcated retirement plan within its charter allowing TRSL members employed by a charter school to remain in TRSL. (*Effective 7/1/12*)
Forfeiture of Benefits	
Act 479	Authorizes the forfeiture of retirement benefits of public officials and employees who are convicted of felony acts associated with their positions. (*Effective upon passage of a constitutional amendment appearing on the November 2012 statewide ballot*)
Public Retirement Board Governance and Education	
Act 113	Adds the commissioner of administration to the boards of the state retirement systems and authorizes the state treasurer to name any person as his designee to the boards. (*Effective 6/30/12*)
Act 224	Allows legislative staff to attend certain executive sessions of public retirement boards. (*Effective 5/22/12*)
Act 718	Increases the number of required educational training hours for trustees of public retirement system boards from 12 to 16 hours. (*Effective 8/31/12*)
Employer Contribution Rate	
Act 716	Requires the calculation of individualized employer contribution rates for various subgroups within the TRSL system, which are to be paid by employers. (*Effective 6/11/12*)
Other Legislation	
Act 872	Requires that any bill that would effect a change in laws relating to any retirement system for public employees that is to be pre-filed shall be pre-filed no later than 5 p.m. of the 45th calendar day prior to the first day of a regular session. (*Constitutional amendment appearing on the November 2012 statewide ballot*)
Act 510	Makes certain changes to TRSL's provisions in conformity with federal tax-qualification provisions. (*Effective 7/1/12*)
Resolutions and Studies	
HCR 57	Requests that Congress review and eliminate the provisions of federal law that reduce Social Security benefits for persons receiving pensions from federal, state, or local governmental retirement systems.
HCSR 3	Requests the House and Senate committees on retirement meet and function as a joint committee to study funding mechanisms for granting cost-of-living adjustments and to report the findings to the Legislature prior to the 2013 Regular Session.

FINANCIAL SECTION

Independent Auditor's Report

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

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

October 2, 2012

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, 2012 and 2011, 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, 2012 and 2011, 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 2, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 audits 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 audits were conducted for the purpose of forming opinions on the basic financial statements of Teachers' Retirement System of Louisiana. 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. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare 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 section, investment section, actuarial section and the statistical section 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 2011 and 2012. 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 $14.2 billion in 2012 compared to $14.6 billion in 2011, and $12.0 billion in 2010.
- The market rate of return on the System's investments was 0.1 percent for 2012 compared to 26.8 percent for 2011, and 12.6 percent for 2010.
- The System's funded ratio was 55.4 percent at June 30, 2012, compared to 55.1 percent at June 30, 2011, and 54.4 percent at June 30, 2010.
- The unfunded actuarial accrued liability (UAAL) was $11.0 billion for 2012 and $10.8 billion for 2011 and 2010. This liability includes all actuarial assets required in accordance with GASB 25.
- Total benefit payments were $1.7 billion in 2012. The benefit payments were $1.6 billion in 2011 and $1.5 billion in 2010.

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, 2012, and June 30, 2011.

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.
- **Note M** provides information on upcoming implementation of GASB Statement 67.
- **Note N** provides information on upcoming implementation of GASB Statement 68.

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. Member contributions, employer contributions, and earnings on investments fund these benefits. Total net assets held in trust to pay pension benefits at June 30, 2012, is $14.2 billion, compared to $14.6 billion held in trust at June 30, 2011, and $12.0 billion held in trust at June 30, 2010.

Condensed Comparative Statements of Plan Net Assets

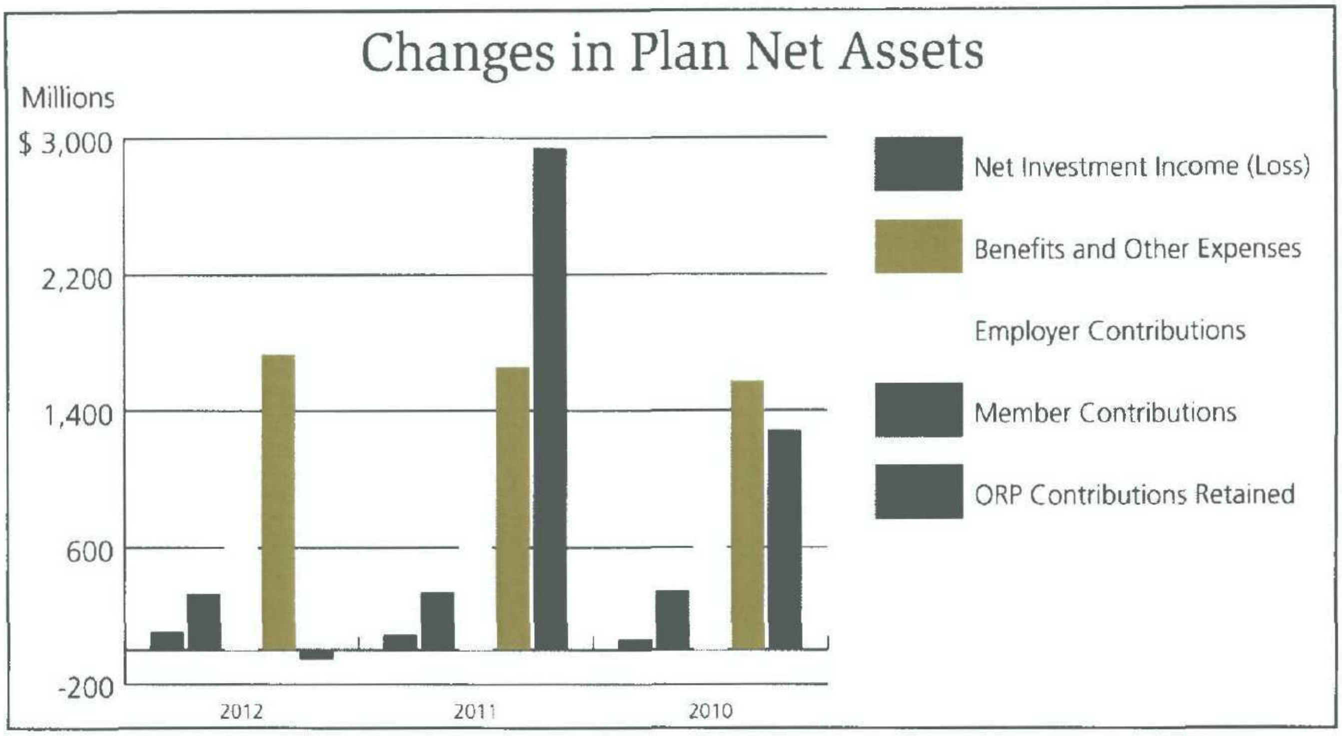
	2012	2011	2010
Cash and cash equivalents	$ 198,662,009	$ 193,169,842	$ 150,796,599
Receivables	982,346,638	881,409,503	232,042,241
Investments (fair value)	13,908,020,885	14,226,894,390	11,740,975,822
Securities lending collateral	1,526,262,603	1,193,140,158	1,199,699,967
Property and equipment, at cost (net)	4,148,693	4,298,781	4,249,381
Total assets	**16,619,440,828**	**16,498,912,674**	**13,327,764,010**
Accounts payable and other liabilities	904,194,504	728,561,935	106,632,659
Securities lending collateral	1,526,262,603	1,193,140,158	1,199,699,967
Total liabilities	**2,430,457,107**	**1,921,702,093**	**1,306,332,626**
Net assets held in trust	**$ 14,188,983,721**	**$ 14,577,210,581**	**$ 12,021,431,384**

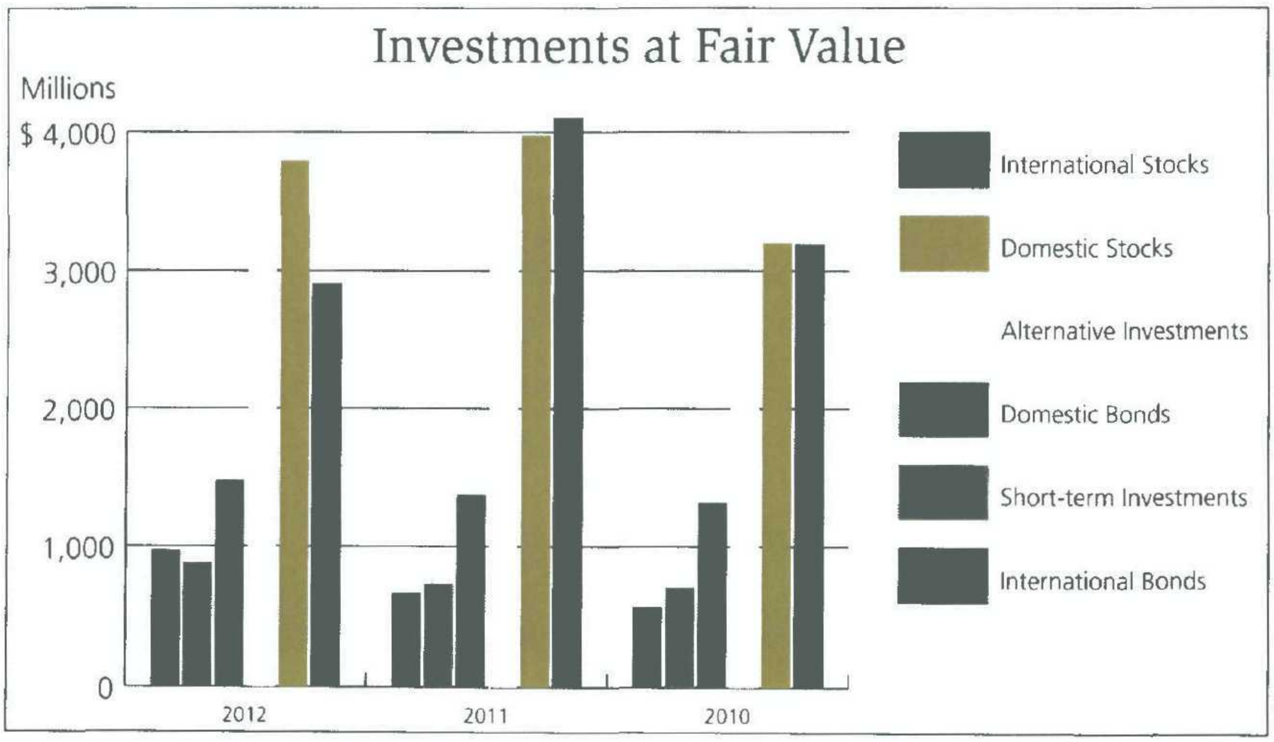
Changes In Plan Net Assets

For June 30, 2012, additions to TRSL's plan net assets were derived from member and employer contributions. For 2012, member contributions decreased $8,414,875 (-2.5 percent) compared to 2011, and employer contributions increased $123,251,239 (14.4 percent) over 2011. 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. The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contributions annually. The employer rate was 23.7 percent for 2012; 20.2 percent for 2011; and 15.5 percent for 2010.

Condensed Comparative Statements of Changes In Plan Net Assets

	2012	2011	2010
Additions			
Member contributions	$ 333,908,454	$ 342,323,329	$ 347,114,632
Employer contributions	977,169,504	853,918,265	665,219,676
ORP contributions retained	107,420,377	89,760,676	61,339,786
Other operating revenues	2,265,262	3,299,671	3,605,633
Total net investment income (loss)	(58,458,258)	2,942,693,424	1,285,742,297
Total additions	**1,362,305,339**	**4,231,995,365**	**2,363,022,024**
Deductions			
Benefits, refunds, and other	1,733,774,249	1,660,261,512	1,575,174,018
Administrative expenses	16,317,659	15,417,596	16,154,823
Depreciation expense	440,291	537,060	543,096
Total deductions	**1,750,532,199**	**1,676,216,168**	**1,591,871,937**
Net increase (decrease)	**(388,226,860)**	**2,555,779,197**	**771,150,087**
Net assets beginning of year	**14,577,210,581**	**12,021,431,384**	**11,250,281,297**
Net assets end of year	**$ 14,188,983,721**	**$ 14,577,210,581**	**$ 12,021,431,384**


Changes in Plan Net Assets
Millions
$ 3,000
2,200
1,400
600
-200
2012
2011
2010
Net Investment Income (Loss)
Benefits and Other Expenses
Employer Contributions
Member Contributions
ORP Contributions Retained


Investments at Fair Value
Millions
$ 4,000
3,000
2,000
1,000
0
2012
2011
2010
International Stocks
Domestic Stocks
Alternative Investments
Domestic Bonds
Short-term Investments
International Bonds

Financial Section

Deductions from plan net assets totaled $1,750,532,199 in fiscal year 2012, an increase of $74,316,031 (or 4.4 percent) over fiscal year 2011. In 2011, total deductions from plan net assets increased by $84,344,231 (or 5.3 percent) over fiscal year 2010. Benefit payments continue to be the major reason for this increase. For fiscal year 2012, benefit payments increased by 4.1 percent, compared to 5.4 percent in 2011, and 4.7 percent in 2010.

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, 2012, amounted to $13.9 billion, compared to $14.2 billion at June 30, 2011, and $11.7 billion for June 30, 2010. For 2012, the System experienced a $58.5 million loss, compared to a $2.9 billion gain for 2011 and a gain of $1.3 billion in 2010. For 2012, the banking crisis in Europe impacted international equity and fixed income investments.

TRSL's market rate of return is 0.1 percent for fiscal year ended 2012. Compared to the U.S. average, TRSL's fund achieved higher returns in private equity and real assets, such as real estate and commodities, over the five-year period ended December 31, 2011. TRSL returned 10.7 percent and 2.6 percent in private equity and real assets, respectively. The U.S. average was 7.4 percent for private equity and 1.8 percent for real assets.

Investments at Fair Value			
	2012	**2011**	**2010**
Domestic bonds	$ 1,477,406,933	$ 1,374,952,322	$ 1,319,516,370
International bonds	972,447,063	669,538,563	569,848,847
Domestic stocks	3,794,815,270	3,975,570,172	3,203,068,233
International stocks	2,904,306,050	4,094,745,522	3,189,810,406
Short-term investments	884,290,767	738,220,668	712,442,177
Alternative investments	3,874,754,802	3,373,867,143	2,746,289,789
Total Investments	**$ 13,908,020,885**	**$ 14,226,894,390**	**$ 11,740,975,822**

Funded Status

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio is 55.4 percent at June 30, 2012; 55.1 percent at June 30, 2011; and 54.4 percent at June 30, 2010. The amount by which TRSL's actuarial liabilities exceed the actuarial assets is $11.0 billion at June 30, 2012, compared to $10.8 billion at June 30, 2011 and 2010. For the year ending June 30, 2012, the net realized actuarial rate of return was 5.05 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, 2011, and 2010, the net realized actuarial rates of return were 6.44 percent and -.89 percent, respectively.

Requests for Information

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

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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, 2012, and 2011		
	2012	2011
Assets		
Cash and cash equivalents	$ 198,662,009	$ 193,169,842
Receivables		
Member contributions	58,959,885	56,787,814
Employer contributions	154,172,412	123,373,311
ORP contributions retained	8,225,256	6,636,474
Pending trades	722,016,691	659,633,553
Accrued interest and dividends	34,697,700	29,523,435
Other receivables	4,274,694	5,454,916
Total receivables	982,346,638	881,409,503
Investments, at fair value		
Domestic bonds	1,477,406,933	1,374,952,322
International bonds	972,447,063	669,538,563
Domestic common and preferred stocks	3,794,815,270	3,975,570,172
International common and preferred stocks	2,904,306,050	4,094,745,522
Domestic and international short-term investments	884,290,767	738,220,668
Alternative investments	3,874,754,802	3,373,867,143
Total investments	13,908,020,885	14,226,894,390
Invested securities lending collateral		
Collateral held under domestic securities lending program	1,228,078,574	912,105,082
Collateral held under international securities lending program	298,184,029	281,035,076
Total securities lending collateral	1,526,262,603	1,193,140,158
Property and equipment (at cost) - net	4,148,693	4,298,781
Total assets	**16,619,440,828**	**16,498,912,674**
Liabilities		
Accounts payable and other liabilities		
Accounts payable	8,441,985	9,112,130
Benefits payable	3,239,919	12,864,067
Refunds payable	6,725,777	6,299,057
Pending trades payable	875,316,043	690,646,242
Other liabilities	10,470,780	9,640,439
Total accounts payable and other liabilities	904,194,504	728,561,935
Securities lending collateral		
Obligations under domestic securities lending program	1,228,078,574	912,105,082
Obligations under international securities lending program	298,184,029	281,035,076
Total securities lending collateral	1,526,262,603	1,193,140,158
Total liabilities	**2,430,457,107**	**1,921,702,093**
Net assets held in trust for pension benefits	**$ 14,188,983,721**	**$ 14,577,210,581**
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, 2012, and 2011	2012	2011
Additions		
Contributions		
Member contributions	$ 333,908,454	$ 342,323,329
Employer contributions	977,169,504	853,918,265
Total contributions	1,311,077,958	1,196,241,594
ORP contributions retained	107,420,377	89,760,676
Investment income:		
From investment activities		
Net appreciation (depreciation) in fair value of domestic investments	127,240,440	1,635,477,750
Net appreciation (depreciation) in fair value of international investments	(475,275,004)	1,038,540,671
Domestic interest	73,362,925	76,984,822
International interest	31,558,988	27,669,760
Domestic dividends	64,438,657	63,345,760
International dividends	104,499,219	97,544,773
Alternative investment income	77,512,719	67,989,337
Miscellaneous investment income	9,595	331,196
Commission rebate income	164	10,675
Total investment income (loss)	3,347,703	3,007,894,744
Investment activity expenses:		
International investment expenses	(6,280,152)	(5,410,956)
Alternative investment expenses	(32,342,459)	(35,504,651)
Custodian fees	(397,566)	(485,364)
Performance consultant fees	(790,809)	(738,617)
Advisor fees	(30,488,685)	(29,952,344)
Total investment expenses	(70,299,671)	(72,091,932)
Net income from investing activities (loss)	(66,951,968)	2,935,802,812
From securities lending activities		
Securities lending income	7,584,751	5,708,833
Securities lending expenses:		
Fixed	(1,530,707)	(1,449,599)
Equity	564,212	769,792
International	1,875,454	1,861,586
Total securities lending activities expenses	908,959	1,181,779
Net income from securities lending activities	8,493,710	6,890,612
Total net investment income (loss)	(58,458,258)	2,942,693,424
Other operating revenues	2,265,262	3,299,671
Total additions	**1,362,305,339**	**4,231,995,365**
Deductions		
Retirement benefits	1,682,528,254	1,615,778,191
Refunds of contributions & other	50,195,898	43,005,926
TRSL employee health & life expense	1,050,097	1,477,395
Administrative expenses	16,317,659	15,417,596
Depreciation expense	440,291	537,060
Total deductions	**1,750,532,199**	**1,676,216,168**
Net increase (decrease)	**(388,226,860)**	**2,555,779,197**
Net assets held in trust for pension benefits		
Beginning of year	14,577,210,581	12,021,431,384
End of year	**$ 14,188,983,721**	**$ 14,577,210,581**
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 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, 2012, and 2011, the number of participating employers was:

	2012	2011
School Boards	69	69
Colleges and Universities	27	27
State Agencies	62	63
Charter Schools	32	32
Other	16	15
Total	206	206

Membership of this plan consisted of the following at June 30, 2012, and 2011, the dates of the latest actuarial valuations:

	2012	2011
Retirees and beneficiaries receiving benefits	67,657	65,512
Deferred Retirement Option Plan participants	2,637	3,032
Terminated vested employees entitled to but not yet receiving benefits	6,439	5,852
Terminated nonvested employees who have not withdrawn contributions	18,069	17,610
Current active employees:		
Vested	57,419	56,323
Nonvested	23,643	26,709
Post Deferred Retirement Option Plan participants	3,451	3,710
Total	**179,315**	**178,748**

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, 2012. (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]
06/30/12	$13,584,409	$24,540,080	$10,955,671	55.4%	$3,808,761	287.6%

[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.
UFAL – Unfunded Frozen Accrued Liability
IUAL – Initial Unfunded Accrued Liability

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, 2012, actuarial valuation follows:

Valuation date	June 30, 2012
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. 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 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. 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. 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:
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%
Inflation rate	3.0% per annum
Projected salary increases	4.30% - 6.50%
Cost-of-living adjustments	None
Mortality	Mortality rates were projected based on the RP-2000 Mortality Table.
Termination and disability	Termination, disability, and retirement assumptions were projected based on a five year (2003-2008) experience study of the System's members.

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

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 employee's 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 125. Membership in the ORP was 25,092 and 24,516 for 2012 and 2011, respectively.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 17.73 percent of the 23.70 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 5.97 percent for FY 2012.

Member contributions of 8 percent are transferred to the carriers in their entirety less 0.05 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, 2012, and 2011, employees joining ORP consisted of:	2012	2011
Members of TRSL joining ORP	44	57
New employees joining ORP	532	519
	576	576
Total actively contributing members	**7,301**	**6,769**

At June 30, 2012, and 2011, the amounts transferred to ORP were:	2012	2011
Amounts previously held in TRSL reserves	$ 308,918	$ 323,400
Contributions	84,121,634	83,663,936
Total	**$ 84,430,552**	**$ 83,987,336**

At June 30, 2012, and 2011, member and employer contribution rates were:	2012	2011
Member		
Member contribution rate (applicable for ORP transfers)	7.950%	7.900%
Member contribution rate (administrative fee – TRSL)	0.050%	0.100%
	8.000%	8.000%
Employer		
Employer contribution rate (normal cost is applicable for ORP transfers)	5.970%	5.700%
Unfunded rate (retained by TRSL)	17.730%	14.500%
	23.700%	20.200%

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, 2012, DROP/ILSB accounts for members who joined on or after January 1, 2004, earned approximately .0001 percent for the fiscal year. 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. 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*			
	2012	**2011**	**% Increase (Decrease)**
DROP			
Members entering DROP	0	0	**0%**
Disbursements	$ 75,088,412	$ 84,180,153	**(11%)**
DROP Reserves at June 30	$ 577,717,074	$ 613,746,349	**(6%)**
ILSB			
Members choosing ILSB	0	0	**0%**
Disbursements	$ 773,332	$ 556,127	**39%**
ILSB Reserves at June 30	$ 5,285,104	$ 5,695,266	**(7%)**

Deferred Retirement Option Plan (DROP)/Initial Lump-Sum Benefit (ILSB)			
*For members who became eligible to participate **on or after** January 1, 2004*			
	2012	**2011**	**% Increase (Decrease)**
DROP			
Members entering DROP	1,019	1,356	**(25%)**
Disbursements	$ 95,955,884	$ 80,929,733	**19%**
DROP Reserves at June 30	$ 543,982,396	$ 530,630,580	**3%**
ILSB			
Members choosing ILSB	79	80	**(1%)**
Disbursements	$ 4,187,889	$ 3,896,855	**8%**
ILSB Reserves at June 30	$ 1,092,869	$ 1,536,962	**(29%)**

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*
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%
2012	4.55%**	.0001%

*An attorney general opinion in 2002 ruled that DROP/ILSB accounts could not be debited. If not for this ruling, DROP/ILSB account interest rates would have been reduced by -1.39% for 2010 and -12.81% for 2009.

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

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			
	2012	**2011**	**% Increase (Decrease)**
Number of Excess Benefit Recipients	42	46	(8.7%)
Total Benefits	$891,237	$905,576	(1.6%)

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 approval of the Joint Legislative Committee on the Budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

3. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates. The System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of 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 the straight-line method with a useful life of three years. Items with a purchase price of less than $250 are expensed in the current year. TRSL and LASERS share a 50/50 joint ownership of the Louisiana Retirement Systems building, equipment, and related land.

Changes in Property and Equipment				
	June 30, 2011	**Additions**	**Deletions**	**June 30, 2012**
Asset Class (at Cost)				
Land	$ 858,390	$	$	$ 858,390
Building	5,895,957	55,944		5,951,901
Equipment, furniture, fixtures	4,703,438	234,259	(151,320)	4,786,377
Total Property and Equipment	11,457,785	290,203	(151,320)	11,596,668
Accumulated Depreciation				
Building	(3,004,787)	(193,758)		(3,198,545)
Equipment, furniture, fixtures	(4,154,217)	(246,533)	151,320	(4,249,430)
Total Accumulated Depreciation	(7,159,004)	(440,291)	151,320	(7,447,975)
Total Property and Equipment — Net	$ 4,298,781	$ (150,088)	$ 0	$ 4,148,693

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

6. Budgetary Accounting

Self-generated revenues are budgeted for administrative expenses. Funding from the Department of Education and Louisiana State University is received for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 2012, and 2011, includes the original Board of Trustees approved budget and funds from the Department of Education and Louisiana State University.

2012	Department of Education	Louisiana State University (LSU)	Self Generated Funds	Total
Original budget and Supplementary Benefits Funding	$ 41,000	$ 1,903,781	$ 53,808,000	$ 55,752,781

2011	Department of Education	Louisiana State University (LSU)	Self Generated Funds	Total
Original budget and supplementary benefits funding	$ 48,000	$ 1,761,453	$ 51,838,000	$ 53,647,453

For Fiscal Year 2012, TRSL received $41,000 directly from the Louisiana Department of Education to fund supplemental retirement benefits for approximately 300 retirees. TRSL also received $1,903,781 from Louisiana State University to fund supplemental retirement benefits for university employees holding membership in the United States Civil Service Retirement System. The LSU payments for 2012 and 2011 are reported as employer contributions.

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, 2012, 2011, and 2010.

Plan	% Earned Compensation		
	2012	2011	2010
TRSL Regular Plan	8.0%	8.0%	8.0%
TRSL Plan A	9.1%	9.1%	9.1%
TRSL Plan B	5.0%	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, 2012, 2011, and 2010 are as follows:

Plan	% Earned Compensation		
	2012	**2011**	**2010**
TRSL Regular Plan	23.7%	20.2%	15.5%
TRSL Plan A	23.7%	20.2%	15.5%
TRSL Plan B	23.7%	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.

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 2012 is 23.7 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	
2012	$ 949,471
2011	842,208
2010	645,135

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 or visiting www.lsers.net/lsers/.

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 after July 1, 2010, and TRSL is required to contribute 100 percent of the actuarially determined rate. The LSERS rate for the fiscal year 2012 is 28.60 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	
2012	$ 0
2011	665
2010	11,955

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 or visiting www.lasersonline.org.

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 2012 is 29.1 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	
2012	$ 1,115,177
2011	979,627
2010	832,805

Schedules for LASERS can be found on pages 41-42.

Most Recent Actuarial Methods and Assumptions for Louisiana State Employees' Retirement System (LASERS)			
Valuation Date	06/30/2011	06/30/2010	06/30/2009
Actuarial Cost Method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	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 resulting from benefit increases occurring on or after June 30, 2007: Level dollar payment over 10 years.	For unfunded accrued liability prior to 1993 - 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	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 - 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 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 For unfunded accrued liability changes occurring 2004 or later: Level dollar payment over 30 years, from date of occurrence
Amortization Approach	Closed	Closed	Closed
Remaining Amortization Period	Up to 30 years, dependent upon the amortization method as described above.	Up to 30 years, dependent upon the amortization method as described above.	20-30 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 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
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 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.
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 (2003-2008) 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 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%
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
2008	$ 456,741,202	115.4%
2009	492,402,961	102.8%
2010	585,268,922	87.2%
2011	678,123,319	85.6%

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]
2008	$ 9,167,170	$ 13,562,214	$ 4,395,044	67.6%	$ 2,436,956	180.3%
2009	8,499,662	13,996,847	5,497,185	60.7%	2,562,578	214.5%
2010	8,512,403	14,764,015	6,251,612	57.7%	2,546,457	245.5%
2011	8,763,101	15,221,055	6,457,954	57.6%	2,408,840	268.1%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $457,040,060 from June 30, 2010, to June 30, 2011. There was a net experience loss of $86,983,753. (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 23.7 percent of the participating member's covered salary. A total of 7.95 percent of the employee's contribution and 5.97 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	
2012	$ 14,677
2011	12,942
2010	9,665

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, 2012.

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, 2012, was as follows:

Moody's Rating	Total	Domestic	International
A1	$ 37,587,815	$ 35,844,991	$ 1,742,824
A2	67,441,191	42,033,106	25,408,085
A3	82,603,040	20,716,144	61,886,896
AA1	15,653,316	3,515,305	12,138,011
AA2	7,174,734	2,218,064	4,956,670
AA3	20,153,157	11,956,872	8,196,285
AAA	254,729,059	174,645,825	80,083,234
B1	55,060,867	52,551,786	2,509,081
B2	23,800,480	21,587,367	2,213,113
B3	19,255,827	17,761,327	1,494,500
BA1	13,904,459	13,854,436	50,023
BA2	30,654,722	27,291,277	3,363,445
BA3	36,321,766	34,499,266	1,822,500
BAA1	97,059,517	41,226,635	55,832,882
BAA2	93,266,301	59,435,339	33,830,962
BAA3	19,755,976	18,479,796	1,276,180
C	600	600	0
CA	662,818	662,818	0
CAA1	14,823,353	14,325,853	497,500
CAA2	11,176,211	11,176,211	0
CAA3	2,358,496	1,532,496	826,000
N/A	1,476,258,560	860,927,440	615,331,120
NR	2,653,467	2,151,353	502,114
VMIG1	822,000	822,000	0
WR	66,676,264	8,190,626	58,485,638
Total credit risk debt securities	$ 2,449,853,996	$ 1,477,406,933	$ 972,447,063

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	0
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	0
C	601	601	0
CA	499,782	499,782	0
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	0
N/A	1,192,352,550	808,718,913	383,633,637
NR	2,061,541	2,061,541	0
VMIG1	1,548,125	1,548,125	0
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**

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, 2012, 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	$ 792,980,874	$ 4,648,691	$ 91,752,519	$ 192,672,394	$ 503,907,270
Collateralized Mortgage Obligations	95,855,405	0	163,297	11,490,983	84,201,125
Corporate Bonds	569,035,384	11,026,041	153,927,158	285,973,425	118,108,760
Foreign Corporate Bonds	273,093,893	19,736,201	157,239,158	77,675,565	18,442,969
Foreign Government Bonds	555,927,282	13,941,936	246,875,300	185,750,913	109,359,133
Foreign Treasuries	119,666,202	35,997,811	28,662,586	32,718,122	22,287,683
Other	43,294,956	0	25,340,050	267,674	17,687,232
Short-Term Investments	884,290,767	884,290,767	0	0	0
TOTAL	$ 3,334,144,763	$ 969,641,447	$ 703,960,068	$ 786,549,076	$ 873,994,172

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

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 $3,034,654,454 at June 30, 2012, as follows:

Currency	Percent	Total	Bonds	Preferred Stocks	Stocks	Short-Term Investments
AUSTRALIAN DOLLAR	4.76%	$ 144,509,393	$ 67,811,765	$ 0	$ 76,363,706	$ 333,922
BRAZIL REAL	3.02%	91,679,481	42,821,758	13,470,181	34,731,383	656,159
CANADIAN DOLLAR	1.93%	58,671,001	16,307,203	0	42,113,542	250,256
CZECH KORUNA	0.11%	3,463,821	0	0	3,463,821	0
DANISH KRONE	0.88%	26,738,439	0	0	26,663,503	74,936
EURO CURRENCY UNIT	23.35%	708,726,248	161,605,444	20,162,194	499,839,000	27,119,610
HONG KONG DOLLAR	6.65%	201,953,311	0	0	200,202,720	1,750,591
HUNGARIAN FORINT	1.08%	32,685,343	30,562,988	0	1,907,542	214,813
INDONESIAN RUPIAN	0.81%	24,502,099	15,009,859	0	9,345,806	146,434
ISRAELI SHEKEL	0.15%	4,506,648	0	0	4,394,089	112,559
JAPANESE YEN	11.18%	339,424,676	1,828,849	0	328,313,912	9,281,915
MALYSIAN RINGGIT	2.45%	74,377,690	56,597,390	0	12,720,728	5,059,572
MEXICAN NEW PESO	4.84%	146,765,681	121,455,081	0	16,728,529	8,582,071
NEW TURKISH LIRA	1.38%	41,726,784	22,303,312	0	19,308,749	114,723
NEW ZEALAND DOLLAR	1.09%	33,160,763	28,066,857	0	5,093,243	663
NORWEGIAN KRONE	1.25%	37,905,494	23,615,367	0	13,939,003	351,124
PERUVIAN NUEVO SOL	0.38%	11,561,076	11,561,076	0	0	0
PHILLIPPINES PESO	0.06%	1,931,784	0	0	1,912,709	19,075
POLISH ZLOTY	1.87%	56,620,762	55,023,879	0	1,514,901	81,982
POUND STERLING	15.66%	475,310,532	58,554,963	0	415,658,027	1,097,542
RUSSIAN RUBEL (NEW)	0.89%	26,991,741	26,991,741	0	0	0
S AFRICAN COMM RAND	3.39%	102,929,244	49,297,654	0	52,402,908	1,228,682
SINGAPORE DOLLAR	1.48%	44,843,744	3,015,081	0	41,826,674	1,989
SOUTH KOREAN WON	2.58%	78,381,861	21,502,128	0	56,419,409	460,324
SWEDISH KRONA	2.65%	80,316,219	20,473,126	0	59,382,655	460,438
SWISS FRANC	5.05%	153,231,122	0	0	152,013,889	1,217,233
THAILAND BAHT	1.06%	31,739,497	23,119,834	0	8,570,775	48,888
Total	**100.00%**	$ 3,034,654,454	$ 857,525,355	$ 33,632,375	$ 2,084,831,223	$ 58,665,501

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	0	440,507
DANISH KRONE	1.02%	36,071,656	0	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	0	262,244,740	(327)
HUNGARIAN FORINT	0.32%	11,376,637	11,376,637	0	0
INDONESIAN RUPIAN	0.40%	14,219,808	14,219,808	0	0
ISRAELI SHEKEL	0.15%	5,310,495	0	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	0	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	0	14,510,884	0
NEW ZEALAND DOLLAR	0.65%	22,976,690	15,905,173	7,071,517	0
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	0	0
POLISH ZLOTY	0.86%	30,267,739	30,267,737	0	2
S AFRICAN COMM RAND	0.61%	21,385,662	16,824,847	4,560,797	18
SINGAPORE DOLLAR	1.54%	54,177,738	0	54,177,738	0
SOUTH KOREAN WON	1.29%	45,337,503	19,752,231	25,585,272	0
SWEDISH KRONA	3.72%	131,097,551	22,219,731	108,603,803	274,017
SWISS FRANC	7.04%	247,616,356	0	245,037,962	2,578,394
Total	**100.00%**	**$ 3,521,397,847**	**$ 584,342,471**	**$ 2,869,657,054**	**$ 67,398,322**

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 $3.9 billion, $3.4 billion, and $2.7 billion for June 30, 2012, June 30, 2011, and June 30, 2010, 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, 2012**	**June 30, 2011**	**June 30, 2010**
Active Commitments	$ 10.1	$ 8.8	$ 8.4
Calls for Funding	8.1	7.0	6.7
Unfunded Commitments	2.3	2.0	2.1
Distributions	6.8	6.0	5.6

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.

The following table presents the fair values of securities on loan and the collateral held for the System at June 30, 2012, and 2011:

Security Type	Fair Value of Securities on Loan 2012	Fair Value of Collateral Held 2012	Fair Value of Securities on Loan 2011	Fair Value of Collateral Held 2011
U.S. Government & Agency	$ 191,547,316	$ 195,585,068	$ 189,143,716	$ 193,337,143
U.S. Fixed Income	47,456,608	48,604,929	37,635,118	38,558,392
U.S. Equity	960,824,928	983,888,577	663,262,853	680,209,548
International Fixed Income	36,585,137	37,210,150	5,914,312	6,167,247
International Equity	249,301,969	260,973,879	251,178,685	274,867,828
Total	$ 1,485,715,958	$ 1,526,262,603	$ 1,147,134,684	$ 1,193,140,158

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, futures, and short sales and written options. 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 and short sales and written options at June 30, 2012, which allows TRSL to implement policy target allocation adjustments in an efficient, liquid, and cost effective manner. Interest rate risk, credit rate risk, and foreign currency risk associated with derivatives are included on their respective tables in *Note E. Deposits and Investments Risk Disclosures.*

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, and 2011 classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

	Changes in Fair Value		**Fair Value at June 30, 2012**		
	Classification	Amount	Classification	Amount	Notional
Investment derivatives:					
Futures Based Overlay Program	Net App/(Depr) in Fair Value of Domestic	($3,218,557)	Domestic Bonds	($1,264,851)	($2,076,290)
Short Sales & Written Options	Alternative Investment Income	$3,691,533	Alternative Investments	($7,590,353)	n/a

	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	$59,917,123

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.

6. Short Sales and Written Options

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

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

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 58 through 60.

J. Presentation of GASB Statement 44

In accordance with GASB 44, the statistical section is presented on pages 98 through 118.

K. Presentation of GASB Statement 45

Other Post-Employment Benefits

Plan Description

The State of Louisiana's Post-Retirement Benefit Plan, 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. Current employees, who participate in the health plan while active, are eligible for plan benefits if they retire under an approved Statewide Retirement System. The amount of State health subsidy is based on the date of participation in an OGB plan (before or after January 1, 2002) and service at retirement. For those beginning participation or rejoining after 2001, a "full subsidy" is provided after 20 years. A full subsidy constitutes a cost-sharing arrangement whereby the retiree is responsible for 25.0 percent of the total contribution rate. Less subsidy is provided for participation under 20 years. Pre 2002 OGB participants who retire under the Plan pay 25 percent of the cost of coverage regardless of service.

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 or visiting www.groupbenefits.org.

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.

Retiree Contributions

Employees with continuous OGB medical coverage starting before January 1, 2002, pay approximately 25% of the cost of coverage (**except single retirees under age 65, who pay approximately 25% of the active employee cost**) in retirement.

Employees with an OGB medical participation start (or re-start) date after December 31, 2001, pay a percentage of the total retiree contribution rate based on the following schedule:

OGB Participation	Retiree Share	State Share
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

Total monthly per capita premium equivalent rates effective January 1, 2012, are shown in the table below:

	PPO	BC/BS HMO
Single active	$ 619.28	$ 585.08
Retired without Medicare		
Single	1,152.12	1,091.92
With Spouse	2,034.44	1,928.04
Retired with 1 Medicare		
Single	374.64	361.24
With Spouse	1,384.28	1,320.20
Retired with 2 Medicare		
With Spouse	673.44	647.52

All members who retire on or after July 1, 1997, must have Medicare Parts A and B in order to qualify for the reduced premium rate.

Total 2011 **monthly** premium rates for the Medicare Supplement Plans are:		
	1 Medicare	**2 Medicare**
Humana PPO	$ 149.00	$ 298.00
Humana HMO	145.00	290.00
Peoples Health HMO	115.00	230.00
Vantage HMO	258.00	516.00
Secure Horizons PPO	198.50	397.00
Total 2012 **monthly** premium rates for the Medicare Supplement Plans are:		
	1 Medicare	**2 Medicare**
Humana PPO	$ 150.00	$ 300.00
Humana HMO	156.00	312.00
Peoples Health HMO	167.00	334.00
Vantage HMO	279.02	558.02
UnitedHealthcare PPO	213.78	427.54

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 22.64 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:

	2012	**2011**
Annual required contribution (ARC)	$ 1,469,100	$ 1,866,500
Interest on net OPEB obligation	323,400	264,100
Adjustment to ARC	(308,900)	(252,300)
Annual OPEB cost expense	1,483,600	1,878,300
Less contributions made	(433,503)	(400,905)
Increase in net OPEB obligation	1,050,097	1,477,395
Net OPEB obligation – beginning of year	8,078,155	6,600,760
Net OPEB obligation – end of year	9,128,252	8,078,155

Fiscal Year Ended	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
6/30/10	$ 2,153,900	15.81%	$ 6,600,760
6/30/11	1,878,300	21.34%	8,078,155
6/30/12	1,483,600	29.22%	9,128,252

Funded Status and Funding Progress. The funding status of the plan as of June 30, 2012, was as follows:

Actuarial accrued liability *(in thousands)*	$ 19,170.7
Actuarial value of plan assets *(in thousands)*	0
Unfunded actuarial accrued liability *(in thousands)*	$ 19,170.7
Funded ratio (actuarial value of plan assets/AAL) *(in thousands)*	0
Covered payroll (active plan members) *(in thousands)*	$ 6,487.9
UAAL as a percentage of covered payroll	295.48%

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.

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

The State of Louisiana Post-Retirement Benefit Plan Valuation as of July 1, 2011

Summary of Actuarial Assumptions and Methods

Valuation Date	July 1, 2011	July 1, 2010
Inflation Rate	3.50%	3.50%
Discount Rate	4.00%	4.00%
Salary Scale	5.00%	5.00%
Payroll Growth	3.00%	3.00%
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Attribution	To retirement date	To retirement date
Amortization of UAAL	Level % pay, open, 30 years	Level % pay, open 30 years
Funding Policy	No pre-funding, pay-go only	No pre-funding, pay-go only

Heath Care Trend Rates

	2011		2010	
FYB	Pre-Medicare	Medicare	Pre-Medicare	Medicare
2010	8.0%	9.1%	8.0%	9.1%
2011	7.5%	8.6%	7.5%	8.6%
2012	7.0%	8.1%	7.0%	8.1%
2013	6.5%	7.6%	6.5%	7.6%
2014	6.0%	7.1%	6.0%	7.1%
2015	5.5%	6.6%	5.5%	6.6%
2016	5.4%	6.3%	5.4%	6.3%
2017	5.3%	6.0%	5.3%	6.0%
2018	5.2%	5.8%	5.2%	5.8%
2019	5.1%	5.5%	5.1%	5.5%
2020	5.0%	5.3%	5.0%	5.3%
2021+	5.0%	5.0%	5.0%	5.0%

Per capita health care costs and premium contributions are expected to increase with health care trend rates.

Administrative Expenses Included in Per Capita Costs

	2011	2010
Mortality Table	RP-2000 Combined healthy	RP-2000 Combined healthy
*Mortality Projection**	by Scale AA to 2010	by Scale AA to 2010

*The most recent mortality study indicated experience in line with RP-2000 tables without projection. The projection is intended to provide an allowance for mortality improvement up through the valuation date and for future periods.

L. Subsequent Events

The System evaluated all subsequent events through October 2, 2012, 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.

M. Implementation of GASB Statement 67

The GASB has issued Statement No. 67 "Financial Reporting for Pension Plans." The requirements for this statement are effective for periods beginning after June 15, 2013.

N. Implementation of GASB Statement 68

The GASB has issued Statement No. 68 "Accounting and Financial Reporting for Pension Plans." The requirements for this statement are effective for periods beginning after June 15, 2014.

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)
06/30/05	$ 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%
06/30/12	13,584,409	24,540,080	10,955,671	55.4%	3,808,761	287.6%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $443,326,095 from June 30, 2011, to June 30, 2012. There was a net experience loss to the fund from all sources, including investment experience, of $125,767,665.

[1] The Actuarial Value of Assets for GASB reporting includes the Initial UAL Amortization 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 the Initial UAL Amortization 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
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%
2012	1,127,265,199	100.0%

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)
06/30/2008	$ 0	$ 22,585.2	$ 22,585.2	0.00%	$ 6,011.8	375.68%
06/30/2009	0	30,158.8	30,158.8	0.00%	7,316.6	412.20%
06/30/2010	0	27,095.2	27,095.2	0.00%	7,235.3	374.49%
06/30/2011	0	24,031.4	24,031.4	0.00%	6,812.9	352.73%
06/30/2012	0	19,170.7	19,170.7	0.00%	6,487.9	295.48%

SUPPORTING SCHEDULES

Schedules of Administrative Expenses for the Years Ended June 30, 2012, and 2011			
Personnel Expenses:		**2012**	**2011**
	Salaries and Wages	$ 9,437,742	$ 9,436,662
	Employee Benefits	3,534,846	3,199,618
	Total Personnel Expenses	12,972,588	12,636,280
Travel:		**75,768**	**62,701**
Operating Expenses:			
	Advertising	5,981	4,478
	Printing	77,743	112,895
	Insurance	49,488	45,687
	Automotive Repairs	3,794	4,966
	Maintenance-Computer	416,403	313,866
	Maintenance-Equipment	29,495	30,901
	Rentals-Equipment	71,520	76,139
	Building Rent	768,056	427,033
	Rentals/Disaster Recovery	81,943	85,039
	Membership Dues	25,272	17,347
	Subscriptions	46,544	39,733
	Postage	661,762	368,896
	Telephone	72,697	62,840
	Bank Services Charges	118,467	143,923
	Mail Services	41,705	24,997
	Other Service Charges	1,355	6,732
	Total Operating Expenses	2,472,225	1,765,472
Supplies/Office Acquisitions:		**71,878**	**65,786**
Professional Services:		**671,458**	**827,167**
Other Charges & Interagency Transfers:		**53,742**	**60,190**
Total Administrative Expenses		**$ 16,317,659**	**$ 15,417,596**
Capital Outlays:		**234,259**	**230,913**
Total Administrative Expenses and Capital Outlays		**$ 16,551,918**	**$ 15,648,509**

Schedules of Investment Expenses for the Years Ended June 30, 2012, and 2011		
	2012	**2011**
Investment activities expenses:		
International investment expenses	$ 6,280,152	$ 5,410,956
Alternative investment expenses*	32,342,459	35,504,651
Global custodian fees	397,566	485,364
Performance consultant fees	790,809	738,617
Advisor fees	30,488,685	29,952,344
Total investment activities expenses	**70,299,671**	**72,091,932**
Securities lending activities expenses:		
Fixed	1,530,707	1,449,599
Equity	(564,212)	(769,792)
International	(1,875,454)	(1,861,586)
Total securities lending activities expenses	**$ (908,959)**	**$ (1,181,779)**

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

Schedules of Board Compensation for the Years Ended June 30, 2012, and 2011				
	2012		2011	
BOARD OF TRUSTEES	NUMBER OF MEETINGS	AMOUNT	NUMBER OF MEETINGS	AMOUNT
Sheryl R. Abshire, Ph.D.	14	$ 1,050	20	$ 1,350
Anne H. Baker	24	1,800	24	1,800
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
Eula M. Beckwith (term ended 12/31/2011) replaced by John G. Parauka	11	825	24	1,800
Dominic Salinas, Ed.D. (term ended 12/31/2011) replaced by David A. Hennigan	10	750	20	1,500
Joyce P. Haynes	22	1,650	19	1,425
Darryl C. Kilbert - replaced William Britt	22	1,650	12	900
Robert Lawyer - replaced Jerry J. Baudin, Ph.D.	24	1,800	12	900
Darlene L. LeBlanc (term ended 12/31/2010) replaced by Joe A. Potts, Jr.			10	750
Holly B. Gildig - replaced D'Shay Oaks	23	1,725	12	900
Kathy Hattaway	20	1,500	24	1,800
David A. Hennigan - replaced Dominic Salinas, Ed.D.	12	900		
William Britt (term ended 12/31/2010) replaced by Darryl C. Kilbert			7	525
D'Shay Oaks (interim appointment ended 12/31/2010) - replaced by Holly B. Gildig			12	900
John G. Parauka - replaced Eula M. Beckwith	11	825		
Joe A. Potts, Jr. - replaced Darlene L. LeBlanc	24	1,800	12	900
Carlos J. Sam - replaced Gavin L. Vitter	10	750		
Gavin L. Vitter (interim appointment ended 12/31/2011) - replaced by Carlos J. Sam	6	450	14	1050
Total compensation		$ 19,275		$ 19,050

Schedules of Payments to Non-Investment Related Consultants and Vendors for the Years Ended June 30, 2012, and 2011			
		2012	**2011**
Actuary		$ 227,200	$ 186,710
	Hall Actuarial Associates		
	SJ Actuarial Associates		
Auditor		55,000	54,300
	Louisiana Legislative Auditor/Hawthorn, Waymouth & Carroll, L.L.P.		
Information Technology and Other Consultants		195,574	418,001
	Bayou Internet		
	Bowen ECM Solutions		
	CEM Benchmarking, Inc.		
	CMA Technology Solutions Prof Service		
	Equifax/LexisNexis		
	Kroll Background America		
	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.		
	Secon		
	Sign Language Services International		
	Southwest Computer Bureau, Inc.		
	USA Consulting, Inc.		
	VR Election Services		
	Other		
Legal		121,101	87,095
	Avant & Falcon		
	Ice Miller, L.L.P.		
	Investor Responsibility Support Services, Inc.		
	Jones, Day, Reavis and Pogue		
	Klausner, Kaufman, Jensen & Levinson		
	LA Department of Justice		
	Other		
Medical		72,583	81,061
	Examiners		
Total		$ 671,458	$ 827,167

INVESTMENT SECTION

TRSL
Teachers' Retirement System of Louisiana

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web.master@trsl.org
Post Office Box 94123
Baton Rouge LA 70804-9123

September 19, 2012

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

Dear Board Members:

For investors, fiscal year 2012 was a tale of two markets—sluggish at the start, but gaining ground later in the year. In the first six months, the Russell 3000 Index (Domestic Equity Market) was down 5.01 percent and the MSCI EAFE Index (Developed Non-US Equity Market) was down 16.22 percent. Weak fixed income market investment returns were not strong enough to significantly bolster the equity market decline. The Barclays Capital Global Aggregate Bond Index (Worldwide Fixed Income Market) earned 1.21 percent.

Investors witnessed an entirely different market the second half of the fiscal year. The Russell 3000 Index earned 9.32 percent and the MSCI EAFE Index earned 2.96 percent. In addition, the Barclays Capital Global Aggregate Bond Index added an additional 1.50 percent to its first six month return.

In the end, the Teachers' Retirement System of Louisiana (System) earned a 0.12 percent return on investments (gross of fees) for the fiscal year ended June 30, 2012. The total market value of the System's investments was $13.91 billion on June 30, 2012. Incorporating the prior fiscal year's return on investment of 26.2 percent, the System has generated a return on investment of 12.13 percent over the last two years. According to the Wilshire Trust Universe Comparison Universe (TUCS) the System's rolling two-year fiscal return was the highest (best) performing fund when compared to other public plans with assets greater than $1 billion.

This fiscal year, investors showed a preference toward domestic U.S. equity and fixed income investments. U.S. markets became a "safe haven" for investors, with domestic equity and fixed income markets outperforming their developed and emerging market counterparts. For the fiscal year, U.S. equity and fixed income markets returned 3.84 percent and 7.47 percent as measured by the Russell 3000 Index and Barclays Capital Aggregate Bond Index, respectively.

Increased concern over sovereign debt solvency and economic growth viability across many parts of Europe led to underperformance of the developed international equity and fixed income markets. While the European Central Bank (ECB) instituted a multi-step plan to allay investor fears, continued uncertainty led to outflows in the equity and fixed income markets. Developed international equity markets as measured by the MSCI EAFE Index returned -13.83 percent with global bonds returning 2.73 percent as measured by the Barclays Capital Global Aggregate Index.

The System's public market assets, over the year, slightly trailed the corresponding benchmark by 27 basis points, earning -2.81 percent versus -2.54 percent for the benchmark. Active management within the domestic equity segments attributed to the underperformance. However, over the past 10 years, public market assets have exceeded the corresponding benchmark by 35 basis points.

The System's alternative assets and real estate investments earned a combined 6.99 percent during the fiscal year. Infrastructure and mezzanine debt were the best performing alternative investments earning 11.37 percent and 9.39 percent, respectively. Core real estate returned 10.20 percent. The System's alternatives assets and real estate investments have earned a combined 12.95 percent annual return for the prior 10 years.

Long-term, the System's investment returns continue to outperform peer returns. The System ranks in the top (best) 32 percent of public pension funds with assets greater than $1 billion for the 10-year period according to TUCS.

Furthermore, actions by the System's Board of Trustees during the 2012 fiscal year were directed fully toward incorporating asset classes with varying risk and return characteristics into the most efficient and diversified portfolio possible. It is this fundamental objective—return maximization and risk reduction—that remains a priority of the System's investment program.

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:

	Minimum	Target	Maximum
Large/Mid Cap U.S. Equity	19%	24%	29%
Small Cap U.S. Equity	4%	7%	10%
International Equity (Developed)	7%	11%	15%
Emerging Markets Equity	4%	8%	12%
U.S. Fixed Income ***	6%	12%	18%
High Yield Bonds	0%	2%	4%
Non-U.S. Developed Bond	0%	4%	7%
Emerging Market Bonds	0%	3%	6%
Opportunistic Real Estate	0%	3%	6%
Real Estate (Core)	0%	4%	8%
Absolute Return	0%	2%	5%
Commodities	0%	2%	5%
Infrastructure	0%	2%	5%
Corporate Finance	5%	10%	15%
Venture Capital	0%	2%	5%
Mezzanine/Distressed Debt	0%	4%	8%
Total Fund		100%	

Total Equities *	35%	50%	65%
Total U.S. Fixed Income	6%	14%	20%
Total Non-U.S. Fixed Income	0%	7%	13%
Total Real Estate	0%	7%	14%
Total Alternative Assets **	5%	22%	30%
Real Assets	0%	4%	10%

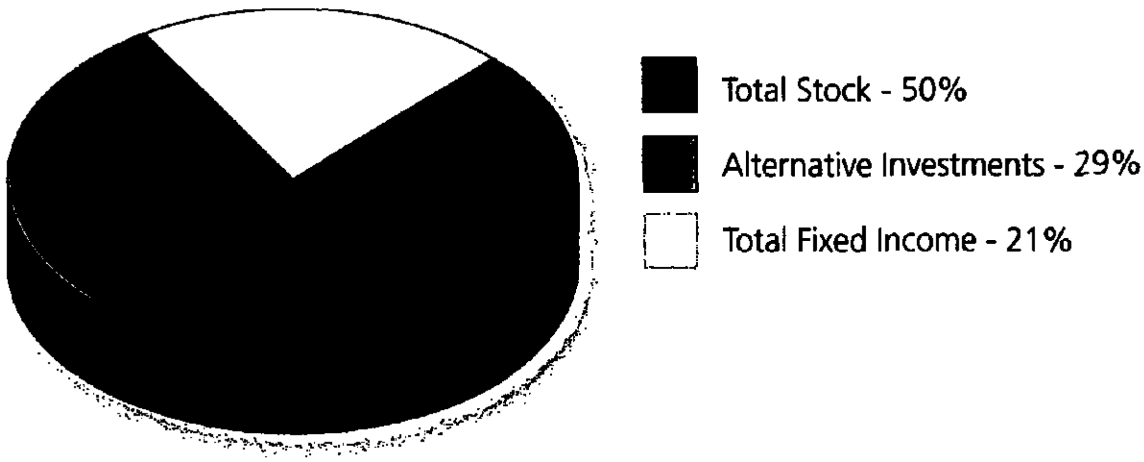
* A 10% allocation to indexed equities is mandated by the Legislature (La.R.S. 11:267). This legislation also sets the maximum allocation to equity at 65%.

** 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.

*** U.S. Fixed Income (Core) includes the U.S. portion of the Global Fixed Income allocation.

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.

Target Asset Allocations



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 Alternative 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, 2012, and 2011				
	June 30, 2012		June 30, 2011	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Domestic bonds:				
U.S. Treasury & government agency securities	$ 888,836,279	6.391%	$ 890,404,616	6.259%
Corporate bonds	569,035,384	4.091%	325,734,372	2.290%
Miscellaneous bonds	19,535,270	0.141%	158,813,334	1.116%
Total domestic bonds	**1,477,406,933**	**10.623%**	**1,374,952,322**	**9.665%**
International bonds	**972,447,063**	**6.992%**	**669,538,563**	**4.706%**
Domestic stocks:				
Common	3,794,395,878	27.282%	3,973,392,270	27.929%
Preferred	419,392	0.003%	2,177,902	0.015%
Total domestic stocks	**3,794,815,270**	**27.285%**	**3,975,570,172**	**27.944%**
International stocks				
Common	2,857,444,051	20.545%	4,062,499,258	28.555%
Preferred	46,861,999	0.337%	32,246,264	0.227%
Total international stocks	**2,904,306,050**	**20.882%**	**4,094,745,522**	**28.782%**
Domestic and international short-term investments	**884,290,767**	**6.358%**	**738,220,668**	**5.189%**
Alternative investments:				
Private equity investments	2,334,956,322	16.788%	2,180,157,810	15.324%
Real estate investments	1,159,026,507	8.334%	867,453,356	6.097%
Mezzanine financing instruments	380,771,973	2.738%	326,255,977	2.293%
Total alternative investments	**3,874,754,802**	**27.860%**	**3,373,867,143**	**23.714%**
Total Investments	**$ 13,908,020,885**	**100.000%**	**$ 14,226,894,390**	**100.000%**

* The fair value of the equity index portfolios at June 30, 2012, was $1,175,030,967 which represents 17.13% of total equity which has a market value of $6,857,588,179.

List of Largest Assets Held

Largest Equity Holdings

Shares	Stock Description	Fair Value
165,176	Apple Inc.	$ 96,462,784
404,021	Baidu Inc/China	46,454,335
516,952	Exxon Mobil Corp	44,235,582
69,943	Google Inc.	40,571,836
382,667	Chevron Corp.	40,371,368
1,510,968	Pfizer Inc.	34,752,264
520,442	Schlumberger Ltd.	33,781,890
1,214,113	Intel Corp	32,356,111
541,568	Qualcomm Inc.	30,154,506
654,441	Merck & Co. Inc.	27,322,911

Largest Debt Holdings

Par Value	Bond Description	Fair Value
478,300,000	Mex Bonos Desarr Fix Rt	$ 43,492,920
22,315,000	United Kingdom Gilt	35,997,810
108,270,000	Malaysia Government Bond	35,585,728
295,200,000	South Africa Government Bond	34,856,592
30,000,000	Commit To Pur FNMA Sf Mtg	31,448,400
24,050,000	US Treasury Bond	31,447,540
57,200,000	Brazil Notas Do Tesouro Nacion	29,075,379
892,938,000	Russian Federal Bond-Ofz	26,991,741
25,000,000	Barclays Bank Plc 144A	24,147,500
739,090,000	Thailand Government Bond	23,119,833

The lists of largest holdings excludes co-mingled funds.

Largest Alternative Investment Holdings

Description	Fair Value
JP Morgan Investment Management	$ 283,284,188
Prudential Real Estate Investors	275,139,156
Blackstone Real Estate Partners VI	115,097,986
Warburg Pincus Private Equity IX	105,622,242
Warburg Pincus Private Equity X	97,013,356
Providence Equity Partners VI	91,414,166
Blackstone Real Estate Partners V	82,991,698
First Reserve Fund XI	82,172,482
KKR 2006 Fund	81,964,713
Apollo Investment Fund VII	80,352,405

A complete list of portfolio holdings is available upon request.

Net Earnings on Investments for the Years Ended June 30, 2012, and 2011

	2012		2011	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	$ 36,894,404		$ 3,145,339	
Short-term investments	(16,017)		16,017	
Common and preferred stocks	(191,216,952)		663,672,157	
Alternative investments	7,793,120	$ (146,545,445)	241,044,308	$ 907,877,821
Net appreciation (depreciation) in international investments:				
Bonds	(38,795,444)		55,088,180	
Common and preferred stocks	(540,828,966)		877,419,968	
Alternative investments	(337,911)	(579,962,321)	(469,032)	932,039,116
Domestic interest income:				
Bonds	72,014,060		76,037,299	
Short-term investments	1,348,865	73,362,925	947,523	76,984,822
International interest income:				
Bonds	31,561,255		27,649,442	
Short-term investments	(2,267)	31,558,988	20,318	27,669,760
Domestic common and preferred dividends		64,438,657		63,345,760
International common and preferred dividends		104,499,219		97,544,773
Securities lending income:				
Fixed	917,541		862,702	
Equity	4,973,676		3,084,590	
International	1,693,534	7,584,751	1,761,541	5,708,833
Gain (loss) on sale of domestic securities, net:				
Bonds	7,008,850		7,745,208	
Common and preferred stocks	88,664,147		352,020,977	
Alternative investments	181,804,421	277,477,418	367,833,744	727,599,929
Gain (loss) on sale of international securities, net:				
Bonds	12,171,474		15,479,961	
Short-term investments	169		(80)	
Futures and Options	(805,210)		0	
International Exchange Contract	(200,055)		0	
Common and preferred stocks	69,385,069		46,843,182	
Alternative investments	73,821,186	154,372,633	67,799,322	130,122,385
Gain (loss) on international exchange transactions, net		24,135,870		44,368,507
Miscellaneous domestic income		9,595		331,196
Commission rebate income		164		10,675
Gross earnings (loss)		10,932,454		3,013,603,577
Charges against earnings:				
Securities lending expenses:				
Fixed	89,679		267,840	
Agents	1,441,028		1,181,759	
Equity	(564,212)		(769,792)	
International	(1,875,454)	(908,959)	(1,861,586)	(1,181,779)
International tax expense		6,280,152		5,410,956
Alternative investments expense		32,342,459		35,504,651
Custodian fees		397,566		485,364
Performance consultant fees		790,809		738,617
Advisors fees		30,488,685		29,952,344
Total charges		69,390,712		70,910,153
Net income (loss) on investments		$ (58,458,258)		$ 2,942,693,424

INVESTMENT PERFORMANCE MEASUREMENTS[1] – YEAR ENDED JUNE 30, 2012

	Rate of Return[1]	
Comparative Rates of Return on Total Fund		
Teachers' Retirement System of Louisiana	0.1%	81
Comparison Index:		
Median Return for Public Funds Greater than $1.0 billion	1.1%	50
Comparative Rates of Return on Domestic Equities		
Teachers' Retirement System of Louisiana	0.4%	85
Comparison Indices:		
Median Return for US Equity of Public Funds Greater than $1.0 billion	2.3%	50
Russell 3000 Index	3.8%	26
Comparative Rates of Return on Domestic Bonds		
Teachers' Retirement System of Louisiana	7.3%	74
Comparison Indices:		
Median Return for US Fixed Income of Public Funds Greater than $1.0 billion	8.0%	50
Barclays Capital Aggregate Bond Index	7.5%	66
Comparative Rates of Return on International Equities		
Teachers' Retirement System of Louisiana	(10.0%)	11
Comparison Indices:		
Median Return for Non-US Equity of Public Funds Greater than $1.0 billion	(12.7%)	50
MSCI EAFE Net Dividend Index	(13.8%)	75
Comparative Rates of Return on Global Bonds		
Teachers' Retirement System of Louisiana	7.3%	N/A
Comparison Indices:		
Median Return for Global Bonds of Public Funds Greater than $1.0 billion[3]	N/A	N/A
Barclays Capital Global Aggregate Bond Index	2.7%	N/A
Comparative Rates of Return on Alternative Assets and Real Estate		
Teachers' Retirement System of Louisiana	7.4%	N/A
Comparison Indices:		
Median Return for Alternative Assets and Real Estate[4]	N/A	N/A
TRSL Private Asset Benchmark	8.0%	N/A

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

Percentile[2]	Rate of Return[1]	
One-year period ended June 30, 2012	0.1%	81
Three-year period ended June 30, 2012	12.6%	25
Five-year period ended June 30, 2012	1.1%	78
Seven-year period ended June 30, 2012	5.4%	37
Ten-year period ended June 30, 2012	6.9%	35
Fifteen-year period ended June 30, 2012	6.5%	33
Twenty-year period ended June 30, 2012	8.0%	57

[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 alternative assets and real estate.

RATES OF RETURN[1]

	ANNUAL YEARS ENDING JUNE 30					ANNUALIZED	
	2012	2011	2010	2009	2008	3 YRS	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	0.1%	26.8%	12.6%	(22.3%)	(4.8%)	12.6%	1.1%
Median Large Fund Returns[2]	1.1%	21.5%	13.5%	(18.0%)	(4.3%)	12.0%	1.8%
Inflation (US Consumer Price Index)	1.7%	3.6%	1.1%	(1.4%)	5.0%	2.1%	2.0%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	0.4%	34.0%	16.5%	(28.0%)	(12.1%)	16.2%	(0.2%)
Median Return for US Equity Segment[2]	2.3%	33.3%	16.5%	(27.0%)	(12.7%)	16.6%	0.4%
Russell 3000 Index	3.8%	32.4%	15.7%	(26.6%)	(12.7%)	16.7%	0.4%
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	7.3%	5.6%	15.6%	(5.1%)	4.2%	9.4%	5.3%
Median Bond Return for US Bonds Segment[2]	8.0%	6.4%	13.8%	3.4%	5.5%	9.5%	6.9%
Barclays Capital Aggregate Bond Index	7.5%	3.9%	9.5%	6.0%	7.1%	6.9%	6.8%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	(10.0%)	33.1%	10.2%	(31.5%)	(11.0%)	9.7%	(4.3%)
Median Return for Non-US Equity Segment[2]	(12.7%)	30.7%	11.9%	(30.7%)	(8.1%)	8.3%	(4.2%)
MSCI EAFE Net Dividend Index	(13.8%)	30.4%	5.9%	(31.4%)	(10.6%)	6.0%	(6.1%)
GLOBAL BONDS							
Teachers' Retirement System of Louisiana	7.3%	13.3%	9.5%	1.6%	13.7%	10.0%	9.0%
Median Return for Non-US Fixed Segment[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Global Aggregate Bond Index	2.7%	10.5%	5.0%	2.8%	12.9%	6.0%	6.7%
ALTERNATIVE ASSETS and REAL ESTATE							
Teachers' Retirement System of Louisiana	7.4%	21.8%	12.3%	(21.1%)	5.5%	13.7%	4.1%
Median Return for Alternative Segment[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TRSL Private Asset Benchmark	8.0%	19.3%	16.8%	(17.2%)	(9.1%)	14.6%	2.5%

[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 alternative assets and real estate.

Summary of Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2012	
	Commission Dollar Amount
DOMESTIC COMMISSIONS	
Domestic Equity	
Louisiana Incorporated Brokers	$ 387,145
Cullen Investment Group	
Dorsey & Company, Inc.	
FBT Investments	
Francis Financial (Minority)	
Johnson Rice	
Sisk Investments	
Sisung Securities	
Non-Louisiana Incorporated Minority Brokers	87,605
Jackson Partners	
Williams Capital	
All Other Brokers	4,968,471
Total Domestic Commissions	5,443,221
INTERNATIONAL COMMISSIONS	
Total International Commissions	2,202,994
Total Domestic and International Commissions	$ 7,646,215

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, 2012

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, 2012. 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, 2012 is 25.0% of payroll. When compared to the 24.5% 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 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, 2012 was $13,584,408,961. The Actuarial Value of Assets, when adjusted for the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $638,773, yields assets for funding purposes of $13,585,047,734.

Actuary's Certification Letter (cont.)

SJ Actuarial Associates

Board of Trustees
TRSL
October 1, 2012

In performing the June 30, 2012 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, 2012, 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
- Summary of Plan Provisions

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. 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. The TRSL Board recently requested a study to evaluate the appropriateness of the discount rate. A range of reasonable rates was determined to be 7.50% to 8.00%. The Board of Trustees adopted a discount rate of 8.00% net of expenses to be used beginning with the 2013 actuarial valuation and for the projected employer rate for fiscal year 2013/2014.

Actuary's Certification Letter (cont.)

SJ Actuarial Associates

Board of Trustees
TRSL
October 1, 2012

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

<u>Actuarial Funding Method:</u> The actuarial cost method prescribed by statute is the Projected Unit Credit cost method. The unfunded accrued liability on June 30, 1988 is amortized over a forty year period commencing in 1989. The amortization payment originally reflected 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, were originally 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	Experience Account Amortization Base
2011/2012 – 2013/2014	7.0%	7.0%
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.

<u>Asset Valuation Method</u>: 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. The Board of Trustees adopted a discount rate of 8.00% net of expenses to be used beginning with the 2013 actuarial valuation and for the projected employer rate for fiscal year 2013/2014.

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

	2012	2011
Assets		
Present Assets Creditable To:		
Members' Savings Account	$ 2,487,812,862	$ 2,432,596,036
Annuity Reserve Account	11,096,596,099	10,853,698,843
Total Present Assets	**13,584,408,961**	**13,286,294,879**
Present Value Of Prospective Contributions Payable To:		
Members' Savings Account	2,425,602,339	2,474,622,026
Annuity Reserve Account		
Normal Costs	1,731,795,039	1,940,023,455
Accrued Liability	12,108,971,023	12,017,975,887
Total Prospective Contributions	**16,266,368,401**	**16,432,621,368**
Total Assets	**$ 29,850,777,362**	**$ 29,718,916,247**
Liabilities		
Present Value Of Prospective Benefits Payable On Account Of:		
Current Retiree Members	$ 16,974,076,199	$ 16,555,882,802
Current Active Members	12,340,387,542	12,720,097,655
Deferred Vested & Reciprocal Members	536,313,621	442,935,790
Total Liabilities	**$ 29,850,777,362**	**$ 29,718,916,247**

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

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)
2007	$ 1,984.1	$ 14,397.9	$ (16,382.0)	$ 14,812.7	100%	89%	0%
2008	$ 2,100.9	$ 15,378.1	$ (17,479.0)	$ 15,507.8	100%	87%	0%
2009	$ 2,227.5	$ 15,823.1	$ (18,050.6)	$ 13,500.8	100%	71%	0%
2010	$ 2,340.7	$ 16,504.0	$ (18,844.7)	$ 12,868.5	100%	64%	0%
2011	$ 2,432.6	$ 16,998.8	$ (19,431.4)	$ 13,286.3	100%	64%	0%
2012	$ 2,487.8	$ 17,510.4	$ (19,998.2)	$ 13,584.4	100%	63%	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
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%
2012	$ 24,540.1	$ 13,584.4	55.4%	$ 10,955.7	$ 3,808.8	287.6%

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

Reconciliation of Unfunded Actuarial Liabilities

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(Dollar Amounts in Thousands)

	Fiscal Year Ending			
	2012	**2011**	**2010**	**2009**
Unfunded Actuarial Liability at Beginning of Fiscal Year (7/1)	**$ 10,810,459**	**$ 10,806,358**	**$ 10,117,515**	**$ 6,967,625**
Interest on Unfunded Liability	891,863	891,525	834,695	574,829
Investment Experience (gains) decrease UAL	407,233	223,289	1,183,557	3,170,379
Plan Experience (gains) decrease UAL	(281,465)	(398,487)	(32,650)	(144,959)
Employer Amortization Payments (payments) decrease UAL	(865,249)	(818,152)	(644,194)	(360,294)
Employer Contribution Variance (excess contributions) decrease UAL	(7,170)	105,926	148,936	(90,065)
Experience Account Allocation (allocations) decrease UAL	-	-	-	(296,655)
Other - Miscellaneous gains and losses from transfers or Acts of the Legislature	-	-	(801,501)	296,655
Unfunded Actuarial Liability at End of Fiscal Year (6/30)	**$ 10,955,671**	**$ 10,810,459**	**$ 10,806,358**	**$ 10,117,515**

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

Amortization of Unfunded Actuarial Accrued Liability

Exhibit A-1

June 30, 2012

Date	Description	Amtz. Method	Amtz. Period	Initial Liability	Years Remain		Remaining Balance		Mid-Year Payment
2010	OAB	Note 1	19	2,677,501,778	17		2,713,982,350		216,518,801
2010	Gross EAAB	Note 2,3	30	3,999,115,151	28		4,120,727,583		284,915,662
2009	Change in Liability	L	30	2,979,708,647	27		2,897,955,101		260,418,228
2010	Change in Liability	L	30	1,150,854,854	28		1,130,648,873		100,581,505
2011	Change in Liability	L	30	(175,198,199)	29		(173,721,119)		(15,311,834)
2012	Change in Liability	L	30	125,767,665	30		125,767,665		10,991,743
	Total Outstanding Balance					**$**	**10,815,360,453**	**$**	**858,114,105**
Employers Credit Balance									
2008	Contribution Variance	L	5	(103,413,475)	1		(24,084,489)		(25,058,287)
2009	Contribution Variance	L	5	(44,404,927)	2		(19,895,212)		(10,759,830)
2010	Contribution Variance	L	5	148,936,071	3		96,330,276		36,088,942
2011	Contribution Variance	L	5	105,925,850	4		87,959,881		25,667,065
2012	Contribution Variance	Note 3	5	-	5		-		-
	Total Credit Balance					**$**	**140,310,456**	**$**	**25,937,890**
	Total Unfunded Actuarial Accrued Liability					**$**	**10,955,670,909**	**$**	**884,051,995**

The equivalent single amortization period, calculated in accordance with GASB Statement 25, paragraphs 36f and 43, is 22 years.

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.

Note 3: The 2012 contribution variance surplus is used to reduce and re-amortize the EAAB, per Act 497 of 2009.

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

Membership Data

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

	2012		2011	
Active Members	**Census**	**Avg. Sal.**	**Census**	**Avg. Sal.**
Regular Teachers*	70,816	$ 43,196	74,645	$ 43,311
University Members*	8,980	58,671	7,077	60,566
School Lunch A	46	22,616	79	24,235
School Lunch B	1,220	18,906	1,231	19,158
Active After DROP	3,451	57,615	3,710	58,108
Total	**84,513**	**$ 45,067**	**86,742**	**$ 44,991**

	2012	2011
Males (%)	17.6%	17.4%
Females (%)	82.4%	82.6%
Valuation Salaries	$3,808,760,594	$3,902,646,534

Inactive Members	**2012**	**2011 Census**
Due Refunds	18,069	17,610
Vested & Reciprocals	6,439	5,852

	2012		2011	
Annuitants and Survivors	**Census**	**Avg. Ben.**	**Census**	**Avg. Ben.**
Retirees	57,619	$ 24,305	55,723	$ 23,863
Disabilities	3,993	11,360	3,983	11,202
Survivors	6,045	17,017	5,806	16,770
DROP	2,637	33,507	3,032	32,681
Total	**70,294**	**$ 23,288**	**68,544**	**$ 22,917**

*Members employed by community and technical colleges were reclassified as university members for purposes of the actuarial valuation beginning in 2012. These members were previously included as Regular Teachers.

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

Historical Membership Data

HISTORY OF ACTIVE MEMBERSHIP DATA

Year Ended 6/30	Number of Active Members	Percentage Change In Membership	Annual Active Member Payroll*	Annual Active Member Average Payroll	Percentage Change In Payroll
2007	82,672	1.63%	$ 3,224,563	$ 39,004	11.46%
2008	85,979	4.00%	$ 3,675,014	$ 42,743	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%
2012	84,513	-2.57%	$ 3,808,761	$ 45,067	-2.41%

HISTORY OF ANNUITANTS AND SURVIVOR ANNUITANT MEMBERSHIP

Year Ending 6/30	Total Members		Members Added		Members Removed		Average Annuity	Percent Change in Annuity
	No.	Amount	No.	Amount	No.	Amount		
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%
2012	67,657	$ 1,548,632	3,250	$ 89,195	1,105	$ 12,277	$ 22,889	5.2%

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

Summary of Plan Provisions

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 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 year 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 a 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 of 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 of 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 employer 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 Retirement System's Actuarial Committee to the State Legislature.

Summary of Plan Provisions (Continued)

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 Plan - 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 sixty month period. For all other members, final average compensation is defined as the highest average thirty-six 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.

Summary of Plan Provisions (Continued)

DEFERRED RETIREMENT OPTION PLAN (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 21, marriage or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with 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.

<u>**Summary of Plan Provisions (Continued)**</u>

PERMANENT BENEFIT INCREASES

Permanent benefit 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. 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.

If the actuarial rate of return for the prior plan year is at least 8.25%, regardless of the actuarial valuation rate, the benefit increase is limited to the lesser of 3% or the increase in the CPI-U for the calendar year immediately preceding the increase. If the actuarial rate of return for the prior plan year is less than 8.25%, regardless of the actuarial valuation rate, the increase is limited to the lesser of 2% or the increase in the CPI-U for the calendar year immediately preceding the increase, provided the System is at least 80% funded. If the actuarial rate of return for the prior plan year is less than the actuarial valuation rate and the System is not at least 80% funded, no increase can be granted.

Benefits are restricted to those retirees who have attained the age of 60 and have been retired for at least one year. The minimum age 60 for the receipt of a benefit increase does not apply to disability retirees. The increase shall be based on the first seventy thousand dollars of the retiree's annual benefit, indexed annually for years after 2001.

RECENT CHANGES TO PLAN PROVISIONS

Act 483 of 2012 created a cash balance plan for all members of TRSL whose first employment makes them eligible for membership in the Teachers Retirement System of Louisiana on or after July 1, 2013. Membership in the cash balance plan is mandatory for members employed by institutions of postsecondary education or postsecondary education management boards, who are not members of the Optional Retirement Plan, and who are not employed for the sole purpose of providing instruction or administrative services at the primary or secondary level, including at any lab school and the Louisiana School for Math, Science, and the Arts. Membership in the cash balance plan is optional for all other members not employed in higher education. All provisions in effect on June 30, 2013 will be known as Tier 1.

A general description of the plan is as follows. The member's cash balance account will be credited with 12% of pay monthly and an interest credit annually. The interest credit will be one percent less than the actuarial rate of return, as determined by the system's actuary in the actuarial valuation. The accounts will not be debited if the actuarial rate of return less one percent is negative. Upon retirement, on or after age 60 with five years of participation in the plan, members may choose to withdraw or annuitize the balance in the account. All retirement options available for Tier 1 members are applicable. Employees will contribute 8% of pay. The employer contribution will be actuarially determined, and will include the UAL payments that are shared by all plans, regardless of the source of the UAL. Assets accumulated for the cash balance plan will be excluded from any determination of funds to credit to the experience account. Cash balance plan members are not eligible for permanent benefit increases funded from the experience account.

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 (2012-2003)

	2012	2011	2010	2009	2008
Assets					
Cash and cash equivalents	$ 198,662,009	$ 193,169,842	$ 150,796,599	$ 131,091,325	$ 36,087,141
Receivables					
Member contributions	58,959,885	56,787,814	59,257,475	61,727,888	57,451,866
Employer contributions	154,172,412	123,373,311	96,897,980	97,504,616	100,182,352
ORP contributions retained	8,225,256	6,636,474	4,279,761	3,867,065	4,230,253
Pending trades	722,016,691	659,633,553	36,016,308	119,795,990	257,071,878
Accrued interest and dividends	34,697,700	29,523,435	28,455,058	33,408,160	49,159,508
Other receivables	4,274,694	5,454,916	7,135,659	5,139,276	7,551,200
Total receivables	982,346,638	881,409,503	232,042,241	321,442,995	475,647,057
Investments, at fair value					
Domestic bonds	1,477,406,933	1,374,952,322	1,319,516,370	1,422,286,805	2,068,620,083
International bonds	972,447,063	669,538,563	569,848,847	626,067,234	791,074,725
Domestic common and preferred stocks	3,794,815,270	3,975,570,172	3,203,068,233	3,151,788,583	4,488,267,744
International common and preferred stocks	2,904,306,050	4,094,745,522	3,189,810,406	2,555,387,559	3,568,846,836
Domestic short-term investments	884,290,767	738,220,668	712,442,177	671,061,232	624,681,156
International short-term investments	0	0	0	0	0
Alternative investments	3,874,754,802	3,373,867,143	2,746,289,789	2,552,104,029	3,223,390,354
Total Investments	13,908,020,885	14,226,894,390	11,740,975,822	10,978,695,442	14,764,880,898
Invested securities lending collateral					
Collateral held under domestic securities lending program	1,228,078,574	912,105,082	939,717,625	437,332,021	776,026,712
Collateral held under international securities lending program	298,184,029	281,035,076	259,982,342	310,312,098	287,648,965
Total securities lending collateral	1,526,262,603	1,193,140,158	1,199,699,967	747,644,119	1,063,675,677
Building at cost, net of accumulated depreciation	2,753,356	2,891,170	2,707,983	2,833,655	2,921,252
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	536,947	549,221	683,008	743,709	863,850
Land	858,390	858,390	858,390	858,390	858,390
Total assets	**16,619,440,828**	**16,498,912,674**	**13,327,764,010**	**12,183,309,635**	**16,344,934,265**
Liabilities					
Accounts payable	8,441,985	9,112,130	8,167,523	7,296,980	11,370,139
Benefits payable	3,239,919	12,864,067	10,819,919	9,896,296	8,337,907
Refunds payable	6,725,777	6,299,057	6,356,179	6,705,543	6,615,715
Pending trades payable	875,316,043	690,646,242	72,754,781	150,091,261	255,395,415
Other liabilities	10,470,780	9,640,439	8,534,257	11,394,139	3,289,693
Total accounts payable and other liabilities	904,194,504	728,561,935	106,632,659	185,384,219	285,008,869
Securities lending collateral					
Obligations under domestic securities lending program	1,228,078,574	912,105,082	939,717,625	437,332,021	776,026,712
Obligations under international securities lending program	298,184,029	281,035,076	259,982,342	310,312,098	287,648,965
Total securities lending collateral	1,526,262,603	1,193,140,158	1,199,699,967	747,644,119	1,063,675,677
Total liabilities	**2,430,457,107**	**1,921,702,093**	**1,306,332,626**	**933,028,338**	**1,348,684,546**
Net assets held in trust for pension benefits	**$14,188,983,721**	**$14,577,210,581**	**$12,021,431,384**	**$11,250,281,297**	**$14,996,249,719**

10-Year Statements of Plan Net Assets (2012-2003) – cont'd

	2007	2006	2005	2004	2003
Assets					
Cash and cash equivalents	$ 15,294,772	$ 59,572,968	$ 24,677,100	$ 30,677,716	$ 7,808,257
Receivables					
Member contributions	57,266,938	48,790,153	48,912,587	48,885,390	47,231,216
Employer contributions	76,218,878	72,017,765	72,934,679	64,691,821	57,746,203
ORP contributions retained	3,641,433	3,498,870	3,375,808	2,319,164	2,040,857
Pending trades	170,641,032	281,323,928	52,151,909	33,712,000	157,176,524
Accrued interest and dividends	51,423,625	44,597,792	42,821,985	40,170,526	41,423,260
Other receivables	4,579,755	29,173,670	2,473,479	1,518,187	1,444,449
Total receivables	363,771,661	479,402,178	222,670,447	191,297,088	307,062,509
Investments, at fair value					
Domestic bonds	1,908,652,650	2,121,505,657	1,913,039,451	1,659,559,992	1,704,534,901
International bonds	772,811,203	449,917,634	497,213,792	560,651,839	416,432,668
Domestic common and preferred stocks	5,956,585,766	5,630,073,349	5,796,790,444	4,926,745,546	4,468,939,880
International common and preferred stocks	3,601,296,445	3,188,085,062	1,969,333,621	1,454,136,303	1,033,655,198
Domestic short-term investments	981,706,327	178,839,314	256,739,631	910,719,505	434,080,034
International short-term investments	0	24,802,808	40,210,400	0	0
Alternative investments	2,824,436,837	2,162,400,411	2,017,705,199	2,263,185,124	2,318,479,242
Total investments	16,045,489,228	13,755,624,235	12,491,032,538	11,774,998,309	10,376,121,923
Invested securities lending collateral					
Collateral held under domestic securities lending program	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121	3,064,894,429
Collateral held under international securities lending program	391,908,563	308,982,174	233,943,130	344,348,505	471,789,763
Total securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626	3,536,684,192
Building at cost, net of accumulated depreciation	2,864,857	2,933,836	2,995,632	3,127,099	3,240,290
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	600,753	723,281	823,147	937,545	900,324
Land	858,390	858,390	858,390	858,390	858,390
Total assets	**18,936,160,049**	**16,468,146,151**	**14,485,767,969**	**13,940,066,773**	**14,232,675,885**
Liabilities					
Accounts payable	13,006,673	10,936,762	9,240,444	7,096,770	6,214,751
Benefits payable	7,217,168	5,118,886	2,077,116	2,616,254	3,067,010
Refunds payable	5,858,882	5,369,804	5,385,301	4,875,048	4,730,334
Pending trades payable	252,855,646	269,051,248	39,836,267	92,991,945	160,488,115
Other liabilities	1,211,075	1,025,440	605,537	919,238	813,873
Total accounts payable and other liabilities	280,149,444	291,502,140	57,144,665	108,499,255	175,314,083
Securities lending collateral					
Obligations under domestic securities lending program	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121	3,064,894,429
Obligations under international securities lending program	391,908,563	308,982,174	233,943,130	344,348,505	471,789,763
Total securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626	3,536,684,192
Total liabilities	**2,787,429,832**	**2,460,533,403**	**1,799,855,380**	**2,046,669,881**	**3,711,998,275**
Net assets held in trust for pension benefits	**$16,148,730,217**	**$14,007,612,748**	**$12,685,912,589**	**$11,893,396,892**	**$10,520,677,610**

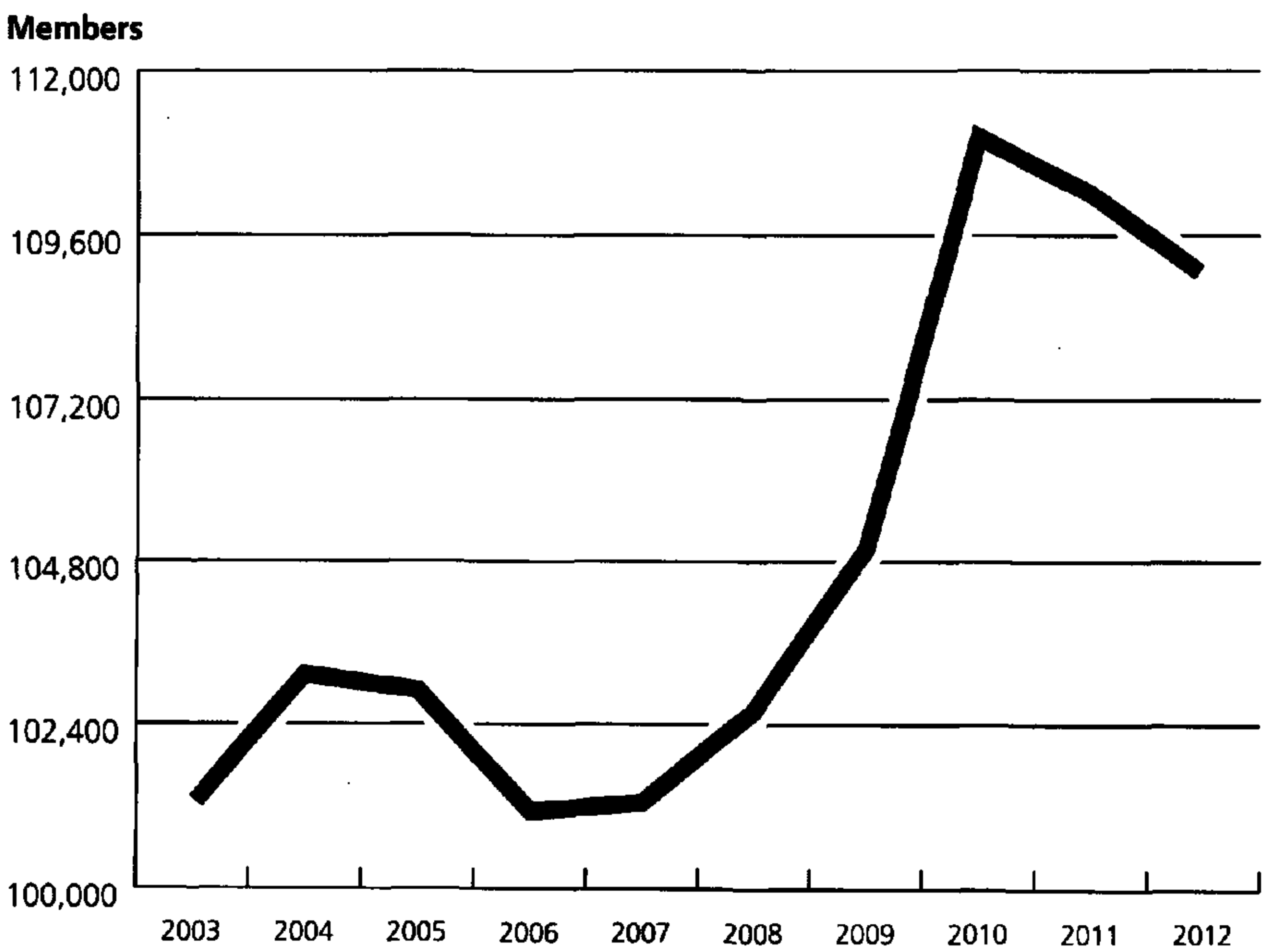
10-Year Statements of Changes in Plan Net Assets (2012-2003)

	2012	2011	2010	2009	2008
Additions					
Contributions					
Member contributions	$ 333,908,454	$ 342,323,329	$ 347,114,632	$ 344,547,871	$ 323,678,452
Employer contributions	977,169,504	853,918,265	665,219,676	660,244,436	656,091,577
Total contributions	1,311,077,958	1,196,241,594	1,012,334,308	1,004,792,307	979,770,029
ORP contributions retained	107,420,377	89,760,676	61,339,786	54,447,510	57,569,465
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value domestic investments	127,240,440	1,635,477,750	858,442,001	(2,349,746,089)	(733,440,605)
Net appreciation (depreciation) in fair value of international investments	(475,275,004)	1,038,540,671	189,051,016	(1,241,530,644)	(439,358,948)
Domestic interest	73,362,925	76,984,822	88,485,556	127,898,837	151,520,486
International interest	31,558,988	27,669,760	30,639,991	32,949,523	39,474,147
Domestic dividends	64,438,657	63,345,760	58,019,267	72,833,729	88,058,251
International dividends	104,499,219	97,544,773	77,539,701	78,873,116	108,299,133
Alternative investment income	77,512,719	67,989,337	41,032,314	39,105,891	40,521,294
Miscellaneous foreign income	9,595	331,196	88,306	7,772	104,281
Commission rebate income	164	10,675	6,118	482,025	617,547
Total investment income	3,347,703	3,007,894,744	1,343,304,270	(3,239,125,840)	(744,204,414)
Investment activity expenses:					
International investment expenses	(6,280,152)	(5,410,956)	(4,491,280)	(3,095,851)	(7,885,244)
Alternative investment expenses	(32,342,459)	(35,504,651)	(30,548,101)	(30,910,869)	(20,647,902)
Custodian fees	(397,566)	(485,364)	(468,022)	(446,588)	(744,317)
Performance consultant fees	(790,809)	(738,617)	(713,829)	(1,238,734)	(1,233,754)
Trade cost analysis fees	0	0	0	0	(40,000)
Advisor fees	(30,488,685)	(29,952,344)	(27,145,172)	(26,318,814)	(32,881,518)
Total investment expenses	(70,299,671)	(72,091,932)	(63,366,404)	(62,010,856)	(63,432,735)
Net income from investing activities	(66,951,968)	2,935,802,812	1,279,937,866	(3,301,136,696)	(807,637,149)
From securities lending activities					
Securities lending income	7,584,751	5,708,833	4,779,079	17,685,073	32,251,979
Securities lending expenses:					
Fixed	(1,530,707)	(1,449,599)	(1,206,030)	(3,031,970)	(13,202,812)
Equity	564,212	769,792	1,269,163	(2,565,874)	(2,018,542)
International	1,875,454	1,861,586	962,219	(3,199,017)	(9,313,289)
Total securities lending activities expenses	908,959	1,181,779	1,025,352	(8,796,861)	(24,534,643)
Net income from securities lending activities	8,493,710	6,890,612	5,804,431	8,888,212	7,717,336
Total net investment income (loss)	(58,458,258)	2,942,693,424	1,285,742,297	(3,292,248,484)	(799,919,813)
Other operating revenues	2,265,262	3,299,671	3,605,633	4,407,243	46,264,759
Total additions (reductions)	**1,362,305,339**	**4,231,995,365**	**2,363,022,024**	**(2,228,601,424)**	**283,684,440**
Deductions					
Retirement benefits	1,682,528,254	1,615,778,191	1,532,526,141	1,464,106,312	1,383,381,577
Refunds of contributions and other	50,195,898	43,005,926	40,834,543	34,418,885	35,071,343
TRSL employee health & life expense	1,050,097	1,477,395	1,813,334	2,502,048	2,285,378
Administrative expenses	16,317,659	15,417,596	16,154,823	15,799,028	14,880,903
Depreciation expense	440,291	537,060	543,096	540,725	545,737
Total deductions	**1,750,532,199**	**1,676,216,168**	**1,591,871,937**	**1,517,366,998**	**1,436,164,938**
Net increase (decrease)	(388,226,860)	2,555,779,197	771,150,087	(3,745,968,422)	(1,152,480,498)
Net assets held in trust for pension benefits					
Beginning of year	14,577,210,581	12,021,431,384	11,250,281,297	$ 14,996,249,719	$16,148,730,217
End of year	**$ 14,188,983,721**	**$ 14,577,210,581**	**$ 12,021,431,384**	**$ 11,250,281,297**	**$14,996,249,719**

10-Year Statements of Changes in Plan Net Assets (2012-2003) – cont'd

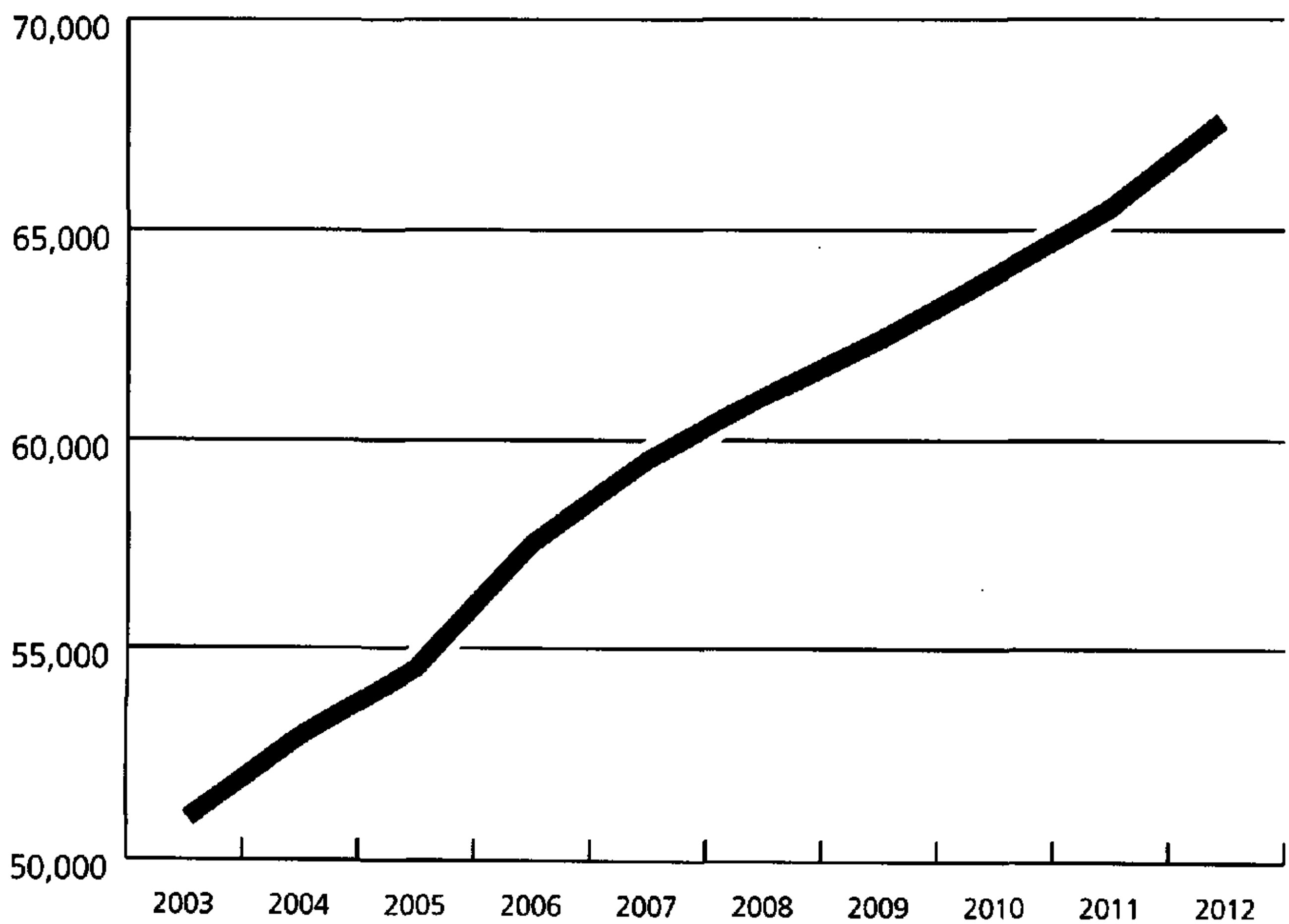
	2007	2006	2005	2004	2003
Additions					
Contributions					
Member contributions	$ 282,326,101	$ 258,412,024	$ 270,619,181	$ 264,999,131	$ 251,297,401
Employer contributions	544,401,879	529,983,453	517,815,361	444,104,350	421,838,213
Total contributions	826,727,980	788,395,477	788,434,542	709,103,481	673,135,614
ORP contributions retained	49,429,250	49,293,547	48,754,970	35,244,313	29,499,096
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	1,423,223,165	809,290,218	663,699,379	1,164,647,179	(9,358,002)
Net appreciation (depreciation) in fair value of international investments	824,462,472	584,857,302	197,833,593	323,405,540	(3,830,620)
Domestic interest	144,497,859	135,047,865	111,850,200	110,597,008	120,174,045
International interest	30,984,724	27,792,233	29,898,190	23,800,877	30,745,264
Domestic dividends	97,594,609	77,813,221	84,579,303	64,865,361	59,353,555
International dividends	94,658,995	68,564,525	31,583,991	41,800,161	28,041,533
Alternative investment income	58,246,838	97,733,026	108,622,676	81,696,047	44,050,485
Miscellaneous foreign income	0	0	0	0	0
Commission rebate income	566,068	675,608	571,219	1,078,487	1,026,354
Total investment income	2,674,234,730	1,801,773,998	1,228,638,551	1,811,890,660	270,202,614
Investment activity expenses:					
International investment expenses	(10,188,879)	(9,493,180)	(5,710,058)	(4,995,570)	(2,530,171)
Alternative investment expenses	(18,645,263)	(28,474,213)	(64,918,175)	(49,401,029)	(31,682,592)
Custodian fees	(763,878)	(761,689)	(760,908)	(786,062)	(800,000)
Performance consultant fees	(1,202,817)	(1,077,254)	(618,996)	(507,749)	(279,786)
Trade cost analysis fees	(40,000)	(40,000)	(10,000)	(40,000)	(40,000)
Advisor fees	(32,298,534)	(29,802,772)	(26,020,649)	(23,311,668)	(19,283,122)
Total investment expenses	(63,139,361)	(69,649,108)	(98,038,786)	(79,042,078)	(54,615,671)
Net income from investing activities	2,611,095,359	1,732,124,890	1,130,599,765	1,732,848,582	215,586,943
From securities lending activities					
Securities lending income	40,981,124	22,168,519	24,508,470	13,854,504	16,602,783
Securities lending expenses:					
Fixed	(24,866,799)	(11,354,478)	(12,174,022)	(6,053,776)	(9,749,608)
Equity	(249,396)	(249,909)	(249,954)	(249,934)	(249,933)
International	(9,993,981)	(5,024,341)	(7,860,336)	(1,847,440)	(824,609)
Total securities lending activities expenses	(35,110,176)	(16,628,728)	(20,284,312)	(8,151,150)	(10,824,150)
Net income from securities lending activities	5,870,948	5,539,791	4,224,158	5,703,354	(6,053,776)
Total net investment income (loss)	2,616,966,317	1,737,664,681	1,134,823,923	1,738,551,936	221,365,576
Other operating revenues	5,496,271	3,208,183	3,425,773	3,217,889	4,976,629
Total additions (reductions)	**3,498,619,818**	**2,578,561,888**	**1,975,439,208**	**2,486,117,619**	**928,976,915**
Deductions					
Retirement benefits	1,295,552,338	1,204,472,977	1,139,814,334	1,075,298,667	1,003,327,453
Refunds of contributions and other	48,119,943	38,538,125	30,454,374	26,804,821	22,287,120
TRSL employee health & life expense	0	0	0	0	0
Administrative expenses	13,323,547	13,362,286	12,178,533	10,786,450	10,688,003
Depreciation expense	506,521	488,341	476,270	508,399	490,780
Total deductions	**1,357,502,349**	**1,256,861,729**	**1,182,923,511**	**1,113,398,337**	**1,036,793,356**
Net increase (decrease)	2,141,117,469	1,321,700,159	792,515,697	1,372,719,282	(107,816,441)
Net assets held in trust for pension benefits					
Beginning of year	$ 14,007,612,748	$ 12,685,912,589	$ 11,893,396,892	$ 10,520,677,610	$ 10,628,494,051
End of year	**$ 16,148,730,217**	**$ 14,007,612,748**	**$ 12,685,912,589**	**$ 11,893,396,892**	**$ 10,520,677,610**

Number of Active, Terminated Vested, and Nonvested Members		
Fiscal Year	Members	% Increase Each Year
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%
2011-2012	109,021	-1.1%



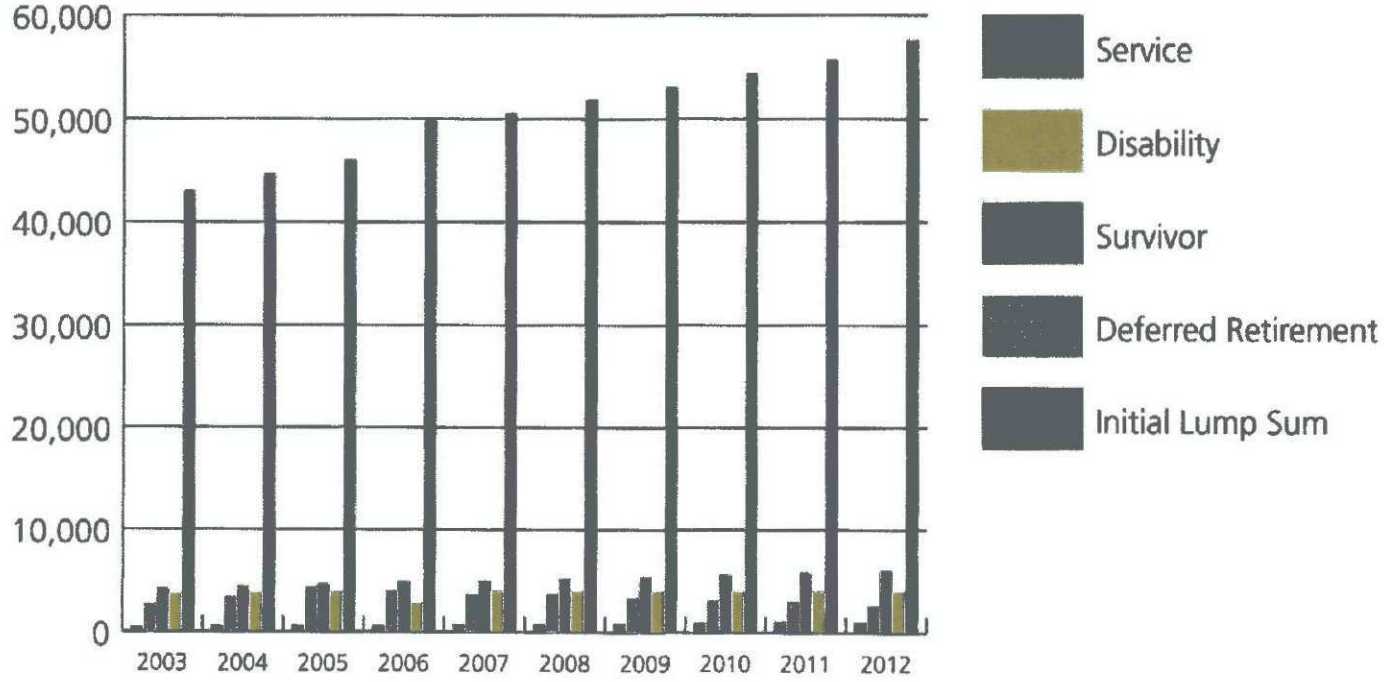
Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits		
Fiscal Year	**Retirees**	**% Increase Each Year**
2002-2003	50,903	3.8%
2003-2004	52,900	3.9%
2004-2005	54,525	3.1%
2005-2006	57,512	5.5%
2006-2007	59,530	3.5%
2007-2008	61,070	2.6%
2008-2009	62,417	2.2%
2009-2010	63,940	2.4%
2010-2011	65,512	2.5%
2011-2012	67,657	3.3%

Retirees/Beneficiaries



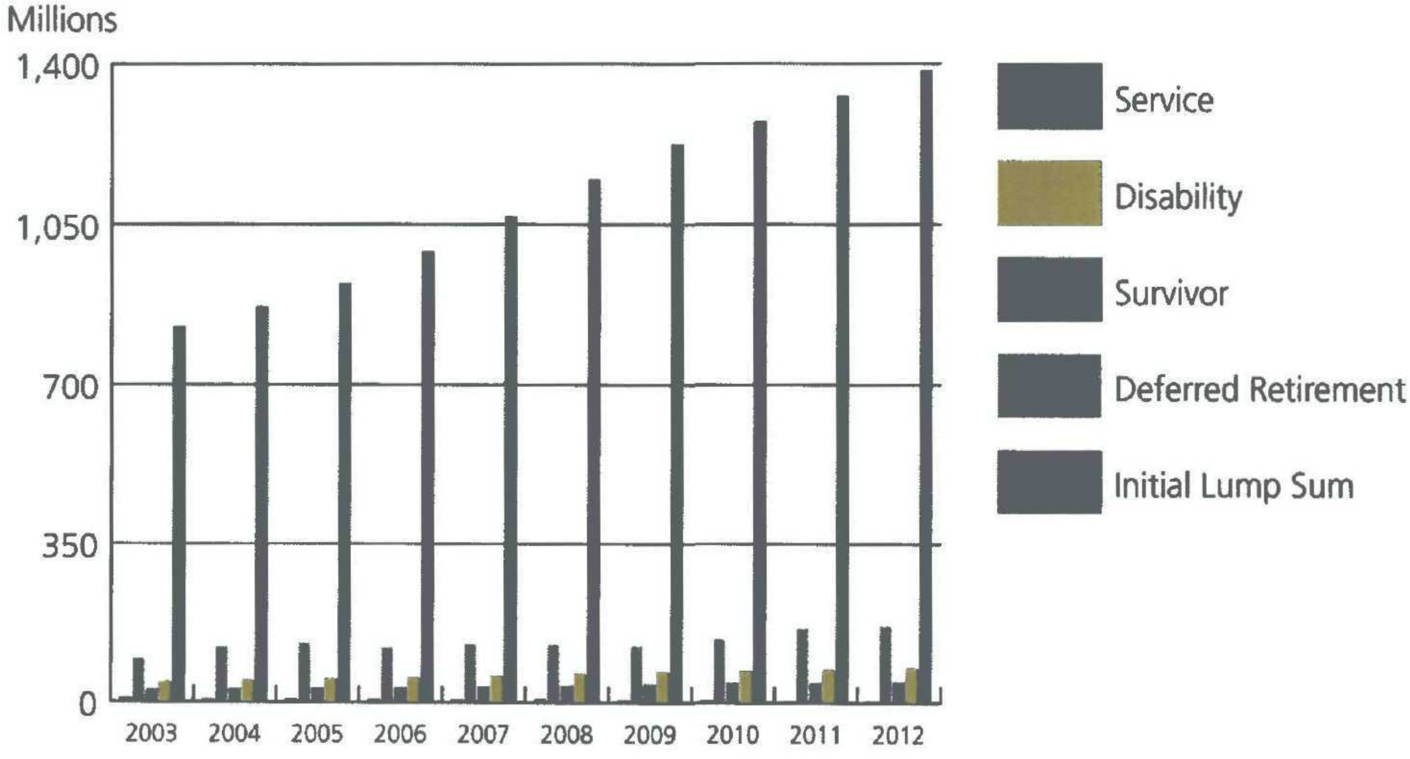
Number of Benefit Recipients						
Fiscal Year	**Service**	**Disability**	**Survivor**	**Deferred Retirement**	**Initial Lump Sum**	**Total**
2002-2003	43,050	3,698	4,155	2,722	437	54,062
2003-2004	44,690	3,797	4,413	3,409	547	56,856
2004-2005	46,035	3,836	4,654	4,375	587	59,487
2005-2006	49,776	2,865	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
2011-2012	57,619	3,993	6,045	2,637	1,010	71,304

Benefit Recipients



Schedule of Retired Members By Type of Benefit as of June 30, 2012 (Data include all plans)				
Amount of Monthly Benefit	**Service Retirees**	**Disability Retirees**	**Beneficiaries/ Survivors**	**Total**
$ 0 - $ 299.99	1,611	145	483	2,239
$ 300 - $ 599.99	4,796	728	932	6,456
$ 600 - $ 899.99	5,369	1,338	1,097	7,804
$ 900 - $ 1,199.99	6,226	826	870	7,922
$ 1,200 - $ 1,499.99	4,980	438	640	6,058
$ 1,500 - $ 1,799.99	4,036	259	468	4,763
$ 1,800 - $ 2,099.99	4,019	132	351	4,502
$ 2,100 - $ 2,399.99	5,090	54	283	5,427
$ 2,400 - $ 2,699.99	5,565	28	267	5,860
$ 2,700 - $ 2,999.99	4,798	20	163	4,981
$ 3,000 - $ 3,299.99	3,617	18	138	3,773
$ 3,300 - $ 3,599.99	2,363	3	105	2,471
$ 3,600 - $ 3,899.99	1,544	2	76	1,622
$ 3,900 - $ 4,199.99	1,047	1	55	1,103
$ 4,200 - $ 4,499.99	740	0	41	781
$ 4,500 - and above	1,818	1	76	1,895
TOTALS FOR ALL PLANS	57,619	3,993	6,045	67,657

Total Benefit Payments						
Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
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
2011-2012	1,386,433,318	75,349,637	45,209,782	171,044,296	4,491,221	1,682,528,254



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
2003	AVERAGE BENEFIT	$ 822	$ 366	$ 578	$ 902	$ 1451	$ 2335	$ 2796	$ 3362	$ 3559	$ 1961
2003	AVERAGE COMP	$ 2399	$ 2256	$ 2403	$ 2497	$ 2910	$ 3488	$ 3884	$ 4310	$ 4395	$ 3267
2003	RETIREE COUNT	7	86	158	231	579	939	509	68	20	2597
2004	AVERAGE BENEFIT	191	417	557	960	1538	2316	2821	3736	4268	2019
2004	AVERAGE COMP	1747	2484	2349	2656	3089	3415	3924	4999	5382	3349
2004	RETIREE COUNT	9	96	188	243	557	1015	539	93	34	2774
2005	AVERAGE BENEFIT	316	377	616	1034	1580	2399	2916	3657	3758	2116
2005	AVERAGE COMP	3426	2341	2560	2807	3092	3556	4021	4938	4926	3464
2005	RETIREE COUNT	7	85	190	274	607	1160	660	110	26	3119
2006	AVERAGE BENEFIT	533	456	617	1041	1623	2486	2965	3603	3812	2170
2006	AVERAGE COMP	2637	2826	2640	2935	3286	3712	4132	4932	4954	3613
2006	RETIREE COUNT	12	123	227	351	867	1572	825	161	42	4180
2007	AVERAGE BENEFIT	424	427	614	1101	1704	2576	3082	4020	4767	2155
2007	AVERAGE COMP	2170	2729	2653	3139	3384	3853	4280	5562	5794	3682
2007	RETIREE COUNT	20	118	258	313	599	1065	622	87	19	3101
2008	AVERAGE BENEFIT	601	485	648	1114	1797	2613	3120	4145	4950	2214
2008	AVERAGE COMP	3745	2876	2700	3120	3465	3883	4433	5788	6389	3775
2008	RETIREE COUNT	13	130	204	254	467	944	495	80	22	2609
2009	AVERAGE BENEFIT	323	536	654	1179	1878	2750	3272	4049	5270	2371
2009	AVERAGE COMP	2865	3141	2788	3308	3715	4141	4632	5879	7695	4052
2009	RETIREE COUNT	12	103	179	229	487	809	519	104	29	2471
2010	AVERAGE BENEFIT	1176	546	712	1134	1971	2818	3312	4012	4323	2408
2010	AVERAGE COMP	3583	3238	2969	3281	3915	4225	4722	6066	6330	4147
2010	RETIREE COUNT	16	126	201	262	493	881	595	126	22	2722
2011	AVERAGE BENEFIT	473	633	772	1204	1993	2832	3361	4262	4403	2443
2011	AVERAGE COMP	2688	2706	2810	2963	3386	3979	4471	5085	5476	3790
2011	RETIREE COUNT	9	142	208	268	506	857	582	135	35	2742
2012	AVERAGE BENEFIT	548	662	858	1268	2112	2917	3530	4180	4499	2460
2012	AVERAGE COMP	2157	3634	3348	3468	4112	4321	4558	4459	5101	4114
2012	RETIREE COUNT	17	178	249	356	597	899	599	145	40	3080

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
2003	AVERAGE BENEFIT	$ 647	$ 629	$ 716	$ 985	$ 1185	$ 1279	$ 0	$ 0	$ 0	$ 828
2003	AVERAGE COMP	$ 2041	$ 1642	$ 1844	$ 2097	$ 2450	$ 2182	$ 0	$ 0	$ 0	$ 1926
2003	RETIREE COUNT	3	65	53	56	21	7	0	0	0	205
2004	AVERAGE BENEFIT	911	677	751	1066	891	1252	0	0	0	888
2004	AVERAGE COMP	849	1933	2029	2367	1719	2504	0	0	0	2098
2004	RETIREE COUNT	3	49	41	66	20	11	0	0	0	190
2005	AVERAGE BENEFIT	652	646	783	988	1017	1648	0	0	0	868
2005	AVERAGE COMP	905	1841	2159	2310	2029	3156	0	0	0	2133
2005	RETIREE COUNT	2	51	56	57	23	8	0	0	0	197
2006	AVERAGE BENEFIT	749	691	825	1076	1345	1709	0	0	0	929
2006	AVERAGE COMP	1468	1966	2154	2356	2733	3130	0	0	0	2225
2006	RETIREE COUNT	5	63	66	62	29	2	0	0	0	227
2007	AVERAGE BENEFIT	592	689	842	1028	1373	1805	0	0	0	928
2007	AVERAGE COMP	1480	2072	2097	2243	2739	4616	0	0	0	2245
2007	RETIREE COUNT	7	50	63	37	28	4	0	0	0	189
2008	AVERAGE BENEFIT	808	791	902	1166	1430	1015	0	0	0	981
2008	AVERAGE COMP	619	2193	2243	2688	2880	1730	0	0	0	2340
2008	RETIREE COUNT	4	65	51	38	22	6	0	0	0	186
2009	AVERAGE BENEFIT	869	801	948	1287	1201	1266	0	0	0	1029
2009	AVERAGE COMP	2068	2193	2595	2916	2488	2543	0	0	0	2513
2009	RETIREE COUNT	3	50	28	38	18	5	0	0	0	142
2010	AVERAGE BENEFIT	903	841	1059	1408	1636	1357	832	0	0	1207
2010	AVERAGE COMP	2838	2130	2868	3163	3359	2536	1365	0	0	2847
2010	RETIREE COUNT	2	35	39	52	20	3	1	0	0	152
2011	AVERAGE BENEFIT	862	904	1036	1548	1477	1820	0	0	0	1220
2011	AVERAGE COMP	1158	2180	2102	2442	2824	4062	0	0	0	2341
2011	RETIREE COUNT	3	41	44	44	23	3	0	0	0	158
2012	AVERAGE BENEFIT	1054	948	1098	1424	0	0	0	0	0	1148
2012	AVERAGE COMP	3205	2704	2899	3022	0	0	0	0	0	2880
2012	RETIREE COUNT	3	30	24	27	0	0	0	0	0	84

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
2003	AVERAGE BENEFIT	$ 0	$ 458	$ 523	$ 617	$ 1000	$ 1470	$ 1545	$ 1773	$ 918	$ 1169
2003	AVERAGE COMP	$ 0	$ 942	$ 1415	$ 873	$ 1036	$ 1372	$ 1245	$ 1328	$ 1640	$ 1211
2003	RETIREE COUNT	0	27	38	56	71	126	84	32	9	443
2004	AVERAGE BENEFIT	0	428	458	722	1032	1296	1889	1798	1604	1196
2004	AVERAGE COMP	0	1153	1501	1613	1677	1846	1355	1054	895	1511
2004	RETIREE COUNT	0	36	49	36	78	101	80	39	11	430
2005	AVERAGE BENEFIT	1157	467	550	785	956	1485	1779	1948	1779	1254
2005	AVERAGE COMP	1422	1670	1599	1874	1419	2040	1814	1811	2736	1799
2005	RETIREE COUNT	2	28	51	56	92	119	93	39	16	496
2006	AVERAGE BENEFIT	0	406	590	854	1035	1467	1590	1761	2087	1187
2006	AVERAGE COMP	0	1716	1427	1844	1557	1817	1571	1606	1785	1669
2006	RETIREE COUNT	1	35	46	70	102	133	86	29	7	509
2007	AVERAGE BENEFIT	682	524	599	787	1015	1322	1582	1881	2640	1175
2007	AVERAGE COMP	0	1802	1602	1435	1776	2157	1408	1154	2153	1708
2007	RETIREE COUNT	2	38	55	66	111	142	101	38	8	561
2008	AVERAGE BENEFIT	851	423	468	902	1024	1517	1893	1859	1828	1302
2008	AVERAGE COMP	2133	2424	1873	1211	1731	2298	2080	1623	1083	1944
2008	RETIREE COUNT	6	27	65	52	88	138	124	33	9	542
2009	AVERAGE BENEFIT	371	386	504	843	1114	1759	1983	1959	2481	1334
2009	AVERAGE COMP	4206	1797	1802	2136	1939	2335	1857	1883	1526	2004
2009	RETIREE COUNT	1	43	65	72	113	126	109	38	7	574
2010	AVERAGE BENEFIT	263	439	606	846	1261	1593	1753	2119	1543	1292
2010	AVERAGE COMP	2996	2494	2078	1913	2382	1978	1575	1990	580	1999
2010	RETIREE COUNT	4	44	77	70	93	133	121	38	5	585
2011	AVERAGE BENEFIT	710	350	471	659	1099	1492	1856	2372	1829	1267
2011	AVERAGE COMP	2861	2042	1822	1053	1879	1934	1883	1663	3245	1797
2011	RETIREE COUNT	5	25	51	75	112	139	113	27	6	553
2012	AVERAGE BENEFIT	337	387	523	744	1072	1728	2123	3291	2515	1458
2012	AVERAGE COMP	3333	2879	2485	3158	2411	3006	3367	3960	5000	3033
2012	RETIREE COUNT	5	20	59	61	80	124	92	27	12	480

Benefit & Refund Expenses By Type (2012-2003)

Benefits	**2012**	**2011**	**2010**	**2009**	**2008**
Service	$1,386,433,318	$1,330,518,072	$1,273,969,481	$1,226,455,421	$1,149,302,721
Disability	75,349,637	72,310,765	69,237,472	66,655,186	62,462,104
Beneficiary/Survivors	45,209,782	43,386,458	41,542,483	39,993,112	37,477,263
Deferred Retirement	171,044,296	165,109,914	141,897,005	125,779,104	127,670,669
Initial Lump Sum	4,491,221	4,452,982	5,879,700	5,223,489	6,468,820
Total Benefits	**$1,682,528,254**	**$1,615,778,191**	**$1,532,526,141**	**$1,464,106,312**	**$1,383,381,577**
Refunds					
Separation	31,596,812	26,372,462	24,607,616	21,555,743	24,146,622
Death	4,432,955	4,062,653	4,010,028	2,851,075	3,246,131
Return-to-Work	13,109,261	11,813,372	11,592,533	9,032,619	6,892,785
Total Refunds	**49,139,028**	**42,248,487**	**40,210,177**	**33,439,437**	**34,285,538**
Other	**1,056,870**	**757,439**	**624,366**	**979,448**	**785,805**
Total Refunds & Other	**$ 50,195,898**	**$ 43,005,926**	**$ 40,834,543**	**$ 34,418,885**	**$ 35,071,343**

Benefit & Refund Expenses By Type (2012-2003) – cont'd

Benefits	**2007**	**2006**	**2005**	**2004**	**2003**
Service	$1,068,519,663	$991,166,824	$921,584,123	$870,865,365	$826,661,700
Disability	58,071,721	53,867,762	50,086,094	47,329,639	44,927,266
Beneficiary/Survivors	34,843,032	32,320,657	30,051,656	28,397,784	26,956,360
Deferred Retirement	128,592,267	121,703,237	131,811,600	122,905,311	96,539,409
Initial Lump Sum	5,525,655	5,414,497	6,280,861	5,800,568	8,242,718
Total Benefits	**$1,295,552,338**	**$1,204,472,977**	**$1,139,814,334**	**$1,075,298,667**	**$1,003,327,453**
Refunds					
Separation	38,512,963	30,818,870	22,119,501	20,961,126	16,733,593
Death	3,376,994	2,884,700	4,054,866	2,474,229	3,474,681
Return-to-Work	5,689,294	4,853,337	4,217,555	3,279,290	2,017,990
Total Refunds	**47,579,251**	**38,556,907**	**30,391,922**	**26,714,645**	**22,226,264**
Other	**540,692**	**(18,782)**	**62,452**	**90,176**	**60,856**
Total Refunds & Other	**$ 48,119,943**	**$ 38,538,125**	**$ 30,454,374**	**$ 26,804,821**	**$ 22,287,120**

Revenues by Source							
Fiscal Year	**Member**	**Employer**	**Retained***	**ACTS 642 & 7**	**Net Investment Income (Loss)**	**Other Operating Revenues**	**Total**
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
2011-2012	333,908,454	977,169,504	107,420,377		(58,458,258)	2,265,262	1,362,305,339

***Refers to the ORP administrative fee (.05 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**
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
2011-2012	1,683,578,351*	50,195,898	16,317,659	440,291	1,750,532,199

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

Ten Largest Employers (Statistical)

2012	# of Employees	% of Total Employees
Caddo Parish School Board	4,872	6%
EBR Parish School Board	4,697	6%
Jefferson Parish School Board	4,680	5%
St. Tammany Parish School Board	4,105	5%
Calcasieu Parish School Board	3,852	5%
Lafayette Parish School Board	3,300	4%
Rapides Parish School Board	2,637	3%
Livingston Parish School Board	2,479	3%
Ouachita Parish School Board	2,217	3%
Bossier Parish School Board	2,188	3%

2011	# of Employees	% of Total Employees
Caddo Parish School Board	5,204	6%
EBR Parish School Board	4,877	6%
Jefferson Parish School Board	4,854	6%
St. Tammany Parish School Board	4,134	5%
Calcasieu Parish School Board	3,914	4%
Lafayette Parish School Board	3,404	4%
Rapides Parish School Board	2,648	3%
Livingston Parish School Board	2,629	3%
Ouachita Parish School Board	2,239	3%
Ascension Parish School Board	2,197	3%

2010	# of Employees	% of Total Employees
Caddo Parish School Board	5,201	6%
EBR Parish School Board	5,160	6%
Jefferson Parish School Board	5,145	6%
St. Tammany Parish School Board	4,237	5%
Calcasieu Parish School Board	4,066	5%
Lafayette Parish School Board	3,408	4%
Rapides Parish School Board	2,694	3%
Livingston Parish School Board	2,599	3%
Ascension Parish School Board	2,212	3%
Ouachita Parish School Board	2,210	3%

2009	# of Employees	% of Total Employees
Jefferson Parish School Board	5,193	6%
Caddo Parish School Board	5,189	6%
EBR Parish School Board	5,107	6%
St. Tammany Parish School Board	4,249	5%
Calcasieu Parish School Board	4,026	5%
Lafayette Parish School Board	3,394	4%
Rapides Parish School Board	2,685	3%
Livingston Parish School Board	2,562	3%
Ouachita Parish School Board	2,177	2%
Terrebonne Parish School Board	2,140	2%

2008	# of Employees	% of Total Employees
Jefferson Parish School Board	5,043	6%
EBR Parish School Board	4,973	6%
Caddo Parish School Board	4,935	6%
St. Tammany Parish School Board	4,140	5%
Calcasieu Parish School Board	3,727	5%
Lafayette Parish School Board	3,174	4%
Rapides Parish School Board	2,635	3%
Livingston Parish School Board	2,290	3%
Ouachita Parish School Board	2,074	3%
Terrebonne Parish School Board	2,049	3%

2007	# of Employees	% of Total Employees
EBR Parish School Board	4,937	6%
Caddo Parish School Board	4,898	6%
Jefferson Parish School Board	4,758	6%
St. Tammany Parish School Board	4,118	5%
Calcasieu Parish School Board	3,712	4%
Lafayette Parish School Board	2,992	4%
Rapides Parish School Board	2,621	3%
Livingston Parish School Board	2,287	3%
Ouachita Parish School Board	2,063	2%
Terrebonne Parish School Board	2,029	2%

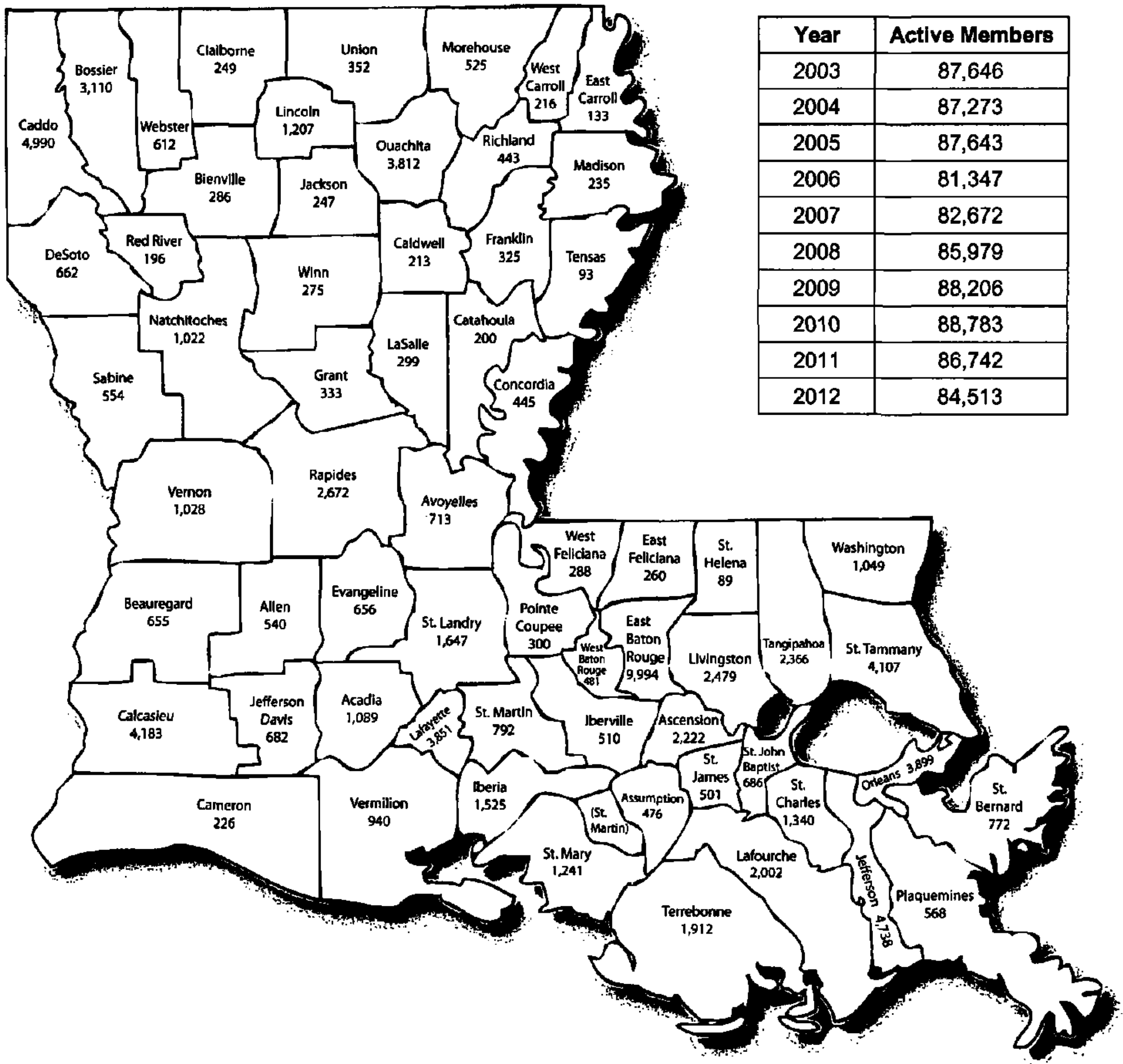
Ten Largest Employers (Statistical) – cont'd

	# of Employees	% of Total Employees		# of Employees	% of Total Employees
2006			**2005**		
EBR Parish School Board	5,249	6%	*EBR Parish School Board*	5,656	6%
Caddo Parish School Board	5,208	6%	*Caddo Parish School Board*	5,611	6%
Jefferson Parish School Board	5,059	6%	*Jefferson Parish School Board*	5,451	6%
St. Tammany Parish School Board	4,378	5%	*St. Tammany Parish School Board*	4,718	5%
Calcasieu Parish School Board	3,947	5%	*Calcasieu Parish School Board*	4,253	5%
Lafayette Parish School Board	3,181	4%	*Lafayette Parish School Board*	3,428	4%
Rapides Parish School Board	2,787	3%	*Rapides Parish School Board*	3,003	3%
Livingston Parish School Board	2,432	3%	*Livingston Parish School Board*	2,620	3%
Ouachita Parish School Board	2,193	3%	*Ouachita Parish School Board*	2,363	3%
Terrebonne Parish School Board	2,157	3%	*Terrebonne Parish School Board*	2,324	3%
2004			**2003**		
EBR Parish School Board	5,758	7%	*EBR Parish School Board*	5,739	6%
Caddo Parish School Board	5,713	6%	*Caddo Parish School Board*	5,694	6%
Jefferson Parish School Board	5,549	6%	*Jefferson Parish School Board*	5,531	6%
St. Tammany Parish School Board	4,803	5%	*St. Tammany Parish School Board*	4,787	5%
Calcasieu Parish School Board	4,329	5%	*Calcasieu Parish School Board*	4,315	5%
Lafayette Parish School Board	3,490	4%	*Lafayette Parish School Board*	3,478	4%
Rapides Parish School Board	3,057	3%	*Rapides Parish School Board*	3,047	3%
Livingston Parish School Board	2,667	3%	*Livingston Parish School Board*	2,659	3%
Ouachita Parish School Board	2,406	3%	*Ouachita Parish School Board*	2,398	3%
Terrebonne Parish School Board	2,366	3%	*Terrebonne Parish School Board*	2,359	3%

Total Active Members Statewide

Total number of members – 84,513

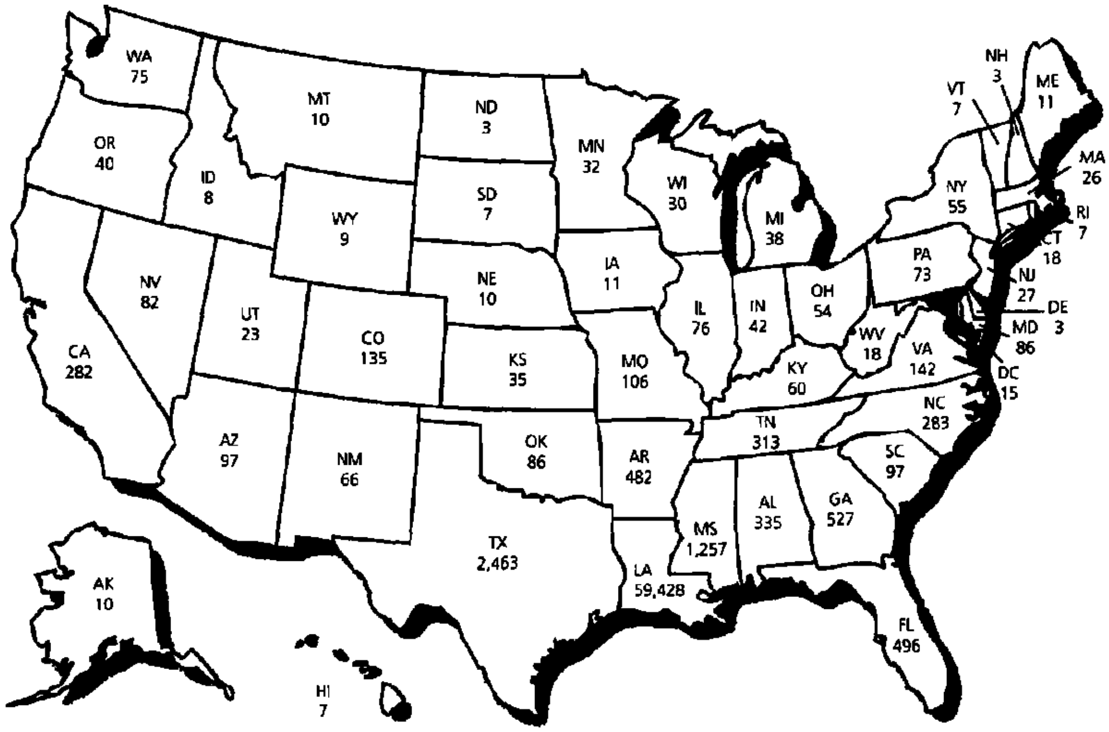
(includes all employing agencies located within each parish)



Year	Active Members
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
2012	84,513

TRSL Retirees Worldwide

Total number of retirees – 67,657



United States and District of Columbia (DC)	**67,606**
U.S. Overseas Military Bases	**7**
U.S. Territories	**2**
Guam	1
Virgin Islands	1
Foreign Countries	**42**
Argentina	1
Australia	3
Belgium	1
Canada	7
China	1
Costa Rica	2
Czech Republic	3
Finland	1
Germany	8
Greece	1
Hungary	1
Mexico	1
New Zealand	1
Pakistan	2
Philippines	1
Portugal	1
Singapore	1
Switzerland	1
Thailand	2
United Kingdom	3
TOTAL	**67,657**

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

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
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October 2, 2012

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, 2012, and have issued our report thereon dated October 2, 2012. 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

Management of Teachers' Retirement System of Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Teachers' Retirement System of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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

Teachers' Retirement System of Louisiana
Summary Schedule Current Year Findings
Year Ended June 30, 2012

None.

Teachers' Retirement System of Louisiana
Summary Schedule of Prior Year Findings
Year Ended June 30, 2012

None.