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REPORT

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2009 AND 2008

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2009 AND 2008

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 20, 2009

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

We have audited the accompanying statements of plan net assets of the State of Louisiana School Employees' Retirement System (Plan), a component unit of the State of Louisiana, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the State of Louisiana School Employees' Retirement System's management. Our responsibility is to express an opinion 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 *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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Louisiana School Employees' Retirement System as of June 30, 2009 and 2008, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on Pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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We have audited the financial statements of the Plan for the years ending June 30, 2009 and 2008 and issued our unqualified opinion on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 29 - 31, and the supplemental schedules listed on pages 32 – 42 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2004 – 2009 and supplemental schedules for the years ending June 30, 2009 and 2008, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2009 on our consideration of State of Louisiana's School Employees' Retirement System internal control over financial reporting and on our tests of its compliance with laws and regulations. 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 important for assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The following is management's discussion and analysis of the financial performance of Louisiana School Employees' Retirement System (LSERS). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The System experienced net investment losses of $(248,186,441) at June 30, 2009; this is a 226% increase from net investment losses of $(76,115,398) at June 30, 2008). This loss increase was due to the unprecedented negative market conditions caused by the collapse of a number of major financial institutions that put the entire banking system in jeopardy. Market liquidity completely dried up as investors sought to protect their capital and the stock market as measured by the S&P 500 declined 26.21%. As a result, the total composite return of the portfolio was a negative 16.94% for the year ended June 30, 2009 as compared to a negative 4.74% for the year ended June 30, 2008. However investors' worst fears were averted by strong government action and markets began a recovery with a 10.10% positive return for the quarter ending June 30, 2009, followed by a 7.37% return for July and August 2009. Management believes that the portfolio is well positioned to protect against any further declines and benefit from the expected continuation of a slow recovery in the coming years.

- Member contributions increased by $1,619,229 or 8%. This increase is due to an increase in member salaries and a slight increase in the number of active members.

- Employer contributions increased by $3,949,832 or 8%. This increase is mainly due to an increase in the number of members as well as increase in member salaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements

The report also contains required supplemental information in addition to the basic financial statements themselves.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The statements of plan net assets report the pension fund's assets, liabilities, and results in the net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2009 and 2008.

The statements of changes in plan net assets report the results of the pension fund operations during the year, 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.

LSERS FINANCIAL ANALYSIS

LSERS provides retirement benefits to all eligible school bus drivers, school janitors, school custodians, school maintenance employees, school bus aides, or other regular school employees who actually work on a school bus helping with the transportation of school children. Member contributions, employer contributions, and earnings on investments fund these benefits.

Statements of Plan Net Assets
June 30, 2009 and 2008

	2009	2008
Cash	$ 9,423,094	$ 15,714,474
Receivables	37,747,559	41,682,191
Investments	1,213,009,254	1,721,137,885
Property and Equipment	3,465,680	3,585,751
Total Assets	1,263,645,587	1,782,120,301
Total Liabilities	59,957,830	269,878,452
Net Assets Held in Trust for Pension Benefits	$ 1,203,687,757	$ 1,512,241,849

Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2009 and 2008

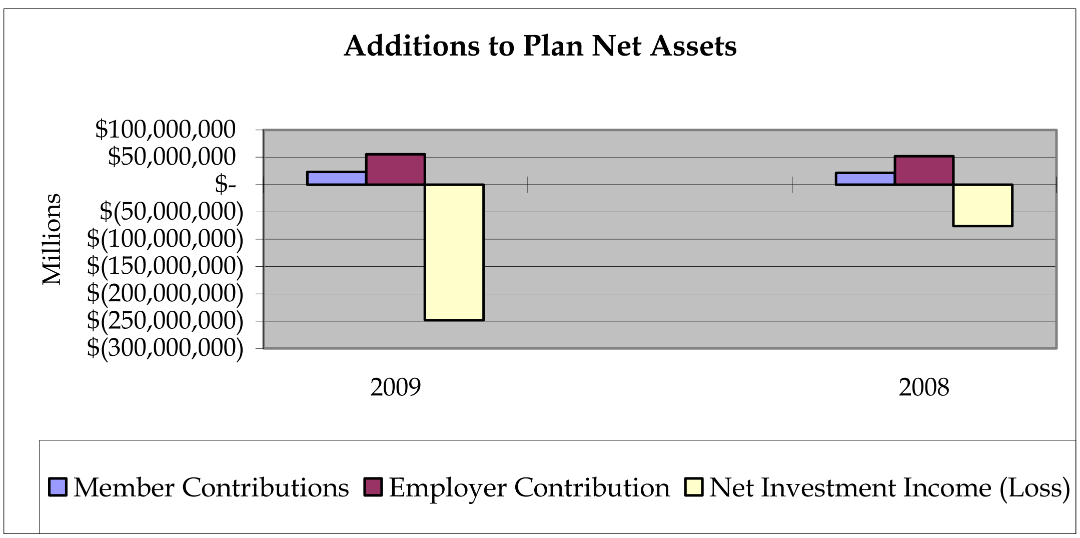
	2009	2008
Additions:		
Contributions	$ 78,733,486	$ 73,164,425
Investment Gains/(Losses)	(248,186,441)	(76,115,398)
Total Additions (Deductions)	(169,452,955)	(2,950,973)
Total Deductions	139,101,137	141,436,511
Change in Plan Net Assets	(308,554,092)	(144,387,484)
Net Assets Held in Trust		
Beginning of the Year	1,512,241,849	1,656,629,333
End of the Year	$ 1,203,687,757	$ 1,512,241,849

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

ADDITIONS TO PLAN NET ASSETS

Additions to LSERS plan net assets were derived from member and employer contributions and net gains (losses) on investments. Employer contributions increased $3,949,832 or 8% while member contributions increased $1,619,229 or 8%. The System experienced net investment losses of $(248,186,441) for the fiscal year ending June 30, 2009 as compared to net investment losses of $(76,115,398) for fiscal year ending June 30, 2008. This increase in net investment losses is due to the unprecedented negative market conditions experienced this fiscal year.

Additions to Plan Net Assets	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 23,017,957	$ 21,398,728	$ 1,619,229	8%
Employer Contributions	55,715,529	51,765,697	3,949,832	8%
Net Investment Gain/(Loss)	(248,186,441)	(76,115,398)	(172,071,043)	(226)%
Total	$ (169,452,955)	$ (2,950,973)		



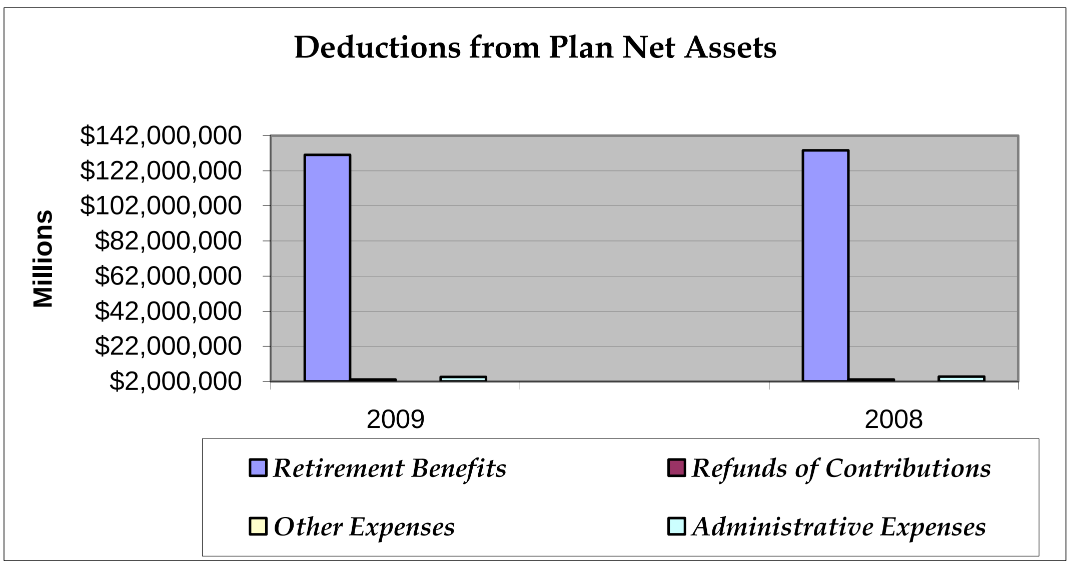
DEDUCTIONS FROM PLAN NET ASSETS

Deductions from plan net assets include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from plan net assets totaled $139,101,137 in fiscal year 2009. The deductions decreased 2% due to the lack of a COLA payment for the 2008-2009 fiscal year. A one-time lump sum COLA payment of $3,348,212 was paid during the 2007-2008 fiscal year.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

The cost of administering LSERS benefits per member during 2009 was $170.

Deductions to Plan Net Assets	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 131,126,987	$ 133,619,893	$ (2,492,906)	(2)%
Refunds of Contributions	3,103,573	3,123,097	(19,524)	(1)%
Administrative Expenses	4,518,576	4,704,910	(186,334)	(4)%
Other Expenses	352,001	(11,389)	363,388	(31.91)%
Total	$ 139,101,137	$ 141,436,511		



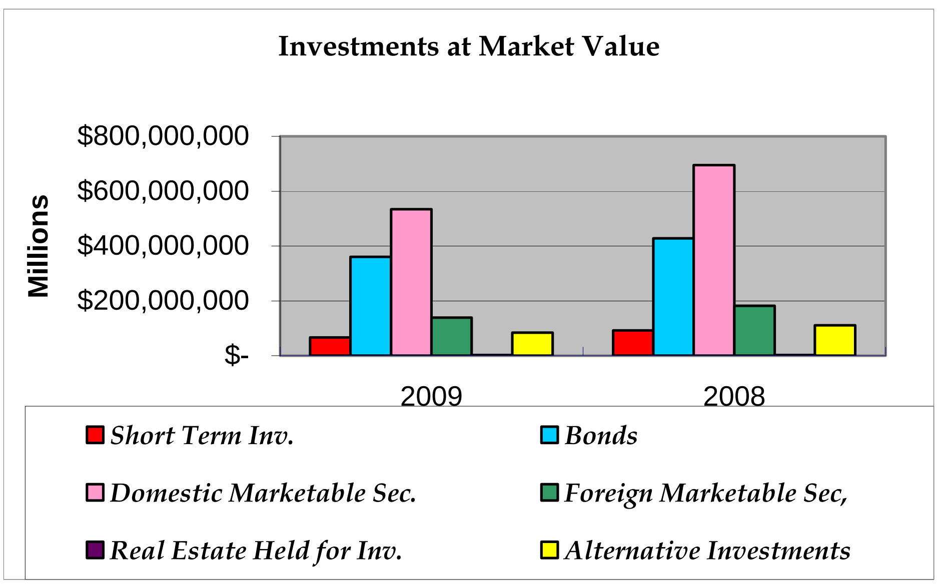
INVESTMENTS

LSERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2009 excluding collateral held under securities lending program were $1,185,945,276 as compared to $1,510,316,021 at June 30, 2008, an decrease of $(324,370,745).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009

LSERS' investments in various asset classes at the end of the 2009 and 2008 fiscal years are indicated in the following table:

Investments	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 66,138,969	$ 91,704,516	$ (25,565,547)	(28)%
Bonds	360,573,566	428,218,634	(67,645,068)	(16)%
Domestic Marketable Securities	534,647,819	694,935,167	(160,287,348)	(23)%
Foreign Marketable Securities	138,762,259	181,724,837	(42,962,578)	(24)%
Real Estate Held for Investment	1,993,124	2,603,822	(610,698)	(23)%
Alternative Investments	83,829,539	111,129,045	(27,29,506)	(25)%
Total	$ 1,185,945,276	$ 1,510,316,021		



REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information can be addressed to Louisiana School Employees' Retirement System, Accounting Division, P. O. Box 44516, Baton Rouge, Louisiana 70804-4516.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2009 AND 2008

ASSETS

	2009	2008
CASH:		
In bank	$ 9,423,094	$ 15,714,474
RECEIVABLES: (Note 1)		
Member contributions	3,356,951	3,269,557
Employer contributions	8,255,017	7,784,997
Accrued interest and dividends	4,110,557	4,464,739
Investment receivable	21,936,400	26,129,264
Other	88,634	33,635
Total receivables	37,747,559	41,682,192
INVESTMENTS, AT FAIR VALUE: (Notes 1, 5, 6 and 7) (Pages 35 - 41)		
Short-term investments	66,138,969	91,704,516
U.S. Government and agency obligations	170,760,052	209,585,777
Bonds - domestic	167,349,235	210,804,735
Bonds - foreign	22,464,280	7,828,121
Marketable securities - domestic	534,647,819	694,935,167
Marketable securities - foreign	138,762,259	181,724,837
Collateral held under securities lending program	27,063,977	210,821,864
Alternative investments	83,829,539	111,129,045
Real estate held for investment	1,993,124	2,603,822
Total investments	1,213,009,254	1,721,137,884
PROPERTY AND EQUIPMENT, AT COST: (Notes 1 and 9)		
Building	3,632,918	3,632,918
Land	1,010,225	1,010,225
Furniture and equipment	442,065	432,634
	5,085,208	5,075,777
Less accumulated depreciation	1,619,528	1,490,026
Total property and equipment	3,465,680	3,585,751
Total assets	1,263,645,587	1,782,120,301

LIABILITIES AND NET ASSETS

	2009	2008
LIABILITIES:		
Accounts payable	1,482,524	1,530,722
Accrued expenses and benefits	119,414	70,290
Obligations under securities lending program (Notes 5 and 6)	27,063,977	210,821,864
Investment payable	29,915,084	56,742,920
Other post employement benefits obligation (Note 14)	1,376,831	712,656
Total liabilities	59,957,830	269,878,452
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,203,687,757	$ 1,512,241,849

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
ADDITIONS:		
Contributions: (Notes 1 and 3)		
Member contributions	$ 23,017,957	$ 21,398,728
Employer contributions	55,715,529	51,765,697
Total contributions	78,733,486	73,164,425
Investment Income (Loss): (Notes 1, 6 and 7)		
Net appreciation (depreciation) in fair value of investments	(286,033,479)	(121,441,410)
Interest	24,485,566	27,767,511
Securities lending income	2,099,336	9,916,021
Dividends	13,084,967	16,168,016
Real estate income	2,647,559	3,305,998
Foreign currency exchange gain	26,415	52,710
	(243,689,636)	(64,231,154)
Less Investment Expense:		
Investment advisory fee	2,978,314	3,052,102
Custodian and bank fees	213,160	215,033
Securities lending expense	1,305,331	8,617,109
	4,496,805	11,884,244
Net investment gain (loss)	(248,186,441)	(76,115,398)
Total additions (deductions)	(169,452,955)	(2,950,973)
DEDUCTIONS:		
Retirement benefits paid	131,126,987	133,619,893
Refunds of contributions	3,103,573	3,123,097
Administrative expenses (Page 42)	4,518,576	4,704,910
Depreciation expense	129,501	131,802
Transfer to (from) other systems - employee	45,310	(12,810)
Transfer to (from) other systems - employer and interest	177,190	(130,381)
Total deductions	139,101,137	141,436,511
NET DECREASE	(308,554,092)	(144,387,484)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,512,241,849	1,656,629,333
END OF YEAR	$ 1,203,687,757	$ 1,512,241,849

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

The State of Louisiana School Employees' Retirement System was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes (LRS). The Plan is administered by a board of trustees made up of eleven members composed of the President of the Louisiana School Bus Operators' Association, the chairman of the House Retirement Committee, the chairman of the Senate Retirement Committee, the Secretary of State, the State Treasurer, two service retirees elected by the retirees of the Plan, and a resident of each of the four districts of the Retirement System elected by the members of the Retirement System for a term of four years each.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of State of Louisiana School Employees' Retirement System(Plan) are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor of the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

Financial Reporting Entity

In June 1991, the Governmental Accounting Standards Board (GASB) issued 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 Plan considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. There are no component units of the Plan.

The Plan is a component unit of the State of Louisiana and its financial statements are included in the financial statements of the State of Louisiana.

Basis of Accounting:

The financial statements are prepared using the accrual basis of accounting.

Employer and employee contributions are recognized in the period that the employee is compensated for services performed.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Benefits and refunds paid are recognized when due and payable in accordance with the terms of the Plan.

Interest income is recognized when earned and dividends are recognized at the declaration date.

Expenditures are recognized in the period incurred.

Investments are reported at fair value. Changes in market value are reported as gains or losses in the year the change occurred. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Shares in external investment pools and mutual funds are equivalent to the fair value of the external investment pool and mutual funds.

The Plan reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well.

The Plan invests in futures contracts and options in futures contracts. The changes in the market value of the contracts are reported as gains and losses in the period in which the change occurs.

The real estate held for investment consists of the leasing of office space. The investment is valued at fair market value which is based upon appraised value.

Property and Equipment:

Land, building, equipment and furniture are carried at historical cost. Depreciation is computed by the straight-line method based upon useful lives of 40 years for the building and 3 to 10 years for equipment and furniture.

Compensated Absences:

The employees of the Plan accumulate annual sick leave at varying rates based upon years of state service. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employees' rate of pay. 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

2. PLAN DESCRIPTION:

The State of Louisiana School Employees' Retirement System ("the Plan") is the administrator of a cost-sharing multiple-employer defined benefit pension plan and is a component unit of the State of Louisiana included in the State's CAFR as a Pension Trust Fund. The Plan was established and provided for by R.S.11:1001 of the Louisiana Revised Statutes (LRS). The accompanying statements present information only as to transactions of the program of the Plan as authorized by Louisiana Revised Statutes. For the years ended June 30, 2009 and 2008, the local government contributors consisted of 64 school boards and 42 other agencies contributing to the Plan.

The Plan provides retirement benefits to non-teacher school employees excluding those classified as lunch workers within the public school system of Louisiana. At June 30, 2009 and 2008, plan membership consisted of:

	2009	2008
Retirees and beneficiaries currently receiving benefits	12,290	12,159
Terminated employees entitled to benefits but not yet receiving them	361	385
Terminated vested employees who have not withdrawn contributions (DROP)	588	583
Fully vested, partially and nonvested active employees	13,265	13,153
TOTAL PARTICIPANTS	26,504	26,280

Eligibility Requirements:

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

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

All temporary, seasonal and part-time employees as defined in Federal Regulations 26 CFR 31:3121(b)(7)-2 are not eligible for membership in the Plan. Any part-time employees who works 20 hours or less per week and do not have at least 10 years of credited service will be refunded their contributions.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

2. PLAN DESCRIPTION: (Continued)

Benefits:

A member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 60.

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

A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled and is certified as disabled by the Medical Board. A member who joins the system on or after July 1, 2006, must have at least ten years of service to qualify for disability benefits.

Upon the death of a member with five or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from $300 up to 75% of the member's average compensation for the three highest consecutive years of membership service.

Members of the Plan may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the system terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the Plan. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account. The Plan maintains subaccounts within this account reflecting the credits attributed to each participant in the Plan. Interest credited and payments from the DROP account are made in accordance with Louisiana Revised Statutes 11:1152(F)(3).

Upon termination of participation in both the Plan and employment, a participant may receive his DROP monies either in a lump sum payment from the account or systematic disbursements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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

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

3. CONTRIBUTIONS, RESERVES, FUNDED STATUS AND FUNDING PROGRESS:

Contributions for plan members are established by state statute at 7.5% of their annual covered salary for the years ended June 30, 2009 and 2008. Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution. The employer rate for the years ended June 30, 2009 and 2008 was 17.8% and 18.1%, respectively.

Administrative costs are included in aggregate normal cost.

Reserves:

Use of the term "reserve" by the Plan indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Administrative:

The Administrative Fund Reserve provides for general and administrative expenses of the Plan and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the investment earnings and is made as needed. The Administrative Fund Reserve for each year ending June 30, 2009 and 2008 is $0. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. CONTRIBUTIONS, RESERVES, FUNDED STATUS AND FUNDING PROGRESS: (Continued)

Reserves: (Continued)

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Plan. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Survivor Benefit Reserve. When a member retires, the amount of his accumulated contributions is transferred to Pension Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2009 and 2008 is $154,771,928 and $145,217,040, respectively. The Annuity Savings is fully funded.

C) Pension Accumulation Fund:

The Pension Accumulation Fund consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Fund as of June 30, 2009 and 2008 is $688,029,472 and $635,581,829, respectively. The Pension Accumulation Fund is unfunded at June 30, 2009 and 14% funded at June 30, 2008.

D) Pension Reserve and Survivors Benefit Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of active members receive benefits from the Survivors Benefit Reserve account. The Pension Reserve as of June 30, 2009 and 2008 is $1,127,330,625 and $1,103,267,679, respectively. The Survivors Benefit Reserve as of June 30, 2009 and 2008 is $117,161,229 and $110,834,680, respectively. The Pension Reserve is 79% funded as of June 30, 2009 and fully funded as of June 30, 2008. The Survivors Benefit is 79% funded as of June 30, 2009 and fully funded as of June 30, 2008.

E) Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option as of June 30, 2009 and 2008 is $65,390,584 and $64,626,896, respectively. The Deferred Retirement Option account is fully funded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2009 AND 2008

3. CONTRIBUTIONS, RESERVES, FUNDED STATUS AND FUNDING PROGRESS: (Continued)

Reserves: (Continued)

F) Initial Benefit Retirement Plan Reserve:

The Initial Benefit Retirement Plan Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2009 and 2008 is $675,673 and $713,767, respectively. The Initial Benefit Retirement Plan Reserve is fully funded.

Funded Status And Funding Progress – Pension Plan:

The funded status of the Plan as of June 30, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
$1,410,316	$2,153,360	$743,044	65.5%	$315,400	235.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the Plan's assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Entry Age
Amortization method	Level Percentage of Projected Payroll, the amortization period is for a specified number of years (closed basis)
Remaining amortization period	20 years

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

3. CONTRIBUTIONS, RESERVES, FUNDED STATUS AND FUNDING PROGRESS: (Continued)

Funded Status And Funding Progress – Pension Plan: (Continued)

Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	The rate of annual salary growth is based on the members' years of service.
Cost of living adjustments	The liability for cost of living raises already granted is included in the retiree reserve. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of benefit increases.
Changes in unfunded liability	The Plan experienced an increase in the unfunded liability in the amount $294,691,079 as a result of investment losses. The Plan experienced a decrease in the unfunded liability in the amount of $43,322,959 as a result of an experience gain.

4. ACTUARIAL COST METHOD:

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the Plan. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as a percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal cost is called the actuarial accrued liability.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's deposits, cash equivalents and investments at June 30, 2009 and 2008:

	2009	2008
Deposits (bank balance)	$ 9,670,158	$ 16,055,567
Cash equivalents	66,138,969	91,704,516
Investments	1,146,870,285	1,629,433,369
	$ 1,222,679,412	$ 1,737,193,452

Deposits:

The Plan's bank deposits were entirely covered by federal depository insurance and by pledged securities. The pledged securities were held at the Federal Reserve in joint custody.

Cash Equivalents:

For the years ending June 30, 2009 and 2008, cash equivalents in the amount of $43,356,285 and $62,111,345, respectively, consist of government pooled investments, commercial paper and a government agency note. The funds are managed and held by a separate money manager and are in the name of the Plan. For the years ending June 30, 2009 and 2008, cash equivalents in the amount of $5,179,290 and $16,314,223, respectively, consist of U. S. Treasury Bills managed by a separate money manager, held by the Plan's custodian, and are in the name of the Plan. For the years ending June 30, 2009 and 2008, cash equivalents in the amount of $17,603,394 and $13,278,948, respectively, consist of money market funds held by the Plan's custodian in the name of the Plan.

Investments:

In accordance with LRS 11:263, the Plan is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the Plan "shall exercise the judgment and care under the circumstances then prevailing that 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." Notwithstanding the Prudent-Man Rule, the Plan shall not invest more than sixty-five percent of the total portfolio in equity investments.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Concentration of Credit Risk:

The Plan's investment policy states that no more than 5 percent of the total stock portfolio valued at market may be invested in the common stock of any one organization. There were no investments in any one organization which represented 5% of total investments at June 30, 2009 and 2008.

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, 2009 and 2008, the Plan had the following investments in long-term debt securities and maturities:

June 30, 2009

Investment Type	Fair Value	Less Than 1 Year	1 to 6	6 to 10	10+ Years	Maturity Not Determined
US Gov't & Gov't Agencies	$ 28,703,039	$ -	$ 17,471,667	$ 8,312,998	$ 2,918,374	$ -
Government mortgage backed securities	142,057,013	-	6,603,250	73,686	134,513,868	866,209
U.S. Gov't and Gov't Agency Obligations	$ 170,760,052	$ -	$ 24,074,917	$ 8,386,684	$ 137,432,242	$ 866,209
U.S. Corporate Bonds	$ 141,288,495	$ 749,749	$ 67,735,970	$ 46,547,789	$ 26,254,987	$ -
Collateralized Mortgage Obligations	17,396,678	-	169,476	1,096,467	16,130,735	-
Other Fixed Income	6,844,775	-	2,716,536	-	4,027,233	101,006
Fixed Income Funds	1,819,287	-	-	-	-	1,819,287
Domestic Bonds	$ 167,349,235	$ 749,749	$ 70,621,982	$ 47,644,256	$ 46,412,955	$ 1,920,293
Foreign Bonds	$ 22,464,280	$ -	$ 13,684,248	$ 6,809,105	$ 1,970,927	$ -
Collateral Held Under Securities Lending Program	$ 27,063,977	$ 22,296,636	$ 4,767,341	$ -	$ -	$ -

June 30, 2008

Investment Type	Fair Value	Less Than 1 Year	1 to 6	6 to 10	10+ Years	Maturity Not Determined
US Gov't & Gov't Agencies	$ 43,262,765	$ -	$ 19,213,699	$ 12,534,342	$ 3,113,381	$ 8,401,343
Government mortgage backed securities	166,323,012	2,766,247	6,693,371	79,462	126,453,235	30,330,697
U.S. Gov't and Gov't Agency Obligations	$ 209,585,777	$ 2,766,247	$ 25,907,070	$ 12,613,804	$ 129,566,616	$ 38,732,040
U.S. Corporate Bonds	$ 128,349,530	$ -	$ 66,204,174	$ 35,978,132	$ 26,167,224	$ -
Collateralized Mortgage Obligations	67,129,921	-	263,386	-	66,866,535	-
Other Fixed Income	5,118,667	-	-	-	5,118,667	-
Fixed Income Funds	10,206,617	-	-	-	-	10,206,617
Domestic Bonds	$ 210,804,735	$ -	$ 66,467,560	$ 35,978,132	$ 98,152,426	$ 10,206,617
Foreign Bonds	$ 7,828,121	$ -	$ 1,090,886	$ 3,791,038	$ 2,946,197	$ -
Collateral Held Under Securities Lending Program	$ 210,821,864	$ -	$ -	$ -	$ -	$ 210,821,864

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Below is a schedule of bonds and bond funds with their applicable ratings:

2009

	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Fixed Income Funds	Foreign Bonds
AAA	$ 5,558,670	$ -	$ 906,533	$ 9,140,119	$ 1,756,163	$ -	$ 4,973,573
AA+	-	-	2,871,144	178,577	-	-	-
AA	-	-	235,983	1,285,766	1,423,094	-	-
AA-	-	-	1,327,952	-	-	-	-
A+	-	-	16,274,639	-	-	-	648,201
A	-	-	32,263,646	567,476	-	-	415,332
A-	-	-	10,486,205	-	-	-	849,954
BBB+	-	-	16,826,755	-	-	-	1,387,845
BBB	-	-	25,619,632	299,669	-	-	2,249,535
BBB-	-	-	16,775,006	-	-	-	3,014,118
BB+	-	-	5,022,055	-	-	-	317,125
BB	-	-	3,977,744	307,851	-	-	-
BB-	-	-	1,713,375	419,889	-	-	-
B+	-	-	651,250	540,752	-	-	-
B	-	-	2,980,140	2,199,238	165,166	-	-
B-	-	-	-	-	2,716,536	-	-
CCC	-	-	1,094,272	-	-	-	-
D	-	-	-	-	-	-	-
Not Rated	23,144,369	142,057,013	2,262,164	2,457,341	783,816	1,819,287	8,608,597
	$ 28,703,039	$ 142,057,013	$ 141,288,495	$ 17,396,678	$ 6,844,775	$ 1,819,287	$ 22,464,280

2008

	U.S Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Fixed Income Funds	Foreign Bonds
AAA	$ 9,998,795	$ -	$ 5,043,176	$ 59,026,616	$ 3,598,890	$ -	$ -
AA+	-	-	-	601,755	-	-	-
AA	-	-	4,948,037	722,382	348,510	-	475,460
AA-	-	-	4,043,048	-	-	-	305,413
A+	-	-	19,916,539	-	-	-	1,085,595
A	-	-	20,725,745	-	-	-	-
A-	-	-	10,522,701	-	-	-	494,590
BBB+	-	-	11,354,123	-	17,749	-	1,406,075
BBB	-	-	24,391,381	-	-	-	2,330,016
BBB-	-	-	10,560,521	-	-	-	1,529,250
BB+	-	-	4,038,955	-	-	-	-
BB	-	-	4,705,312	-	33,063	-	-
BB-	-	-	1,428,750	-	-	-	-
B+	-	-	24,850	-	-	-	-
B	-	-	3,055,500	-	134,906	-	-
B-	-	-	80,000	-	-	-	-
CCC	-	-	1,252,597	-	-	-	-
D	-	-	-	-	2,176	-	-
Not Rated	33,263,970	166,323,012	2,258,295	6,779,168	983,373	10,206,617	201,722
	$ 43,262,765	$ 166,323,012	$ 128,349,530	$ 67,129,921	$ 5,118,667	$ 10,206,617	$ 7,828,121

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2009 AND 2008

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The Plan's investment policy limits its investments to no more than 10% of corporate debt issues rated below investment grade by Moody's Investor Services, Standard & Poors, Fitch Investor Services, or Duff & Phelps. Securities that are downgraded below the policy standard must be sold within a reasonable amount of time. In addition, the Plan may invest in debt instruments of the U.S. Government or its agencies.

Cash collateral invested under the securities lending program may be invested in regulated investment companies, U.S. or Eurodollar deposits, commercial paper rated A2, P2 or higher at the time of investment, repurchase agreements, bankers' acceptances or similar quality money market or cash equivalent investments. The Plan is in compliance with the investment policy regarding cash collateral invested under the securities lending program.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan is not exposed to custodial credit risk at June 30, 2009 and 2008 for investments in the amounts of $1,183,952,152 and $1,507,712,199, respectively, since the investments are in the name of the Plan or are in external investment pools. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. At June 30, 2009 and 2008, for collateral held under securities lending in the amounts of $27,063,977 and $210,821,864, respectively, and noncash collateral received under the securities lending program in the amounts of $1,308,855 and $1,922,297, respectively, the Plan is exposed to custodial credit risk since these investments are not in the name of the Plan. The Plan has no formal investment policy regarding custodial credit risk.

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. The Plan's exposure to foreign currency risk for the years ended June 30, 2009 and 2008 included $88,691,167 and $111,309,973, respectively, in foreign marketable securities; $1,836,480, and $-, respectively, in alternative investments; and $89,532 and $-, respectively, in cash and other investments. Foreign currency risk by country for the years ended June 30, 2009 and 2008 are as follows:

Currency	2009 Fair Value	2008 Fair Value
Australian dollar	$ 3,609,636	$ 6,284,781
European euro	17,845,814	11,139,299
Canadian dollar	1,918,724	3,676,113
China/Hong Kong dollar	11,592,309	14,849,365

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

Japanese yen	$ 33,587,007	$ 46,824,337
Singapore Dollar	2,140,118	2,429,250
Swedish krona	3,108,007	3,357,756
Swiss franc	5,756,675	7,146,770
British pound	11,058,889	15,602,302
Total	$ 90,617,179	$ 111,309,973

The Plan's investment policy has a target of 10% of total investments in foreign marketable securities. At June 30, 2009 and 2008, the Plan's current position is 7% and 6%, respectively.

6. SECURITY LENDING TRANSACTIONS:

State statutes and Board of Trustees' policies permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan entered into a contract with a company which acts as its third-party securities lending agent. The lending agent has access to the Plan's lendable portfolio or available assets. The agent lends available assets such as U.S. and non U.S. equities, corporate bonds, and U.S. Government and Government Agency Securities. Securities are loaned versus collateral that may include cash, U.S. Government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. At year-end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The contract with the Plan's agent requires it to provide borrower indemnification. The custodian's responsibility includes performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 43 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 15 days. Cash collateral may also be invested separately in "term loans", in which the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses are known to the securities lending agent.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2009 AND 2008

6. SECURITY LENDING TRANSACTIONS: (Continued)

The Plan has the following securities on loan:

	June 30, 2009 Market (Carrying Value)	June 30, 2008 Market (Carrying Value)
U. S. Government Securities	$ 12,932,671	$ 41,731,107
U. S. Government Agency Securities	28,739	14,437,551
Corporate Bonds	1,224,953	23,648,469
Marketable Securities – domestic	13,365,857	117,257,401
Marketable Securities – foreign	80,460	9,838,993
	$ 27,632,680	$ 206,913,521

Securities on loan at June 30, 2009 and 2008 are collateralized by cash collateral in the amount of $27,063,977 and $210,821,864, respectively, and noncash collateral in the amount of $1,308,855 and $1,922,297 , respectively.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral at June 30, 2009 and 2008. Such matching did exist since loans may be terminated on demand.

7. FUTURES:

The Plan has entered into futures contracts for the purpose of maintaining market exposure for excess cash. At June 30, 2009, the Plan had 12 outstanding S&P futures contracts, and 120 treasury note futures contracts, all maturing September 2009. At June 30, 2008, the Plan had 13 outstanding S&P futures contracts and 90 treasury note futures. The notional value of the open sales contracts at June 30, 2009 and 2008 was $13,640,149 and $4,985,999, respectively. The fair value of the open sales contracts at June 30, 2009 and 2008 was $13,625,547 and $5,021,516, respectively. The notional value of the open purchase contracts at June 30, 2009 and 2008 was $3,386,398 and $8,950,778, respectively. The fair value of the open purchase contracts at June 30, 2009 and 2008 was $3,338,297 and $8,908,375, respectively.

The Plan is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the Plan does not anticipate nonperformance by the counterparties. The Plan is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the Plan is the notional value of the contracts. During the years ended June 30, 2009 and 2008, the Plan realized net losses of $(131,509) and $(104,299), respectively, on futures trading. The net losses and gains are recorded on the financial statements in net appreciation in fair value income.

During the years ended June 30, 2009 and 2008, the Plan was required to pledge $500,000 and $330,000, respectively, of treasury bills as collateral for the S&P 500 trading account. At June 30, 2009 and 2008, the pledged treasury bills' fair market value was $499,500 and $327,023, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

8. ALTERNATIVE INVESTMENTS:

The Plan invests in limited private equity partnerships. These investments are valued at market value, which is estimated by the General Partner of each partnership. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated. At the reporting deadline, March 31, 2009 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2009 and June 30, 2009.

The total initial active commitment for the partnerships as of June 30, 2009 was $89,026,501. The total amount called for funding as of June 30, 2009 was $26,480,988. The remaining commitment that could be called as of June 30, 2009 was $62,545,513.

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 34, was established at $75.00 per day in accordance with Louisiana Revised Statute 42:700.2.

10. PROPERTY AND EQUIPMENT:

Changes in property and equipment are as follows:

	Beginning Balance	Additions	Deletions	Transfer to Investment	Ending Balance
Building	$ 3,632,918	$ -	$ -	$ -	$ 3,632,918
Land	1,010,225	-	-	-	1,010,225
Furniture and equipment	432,634	9,431	-	-	442,065
Accumulated depreciation	(1,490,026)	(129,501)	-	-	(1,619,528)
	$ 3,585,751	$ (120,070)	$ -	$ -	$ 3,465,680

Depreciation expense for the years ended June 30, 2009 and 2008 was $129,501 and $131,802, respectively.

11. SUPPLEMENTARY INFORMATION:

In accordance with GASB 45 and 50, required supplementary information can be found in the attached schedules on pages 29 through 31.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
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12. TAX QUALIFICATION:

The Plan is a Tax Qualified Plan Under IRS Code Section 401(a).

13. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

14. OPERATING LEASES:

The Plan leases office space recorded as real estate held for investment under an operating lease expiring October 31, 2010.

Minimum future rentals to be received on operating leases for next year and in the aggregate are:

JUNE 30	
2010	$94,398

The lease may be terminated under various circumstances by both parties.

15. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Plan employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the Plan. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Plan. At June 30, 2009, nine retirees were receiving post-employment benefits.

Plan Description

The Plan's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal year 2008) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits. LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

15. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy

The contribution requirements of plan members and the Plan are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan.

Retired employees who have Medicare Part A and Part B coverage also have access to two OGB MedicareAdvantage plans which include one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, during the year ended June 30, 2009 and 2008, employee premiums for a single member receiving benefits range from $79 to $95 and $34 to $92 per month, respectively, for employee-only coverage with Medicare or from $130 to $176 and $125 to $170 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2009 and 2008 range from $142 to $171 and $69 to $165 per month, respectively, for those with Medicare or from $423 to $512 and $408 to $493 per month, respectively, for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Plan contributing anywhere from $236 to $246 and $103 to $237 per month for retiree-only coverage with Medicare or from $838 to $873 and $809 to $842 per month for retiree-only coverage without Medicare during the years ended June 30, 2009 and 2008, respectively. Also, the Plan's contributions range from $425 to $442 and $207 to $427 per month for retiree and spouse with Medicare or $1,288 to $1,341 and $1,242 to $1,293 for retiree and spouse without Medicare during the years ended June 30, 2009 and 2008, respectively.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

15. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost

The Plan's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45, which was implemented prospectively for the year ended June 30, 2008. 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. The total ARC for the fiscal year beginning July 1, 2009 and 2008 is $769,800 and $790,300, respectively, as set forth below:

	July 1, 2009	July 1, 2008
Normal Cost	$ 498,000	$ 547,000
Amortization of the UAAL	242,192	212,904
Interest	29,608	30,396
Annual required contribution (ARC)	$ 769,800	$ 790,300

The following table presents the Plan's OPEB Obligation for the years ended June 30, 2009 and 2008, the amount actually contributed to the plan, and changes in the Plan's net OPEB Obligation:

	2009	2008
Annual required contribution	$ 769,800	$ 790,300
Interest on net OPEB obligation	28,506	-
ARC adjustment	(27,231)	-
Annual OPEB Cost	771,075	790,300
Contributions made	(106,900)	(77,644)
Increase in Net OPEB Obligation	664,175	712,656
Beginning Net OPEB Obligation	712,656	-
Ending Net OPEB Obligation	$ 1,376,831	$ 712,656

The Plan's percentage of annual OPEB cost contributed to the plan utilizing the pay-as-you-go method and the net OPEB Obligation for the years ended June 30, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	$ 790,300	9.82%	$ 712,656
June 30, 2009	769,800	13.89%	1,376,831

Funded Status and Funding Progress

Act 910 of the 2008 Regular Session established the Post Employment Benefits Trust Fund effective July 1, 2008. However, during fiscal year 2009, neither the Plan nor the State of Louisiana contributed to it. Since no contributions were made, the entire actuarial accrued liability of $6,338,800 as of July 1, 2008 was unfunded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

15. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress (Continued)

The funded status of the plan, as determined by an actuary as of July 1, 2008 and 2007, was as follows:

	July 1, 2008	July 1, 2007
Actuarial accrued liability (AAL)	$ 6,338,800	$ 5,570,600
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 6,338,800	$ 5,570,600
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,874,300	$ 1,792,760
UAAL as a percentage of covered payroll	338%	311%

Actuarial Methods and Assumptions

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 multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 consistent with the long-term perspective of the calculations.

In the July 1, 2008 and 2007, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9.0% and 10.1% for pre-Medicare and Medicare eligibles, respectively, for the July 1, 2008 valuation and initial annual healthcare cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, for the July 1, 2007 valuation scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2009 and 2008 was 28 and 29 years, respectively.

16. RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)
JUNE 30, 2004 THROUGH 2009

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2004	$1,381,154	$1,820,958	$439,804	75.8%	$259,698	169.4%
2005	1,423,207	1,889,445	466,238	75.3	259,232	179.9
2006	1,480,748	1,872,594	391,846	79.1	239,321	163.7
2007	1,558,328	1,947,603	389,275	80.0	259,045	150.3
2008	1,578,991	2,060,242	481,251	76.6	289,259	166.2
2009	1,410,316	2,153,360	743,044	65.5	315,400	235.6

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2004 THROUGH 2009

Year Ended June 30	Actuarially Required Contribution	Percentage Contributed
2004	$45,553,547	61.47%
2005	49,942,339	75.59
2006	43,526,534	99.84
2007	45,808,043	110.22
2008	54,526,426	94.94
2009	74,305,318	74.98

The actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
SCHOOL EMPLOYEES' RETIREMENT SYSTEM'S OPEB PLAN
JUNE 30, 2008 THROUGH 2009

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a/c)]
2008	$-	$5,570,600	$5,570,600	- %	$1,792,730	311%
2009	$-	$6,338,800	$6,338,800	- %	$1,874,300	338%

The actuarial valuation date differs from the financial reporting date. The actuarial valuations are as of the beginning of the fiscal year.

OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2008	$ 1,103,267,679	$ 110,834,680	$ 145,217,040	$ 64,626,896
ADDITIONS:				
Contributions:				
Members	-	-	23,017,957	-
Employers	-	-	-	-
Investment loss and other sources	-	-	-	-
Transfers from Annuity Savings	10,314,186	-	-	-
Pensions transferred from Pension Reserve	-	172,870	-	10,052,517
Operating transfers	-	-	-	-
Actuarial transfers	143,340,431	8,593,353	-	-
Total additions	153,654,617	8,766,223	23,017,957	10,052,517
DEDUCTIONS:				
Retirement allowances paid	118,634,959	2,439,674	-	9,288,829
Refunds to members	-	-	3,103,573	-
Transfers to Pension Reserve	-	-	10,314,186	-
Transfers to Survivor Benefit	172,870	-	-	-
Transfers to Pension Accumulation	5,894	-	-	-
Pensions transferred to DROP	10,052,517	-	-	-
Pensions transferred to IBRP	725,431	-	-	-
Transfers to other systems	-	-	45,310	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	129,591,671	2,439,674	13,463,069	9,288,829
NET INCREASE (DECREASE)	24,062,946	6,326,549	9,554,888	763,688
BALANCES, JUNE 30, 2009	$ 1,127,330,625	$ 117,161,229	$ 154,771,928	$ 65,390,584

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 713,767	$ 635,581,829	$ -	$ (548,000,042)	$ 1,512,241,849
-	-	-	-	23,017,957
-	55,715,529	-	-	55,715,529
-	(248,186,441)	-	-	(248,186,441)
-	-	-	-	10,314,186
725,431	5,894	-	-	10,956,712
-	-	4,518,576	-	4,518,576
-	249,737,928	-	-	401,671,712
725,431	57,272,910	4,518,576	-	258,008,231
763,525	-	-	-	131,126,987
-	-	-	-	3,103,573
-	-	-	-	10,314,186
-	-	-	-	172,870
-	-	-	-	5,894
-	-	-	-	10,052,517
-	-	-	-	725,431
-	177,190	-	-	222,500
-	129,501	-	-	129,501
-	-	4,518,576	-	4,518,576
-	4,518,576	-	-	4,518,576
-	-	-	401,671,712	401,671,712
763,525	4,825,267	4,518,576	401,671,712	566,562,323
(38,094)	52,447,643	-	(401,671,712)	(308,554,092)
$ 675,673	$ 688,029,472	$ -	$ (949,671,754)	$ 1,203,687,757

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2008	$ 1,075,545,710	$ 110,437,170	$ 137,564,511	$ 63,509,013
ADDITIONS:				
Contributions:				
Members	-	-	21,398,728	-
Employers	-	-	-	-
Investment loss and other sources	-	-	-	-
Transfers from Annuity Savings	10,635,912	-	-	-
Pensions transferred from Pension Reserve	-	42,485	-	12,325,265
Operating transfers	-	-	-	-
Actuarial transfers	149,218,978	2,859,474	-	-
Total additions	159,854,890	2,901,959	21,398,728	12,325,265
DEDUCTIONS:				
Retirement allowances paid	119,225,759	2,504,449	-	11,207,382
Refunds to members	-	-	3,123,097	-
Transfers to Pension Reserve	-	-	10,635,912	-
Transfers to Survivor Benefit	42,485	-	-	-
Transfers to Pension Accumulation	26,090	-	-	-
Pensions transferred to DROP	12,325,265	-	-	-
Pensions transferred to IBRP	513,322	-	-	-
Transfers to other systems	-	-	(12,810)	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	132,132,921	2,504,449	13,746,199	11,207,382
NET INCREASE (DECREASE)	27,721,969	397,510	7,652,529	1,117,883
BALANCES, JUNE 30, 2009	$ 1,103,267,679	$ 110,834,680	$ 145,217,040	$ 64,626,896

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 882,748	$ 559,663,861	$ -	$ (290,973,680)	$ 1,656,629,333
-	-	-	-	21,398,728
-	51,765,697	-	-	51,765,697
-	(76,115,398)	-	-	(76,115,398)
-	-	-	-	10,635,912
513,322	26,090	-	-	12,907,162
-	-	4,704,910	-	4,704,910
-	104,947,910	-	-	257,026,362
513,322	80,624,299	4,704,910	-	282,323,373
682,303	-	-	-	133,619,893
-	-	-	-	3,123,097
-	-	-	-	10,635,912
-	-	-	-	42,485
-	-	-	-	26,090
-	-	-	-	12,325,265
-	-	-	-	513,322
-	(130,381)	-	-	(143,191)
-	131,802	-	-	131,802
-	-	4,704,910	-	4,704,910
-	4,704,910	-	-	4,704,910
-	-	-	257,026,362	257,026,362
682,303	4,706,331	4,704,910	257,026,362	426,710,857
(168,981)	75,917,968	-	(257,026,362)	(144,387,484)
$ 713,767	$ 635,581,829	$ -	$ (548,000,042)	$ 1,512,241,849

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

JUNE 30, 2009

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Jeffrey Faulk	14	$ 1,050
Betty Crain	14	1,050
Phillip Walther	14	1,050
Judith McKee	14	1,050
Larry Wilmer	14	1,050
Eugene Rester	13	975
Kathy Landry	14	1,050
TOTALS		$ 7,275

JUNE 30, 2008

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Jeffrey Faulk	15	$ 1,125
Betty Crain	15	1,125
Phillip Walther	8	600
Judith McKee	15	1,125
Larry Wilmer	9	675
Earl Richard	5	375
Eugene Rester	15	1,125
Kathy Landry	13	975
TOTALS		$ 7,125

The Board holds regular two-day meetings each quarter, and one-day Investment Committee meetings during the months those regular meetings are not held.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2009

	Par Value	Original Cost	Market Value
SHORT-TERM INVESTMENTS		$ 66,143,891	$ 66,138,969
U.S. GOV'T AND U.S. GOV'T AGENCY OBLIGATION:			
U.S. government and government agency obligations	$ 29,040,000	$ 28,691,252	$ 28,703,039
Government mortgage-backed securities	136,080,923	138,332,895	142,057,013
	$ 165,120,923	$ 167,024,147	$ 170,760,052
BONDS - DOMESTIC:			
Corporate bonds - domestic	$ 139,473,000	$ 142,707,658	$ 141,288,495
Collateralized mortgage obligations	29,922,744	28,919,193	17,396,678
Other fixed income investments	11,357,486	9,957,374	6,844,775
Fixed Income funds	-	1,688,808	1,819,287
	$ 180,753,230	$ 183,273,033	$ 167,349,235
BONDS - FOREIGN:			
Corporate bonds - foreign	11,290,000	11,251,289	11,431,391
Gov't bonds - foreign	1,500,000	1,458,750	1,539,750
Government agencies - foreign	9,520,000	9,512,246	9,493,139
	$ 22,310,000	$ 22,222,285	$ 22,464,280
MARKETABLE SECURITIES - DOMESTIC:			
Domestic stocks		$ 446,650,797	$ 389,332,884
Domestic equity funds		173,767,027	145,314,935
		$ 620,417,824	$ 534,647,819
MARKETABLE SECURITIES - FOREIGN:			
Foreign stocks		$ 77,652,312	$ 91,574,449
Other equity funds		50,000,000	45,219,570
Preferred stock		1,944,109	1,968,240
		$ 129,596,421	$ 138,762,259
ALTERNATIVE INVESTMENTS:			
Real estate funds		$ 82,088,114	$ 63,053,297
Private equity funds		26,421,968	20,776,242
		$ 108,510,082	$ 83,829,539
REAL ESTATE HELD FOR INVESTMENT		$ 2,151,604	$ 1,993,124

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

The LSERS' Investment Portfolio is highly diversified both by asset class (bonds, stocks, real estate, etc.) and by sectors and industries (energy, tech, consumer products, etc.) The largest holdings in each asset class are detailed on the following pages. These securities have the most significant influence on the overall portfolio performance and represent approximately 50% of the total portfolio.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

	Par Value	Fair Value
SHORT TERM INVESTMENTS:		
NTGI Collective Government Short Term Fund	$ 36,542,988	$ 36,542,988
FHLB Discount Note 6-11-2010	4,700,000	4,679,790
U.S. Treasury Bills 11-19-2009	500,000	499,500

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

	Par Value	Fair Value
BONDS:		
FNMA Pool #889579 6% due 5-01-2038	$ 9,820,125	$ 10,277,566
FNMA Pool #990906 5.5% due 10-01-2035	8,228,504	8,533,131
U.S. Treasury Notes 3.125% due 5-15-2019	8,595,000	8,312,998
U.S. Treasury Note 1.375% due 6-15-2012	7,400,000	7,453,798
FNMA Pool #889839 5.5% due 12-01-2035	6,903,543	7,159,018
FNMA Pool #555592 5.5% due 7-01-2033	6,885,609	7,144,852
GNMA Pool #781746 5% due 5-15-2034	5,740,823	5,864,825
Federal Home Loan Pool #C01585 5.0% due 7-01-2033	5,246,226	5,364,880
Federal Home Loan Pool #C01598 5.0% due 8-01-2033	5,091,890	5,207,069
Deer & Co Global Note 6.95% due 4-25-2014	4,000,000	4,536,828
Halliburton 5.9% due 9-15-2018	4,000,000	4,271,480
SBC Communications Inc. 5.625% due 6-15-2016	4,000,000	4,116,388
Burlington Northern Santa Fe Co 5.65% due 5-1-2017	4,000,000	4,082,600
Dow Chemical Co Note 6% due 10-01-2012	4,000,000	4,049,636
Target Corp 4% due 6-15-2013	4,000,000	3,967,316
Federal Home Loan Pool # C78238 5.5% due 4-01-2033	3,740,779	3,880,437
Valero Energy Corp 7.5% due 4-15-2032	4,000,000	3,827,376
Oneok Inc. Note 5.2% due 6-15-2015	4,000,000	3,761,704
Royal Bank of Scotland TR#00003 2.625% due 5-11-2012	3,720,000	3,746,728
U.S. Treasury Notes 4.875% due 4-30-2011	3,420,000	3,656,192
Danske Bank TR#00001 2.5% due 5-10-12	3,570,000	3,579,524
Cox Communication Inc. 7.75% due 11-1-2010	3,500,000	3,643,486
Union Pacific 6.625% due 2-01-2029	3,500,000	3,603,516
Allstate Corp Note 6.125% due 2-15-2012	3,500,000	3,558,044
FNMA Single Family 4.5% TBA July	3,524,100	3,455,000
FedEx Corp Notes 7.25% due 2-15-2011	3,000,000	3,180,450
Carolina Power & Light 5.125% due 9-15-2013	3,000,000	3,175,413
Kraft Food 6.125% due 2-01-2018	3,000,000	3,101,769
Williams Company 7.125% due 9-01-2011	3,000,000	3,059,556
Marathon Oil 6% due 10-01-2017	3,000,000	3,054,675

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

	Shares		Fair Value
DOMESTIC STOCKS:			
Exxon Mobil	130,215	$	9,103,331
Microsoft	279,752		6,649,705
Proctor & Gamble	125,604		6,418,364
Chevron	93,229		6,176,421
JP Morgan Chase	168,609		5,751,253
AT&T	227,460		5,650,106
General Electric	450,561		5,280,575
Bank of America	369,567		4,879,472
Intel	280,296		4,638,899
ConocoPhillips	102,470		4,309,888
Johnson & Johnson	73,500		4,174,800
Apache	51,185		3,692,998
International Business Machines	35,243		3,680,074
Bank New York Mellon	124,031		3,635,349
Phillip Morris International	81,512		3,555,553
Marathon Oil	113,289		3,413,398
Apple	23,746		3,382,143
Transocean	43,200		3,209,328
United Technologies	60,903		3,164,520
Altria Group	188,312		3,086,434
Wells Fargo & Co.	124,003		3,008,313
Wal-Mart Stores	59,577		2,885,910
Cisco Systems	153,921		2,869,087
Public Service Enterprises Group	86,822		2,833,002
Freeport-McMoran Copper & Gold	54,826		2,747,331
Google Class A	6,419		2,706,186
Pfizer	179,646		2,694,690
Burlington Northern Santa Fe	35,914		2,641,116
Coca Cola	53,178		2,552,012
Hewlett Packard	63,722		2,462,855

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

	Shares		Fair Value	Country
FOREIGN STOCKS:				
HongKong & China Gas	1,374,998	$	2,891,913	Hong Kong
Keyence	13,772		2,811,923	Japan
Colruyt Sa	11,500		2,622,815	Belgium
CLP Holdings	390,000		2,586,564	Hong Kong
Woodside Petroleum	70,397		2,459,187	Australia
Cnooc Ltd	1,966,000		2,437,824	China
Fanuc Ltd	29,000		2,332,383	Japan
Daito Trust Construction	48,700		2,301,622	Japan
Daikin Industries	70,000		2,256,309	Japan
Inditex	45,200		2,166,371	Spain
DBS Group	262,500		2,140,118	Singapore
Hutchison Whampoa	325,000		2,124,019	Hong Kong
Shin-Etsu Chemical	44,500		2,066,228	Japan
Essilor International	43,000		2,049,468	France
BG Group	122,000		2,045,322	UK

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2009

	Shares		Fair Value
FIXED INCOME FUNDS:			
Evergreen Selective High Yield Bond Trust	17,563	$	1,819,288
DOMESTIC EQUITY FUNDS:			
RumbLine Russell 1000 Growth Index Fund	8,112,807		72,265,801
RumbLine Mid Cap Index Fund	1,277,362		34,761,226
Analytic Core Equity Plus Fund	267,427		19,416,344
AXA Rosenberg U.S. 130 – 30 Institutional Fund	30,000		18,871,563
INTERNATIONAL EQUITY FUNDS:			
Thornburg International Equity Fund	50,000,000		45,219,570
REAL ESTATE FUNDS:			
Principal U.S. Property Fund	1,488,769		33,792,747
Prudential PRISA I Fund	1,183		29,260,550
PRIVATE EQUITY FUNDS			
Hamilton Lane Private Equity Fund IV	N/A		9,305,239
Pantheon USA Fund VII	N/A		7,013,693
Pantheon Asia Fund V	N/A		2,620,830
Pantheon Europe Fund VI	N/A		1,836,480

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
EXPENSES:		
Salaries	$ 2,146,650	$ 2,139,704
Overtime pay	13,980	10,903
Related benefits	1,336,316	1,421,856
Student labor	14,962	11,548
Compensation - board	7,275	7,125
Total expenses	3,519,183	3,591,136
OPERATING EXPENSES:		
Professional improvement - staff and board	6,373	8,631
Travel - board	47,001	39,216
Travel - staff	32,433	36,570
Total operating expenses	85,807	84,417
OPERATING SERVICES:		
Printing	19,669	29,581
Equipment maintenance	14,646	42,138
Building	371,319	452,162
Dues	11,359	15,502
Postage	133,136	134,586
Telephone	43,160	40,575
Equipment rent	12,961	-
Insurance	12,601	11,811
Legal	5,848	7,345
Advertising	337	2,016
Total operating services	625,036	735,716
SUPPLIES:		
Office	30,446	26,234
Computer	42,246	57,663
Total supplies	72,692	83,897
PROFESSIONAL SERVICES:		
Medical	6,338	5,400
Actuary	54,900	61,720
Audit	46,300	23,700
Records imaging	73,299	41,070
Total professional services	180,837	131,890
INTERAGENCY TRANSFERS:		
Civil Service	8,040	9,342
Total interagency transfers	8,040	9,342
OTHER CHARGES:		
Legiscon	-	3,075
Miscellaneous	(19,464)	3,628
Computer software	46,445	61,809
Total other charges	26,981	68,512
TOTAL EXPENSES	$ 4,518,576	$ 4,704,910

DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 20, 2009

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

We have audited the financial statements of the State of Louisiana School Employees' Retirement System (Plan), a component unit of the State of Louisiana, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 20, 2009. 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 of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the State of Louisiana School Employees' Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Louisiana School Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Louisiana School Employees' Retirement System's internal control over financial reporting.

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State of Louisiana School Employees' Retirement System's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the State of Louisiana School Employees' Retirement System's financial statements that is more than inconsequential will not be prevented or detected by the State of Louisiana School Employees' Retirement System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State of Louisiana School Employees' Retirement System's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Louisiana School Employees' Retirement System'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, State of Louisiana Division of Administration, 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 Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of State of Louisiana School Employees' Retirement System for the years ended June 30, 2009 and 2008 was unqualified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS:

Internal Control:

Material weaknesses – none noted
Significant deficiencies – none noted

Compliance:

Noncompliance material to financial statements – none noted

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR FINDINGS:

(08-01) While reviewing the reconciliations between the individual money managers and the custodian bank trust balances, it was noted that two money managers had not submitted reconciliations or statements as of the report date for the period ending June 30, 2008. The most recent statements received were as of March 31, 2008. Unreconciled investment accounts could result in a misstatement to investment assets. We recommended that the Plan obtain reconciliations from each money manager on a monthly basis. This finding has been resolved for the year ended June 30, 2009.