

ANNUAL FINANCIAL REPORT  
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
BATON ROUGE, LOUISIANA  
DECEMBER 31, 2012 AND 2011

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA

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DECEMBER 31, 2012 AND 2011

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DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

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## INDEPENDENT AUDITOR'S REPORT

June 19, 2013

Board of Trustees  
Parochial Employees' Retirement System of Louisiana  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Parochial Employees' Retirement System of Louisiana, which comprise the statement of plan net position as of December 31, 2012 and 2011, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1615 Poydras Street, Suite 2100 • New Orleans, LA 70112 • (504) 586-8866 • Fax (504) 525-5888  
1670 Old Spanish Trail • Slidell, LA 70458 • (985) 649-9996 • Fax (985) 649-9940  
247 Corporate Drive • Houma, LA 70360 • (985) 868-2630 • Fax (985) 872-3833  
5047 Highway 1, P. O. Box 830 • Napoleonville, LA 70390 • (985) 369-6003 • Fax (985) 369-9941

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parochial Employees' Retirement System of Louisiana as of December 31, 2012 and 2011, and the results of its operations and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, schedule of funding progress – pension plan and schedule of funding progress – other post-employment benefit obligations as listed in the index be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Parochial Employees' Retirement System's basic financial statements. The supplemental information as listed in the index are presented for the purposes of additional analysis and are not a part of the basic financial statements. The supplemental information for the years ending December 31, 2012 and 2011, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 when considered in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2013 on our consideration of Parochial Employees' Retirement System of Louisiana's internal control over financial reporting and our test of compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over the 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.

PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

The Management's Discussion and Analysis of Parochial Employees' Retirement System's financial performance presents a narrative overview and analysis of Parochial Employees' Retirement System's financial activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in Parochial Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Parochial Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2012 by \$2,780,560,651 which represents an increase from last fiscal year. The net position restricted for pension benefits increased by \$384,494,677 or 16.05%. The increase is in line with the rate of return earned on the investment portfolio.
- Contributions to the plan by members and employers totaled \$148,722,565, an increase of \$1,221,209 or 0.83% over the prior year.
- The net appreciation in the fair value of investments was \$327,217,073 for 2012, compared to a net depreciation of \$59,838,358 in 2011.
- The rate of return on the System's investments was 15.6% for Plan A and 15.8% for Plan B based on the market value. This represents an increase from the 2011 results in both plans,
- Pension benefits paid to retirees and beneficiaries increased by \$9,296,607 or 8.69%. This increase is due to an rise in the number of retirees and the larger benefit amounts for new retirees.
- Administrative expenses totaled \$1,333,464, an increase of \$103,337 or 8.40%.
- The cost of administering the System per member during 2012 was \$41 per individual. This figure is derived by dividing total administrative expenses by the sum of active and retired employees, survivors, and terminated employees eligible for a refund or benefit.

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 position,
- Statement of changes in plan net position, and
- Notes to the financial statements.

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

PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statements of plan net position report the System's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the System as of December 31, 2012 and 2011.

The statement of changes in plan net position reports the results of the System's operations during the year disclosing the additions to and deductions from the plan net position. It supports the change that has occurred to the prior year's net position value on the statement of plan net position.

FINANCIAL ANALYSIS OF THE FUND

Parochial Employees' Retirement System provides benefits to all eligible parish employees in 61 of the 64 parishes in the State of Louisiana. Employee contributions, employer contributions and earnings on investments fund these benefits.

|  | <u>Statement of Plan Net Position</u><br><u>December 31, 2012 and 2011</u> |                         |
|--|--|-------------------------|
|  | <u>2012</u>  | <u>2011</u>             |
| Cash and investments                           | \$ 2,759,145,593   | \$ 2,373,719,711        |
| Receivables                                    | 35,027,464   | 34,829,945              |
| Other  | 15   | 15                      |
| Property and equipment                         | <u>822,505</u>   | <u>838,977</u>          |
| Total assets                                   | 2,794,995,577  | 2,409,388,648           |
| Total liabilities                              | <u>14,434,926</u>  | <u>13,322,674</u>       |
| Net Position - Restricted for Pension Benefits | <u>\$ 2,780,560,651</u>  | <u>\$ 2,396,065,974</u> |

Plan net position increased by \$384,494,677 or 16.05% (\$2,780,560,651 compared to \$2,396,065,974). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in Plan net position in 2012 was due mainly to the fact that investment markets were up significantly as compared with the prior year.

|                               | <u>Statement of Changes in Plan Net Position</u><br><u>December 31, 2012 and 2011</u> |                      |
|-------------------------------|---|----------------------|
|                               | <u>2012</u>   | <u>2011</u>          |
| Additions:                    |   |                      |
| Contributions                 | \$ 156,342,426  | \$ 154,679,008       |
| Net investment income/(loss)  | 374,448,206   | (15,989,237)         |
| Other                         | <u>2,337,455</u>  | <u>2,015,426</u>     |
| Total additions               | 533,128,087   | 140,705,197          |
| Total deductions              | <u>(148,633,410)</u>  | <u>(131,456,791)</u> |
| Increase in Plan Net Position | <u>\$ 384,494,677</u>   | <u>\$ 9,248,406</u>  |

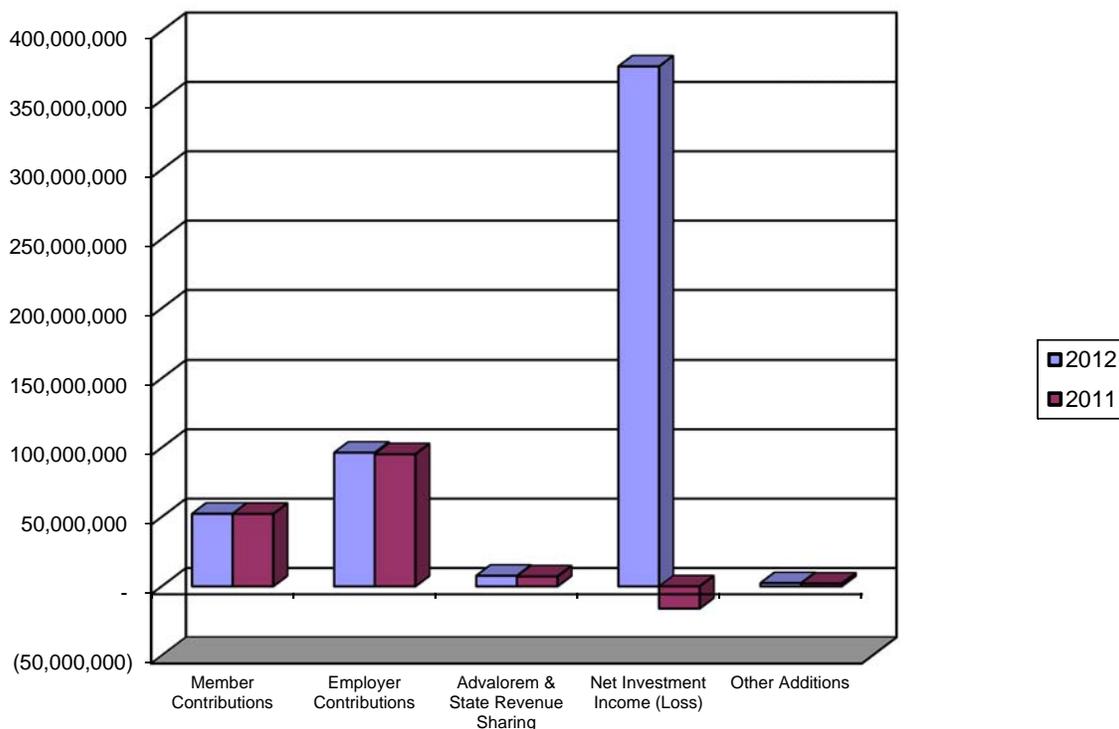
PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE FUND (Continued)

Additions to Plan Net Position

Additions to the System's plan net position were derived from member and employer contributions. Member contributions increased \$93,644 or 0.18% and employer contributions increased \$1,127,565 or 1.18%. The System experienced net investment income of \$374,448,206 as compared to a net investment loss of \$15,989,237 in the previous year. The increase in Plan net position in 2012 was due mainly to the fact that investment markets were up significantly as compared with the prior year.

|                                    | <u>2012</u>           | <u>2011</u>           | Increase (Decrease)<br><u>Percentage</u> |
|------------------------------------|-----------------------|-----------------------|--|
| Member Contributions               | \$ 52,322,814         | \$ 52,229,170         | 0.18 %                                   |
| Employer Contributions             | 96,399,751            | 95,272,186            | 1.18 %                                   |
| Ad valorem & State Revenue Sharing | 7,619,861             | 7,177,652             | 6.16 %                                   |
| Net Investment Income/(loss)       | 374,448,206           | (15,989,237)          | 2444.18 %                                |
| Other Additions                    | <u>2,337,455</u>      | <u>2,015,426</u>      | 15.98 %                                  |
| Total additions                    | <u>\$ 533,128,087</u> | <u>\$ 140,705,197</u> |  |



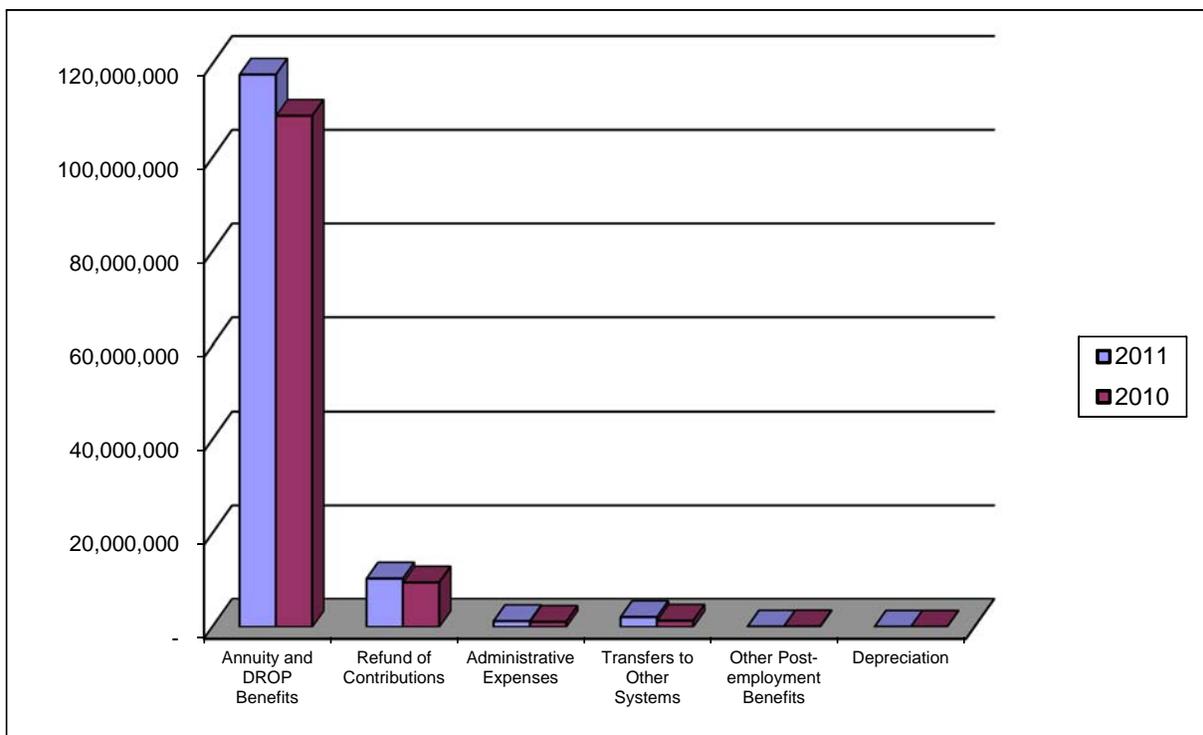
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RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Position

Deductions from plan net position include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net position totaled \$148,633,410 in fiscal year 2012. Deductions from plan net position increased by \$17,176,619. Retirement benefits accounted for the majority of the increase. Retirement benefits increased by \$15,079,079 as a result of the increase in the number of retirees, DROP lump sum distributions, and the larger benefit amounts generally paid to new retirees.

|                               | <u>2012</u>           | <u>2011</u>           | <u>Increase (Decrease)</u><br><u>Percentage</u> |
|-------------------------------|-----------------------|-----------------------|---|
| Annuity and DROP Benefits     | \$ 132,789,461        | \$ 117,710,382        | 12.81 %   |
| Refunds of Contributions      | 12,211,012            | 10,321,625            | 18.31 %   |
| Administrative Expenses       | 1,333,464             | 1,230,127             | 8.40 %  |
| Transfers to Other Systems    | 2,212,872             | 2,086,516             | 6.06 %  |
| Other Postemployment Benefits | 50,589                | 74,473                | (32.07)%  |
| Depreciation                  | <u>36,012</u>         | <u>33,668</u>         | 6.96 %  |
| Total                         | <u>\$ 148,633,410</u> | <u>\$ 131,456,791</u> |   |



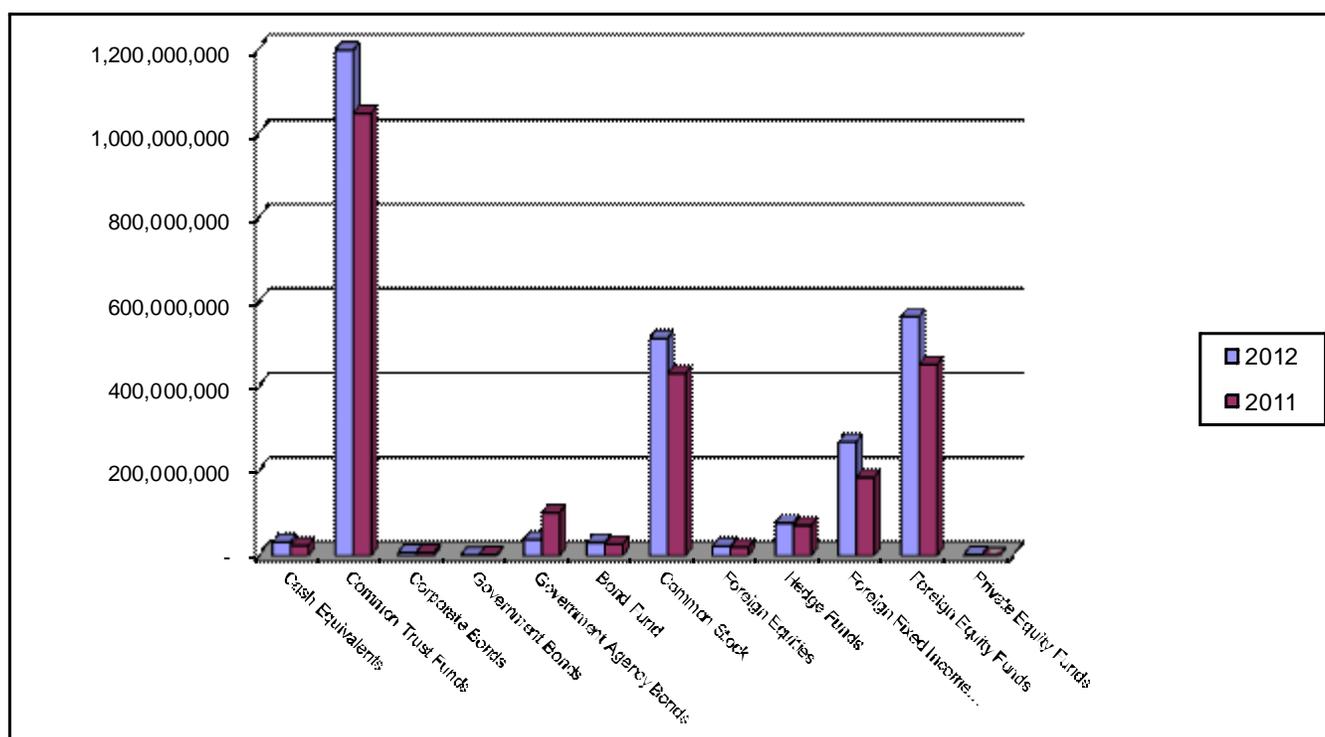
PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE FUND (Continued)

Investments

Parochial Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total fair value of investments at December 31, 2012 was \$2,756,853,226 as compared to \$2,368,639,382 at December 31, 2011 which is an increase of \$388,213,844 or 16.39%. The System's investments in various markets at the end of the 2012 and 2011 fiscal years are indicated in the following table:

|                            | <u>2012</u>             | <u>2011</u>             | <u>Increase (Decrease)</u><br><u>Percentage</u> |
|----------------------------|-------------------------|-------------------------|---|
| Cash Equivalents           | \$ 31,822,635           | \$ 23,904,121           | 33.13 %   |
| Common Trust Funds         | 1,196,510,509           | 1,046,706,602           | 14.31 %   |
| Corporate Bonds            | 7,328,680               | 7,459,725               | (1.76) %  |
| Government Bonds           | 1,184,429               | 2,400,172               | (50.65) %                                       |
| Government Agency Bonds    | 37,588,391              | 101,799,475             | (63.08) %                                       |
| Bond Fund                  | 31,261,898              | 27,186,091              | 14.99 %   |
| Common Stock               | 513,860,103             | 430,598,668             | 19.34 %   |
| Foreign Equities           | 22,850,381              | 19,987,372              | 14.32 %   |
| Hedge Funds                | 77,282,216              | 71,417,916              | 8.21 %  |
| Foreign Fixed Income Funds | 268,715,098             | 184,782,570             | 45.42 %   |
| Foreign Equity Funds       | 566,261,441             | 452,396,670             | 25.17 %   |
| Private Equity Funds       | 2,187,445               | -                       | 100.00 %  |
| Total                      | <u>\$ 2,756,853,226</u> | <u>\$ 2,368,639,382</u> |   |



PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Dainna Tully, Administrative Director of Parochial Employees' Retirement System, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, (225) 928-1361.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF PLAN NET POSITION  
DECEMBER 31, 2012 AND 2011

|   | <u>2012</u>                    | <u>2011</u>                    |
|---|--------------------------------|--------------------------------|
| <b><u>ASSETS:</u></b>                                     |                                |                                |
| Cash  | \$ <u>2,292,367</u>            | \$ <u>5,080,329</u>            |
| Receivables:  |                                |                                |
| Contributions receivable - Member                         | 9,270,326                      | 9,619,303                      |
| Contributions receivable - Employer                       | 16,850,116                     | 17,431,899                     |
| Ad valorem taxes and state revenue<br>sharing receivable  | 7,510,859                      | 6,714,649                      |
| Miscellaneous receivable                                  | 685                            | -                              |
| Investment receivable                                     | 850,451                        | 330,142                        |
| Accrued interest and dividends                            | <u>545,027</u>                 | <u>733,952</u>                 |
|   | <u>35,027,464</u>              | <u>34,829,945</u>              |
| Investments (at fair value):                              |                                |                                |
| Cash equivalents  | 31,822,635                     | 23,904,121                     |
| Common trust funds  | 1,196,510,509                  | 1,046,706,602                  |
| Corporate bonds   | 7,328,680                      | 7,459,725                      |
| Government bonds  | 1,184,429                      | 2,400,172                      |
| Government agency bonds                                   | 37,588,391                     | 101,799,475                    |
| Bond funds  | 31,261,898                     | 27,186,091                     |
| Common stock  | 513,860,103                    | 430,598,668                    |
| Foreign equities  | 22,850,381                     | 19,987,372                     |
| Hedge funds   | 77,282,216                     | 71,417,916                     |
| Foreign fixed income funds                                | 268,715,098                    | 184,782,570                    |
| Foreign equity funds                                      | 566,261,441                    | 452,396,670                    |
| Private equity funds                                      | <u>2,187,445</u>               | <u>-</u>                       |
| Total   | <u>2,756,853,226</u>           | <u>2,368,639,382</u>           |
| Deposits  | <u>15</u>                      | <u>15</u>                      |
| Property, plant and equipment:                            |                                |                                |
| Net of accumulated depreciation                           | <u>822,505</u>                 | <u>838,977</u>                 |
| Total assets  | <u>2,794,995,577</u>           | <u>2,409,388,648</u>           |
| <b><u>LIABILITIES:</u></b>                                |                                |                                |
| Accounts payable  | 1,644,536                      | 1,413,627                      |
| Accrued leave payable                                     | 4,271                          | 4,271                          |
| Withholding taxes payable                                 | 14,314                         | 27,770                         |
| Refunds payable   | 478,325                        | 607,342                        |
| Investment payable  | 641,616                        | 531,563                        |
| Other postemployment benefits payable                     | 402,518                        | 351,929                        |
| Retirement payable  | <u>11,249,346</u>              | <u>10,386,172</u>              |
| Total liabilities   | <u>14,434,926</u>              | <u>13,322,674</u>              |
| <b>NET POSITION - RESTRICTED FOR<br/>PENSION BENEFITS</b> | <b>\$ <u>2,780,560,651</u></b> | <b>\$ <u>2,396,065,974</u></b> |

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF CHANGES IN PLAN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|  | <u>2012</u>             | <u>2011</u>             |
|--|-------------------------|-------------------------|
| ADDITIONS:   |                         |                         |
| Contributions:   |                         |                         |
| Member   | \$ 52,322,814           | \$ 52,229,170           |
| Employer   | 96,399,751              | 95,272,186              |
| Ad valorem tax   | 7,467,949               | 7,019,340               |
| Revenue sharing  | 151,912                 | 158,312                 |
| Total contributions  | <u>156,342,426</u>      | <u>154,679,008</u>      |
| Investment income:   |                         |                         |
| Net appreciation (depreciation) in fair value of investments | 327,217,073             | (59,838,358)            |
| Interest and dividend income                                 | 57,646,479              | 53,179,246              |
|  | <u>384,863,552</u>      | <u>(6,659,112)</u>      |
| Less - Investment expense:                                   |                         |                         |
| Custodial fee  | 123,737                 | 188,522                 |
| Money manager fees   | 10,097,419              | 8,982,658               |
| Investment consulting  | 194,190                 | 158,945                 |
|  | <u>10,415,346</u>       | <u>9,330,125</u>        |
| Net investment income (loss)                                 | <u>374,448,206</u>      | <u>(15,989,237)</u>     |
| Other additions:   |                         |                         |
| Interest - transfers, refund payback                         | 1,131,279               | 831,444                 |
| Transfers in - employee                                      | 386,169                 | 373,412                 |
| Transfers in - employer                                      | 546,758                 | 542,687                 |
| Miscellaneous income   | 273,249                 | 267,883                 |
| Total other additions  | <u>2,337,455</u>        | <u>2,015,426</u>        |
| Total additions  | <u>533,128,087</u>      | <u>140,705,197</u>      |
| DEDUCTIONS:  |                         |                         |
| Annuity benefits   | 116,245,991             | 106,949,384             |
| Refunds to terminated employees                              | 12,211,012              | 10,321,625              |
| DROP benefits  | 16,543,470              | 10,760,998              |
| Transfer to other systems - employee                         | 606,365                 | 450,884                 |
| Transfer to other systems - employer/interest                | 1,606,507               | 1,635,632               |
| Administrative expenses                                      | 1,333,464               | 1,230,127               |
| Other postemployment benefits                                | 50,589                  | 74,473                  |
| Depreciation   | 36,012                  | 33,668                  |
| Total deductions   | <u>148,633,410</u>      | <u>131,456,791</u>      |
| NET INCREASE   | 384,494,677             | 9,248,406               |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS:              |                         |                         |
| Beginning of the year  | <u>2,396,065,974</u>    | <u>2,386,817,568</u>    |
| END OF YEAR  | <u>\$ 2,780,560,651</u> | <u>\$ 2,396,065,974</u> |

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

DESCRIPTION OF ORGANIZATION:

The Parochial Employees' Retirement System of Louisiana (System) was originally established by Act #205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

The System is operated by a Board of Trustees, an Administrative Director, an Actuary and Legal Counsel. The Board consists of seven trustees, four of whom are active or retired members of the System with at least ten years of creditable service, elected by the members of the System for six year terms; one of whom shall be appointed by the Executive Board of the Police Jury Association of Louisiana who shall serve a four year term as an ex-officio member during his tenure; one who shall be the Chairman of the Senate Retirement Committee; and one who shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana or their appointees.

Act #765 of the year 1979 established by the Legislature of the State of Louisiana revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Act #867 of the year 1997 revised the System to create Plan C. This plan was established for a larger employer that remained in Social Security on the revision date. As of December 31, 2005, there were no participants in this plan.

Act #194 of the year 2003 established a separate un-funded, non-tax qualified Excess Benefit Plan to supplement the benefits provided to members to the extent their benefits are reduced by the limitations imposed by Section 415 of the United States Internal Revenue Code.

Act #871 of the year 2010 eliminated the Expense Fund and requires all administrative expense to be paid from Plan A's Pension Accumulation Fund. Annually, a transfer of funds from Plan B shall be made to reimburse Plan A for Plan B's expenses.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). The financial statements include the management's discussion and analysis as supplementary information, as required by GASB Statement Number 34, *Basic Financial Statement- and Management's Discussion and Analysis- for State and Local Governments* and related standards. During the year ended December 31, 2012, the System adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources and also redefined the residual of all other elements presented in a statement of financial position as net position.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Interest income is recognized when earned. Ad valorem taxes are recognized when assessed by the taxing body. Revenue sharing monies are recognized in the year they are appropriated by the Legislature.

Method Used to Value Investments:

Investments are reported at fair value. 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.

Property, Plant and Equipment:

Fixed assets of Parochial Employees' Retirement System of Louisiana are carried at historical cost. Depreciation is recognized on the straight-line method over the useful lives of the assets.

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.

2. PLAN DESCRIPTION:

Parochial Employees' Retirement System of Louisiana is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS).

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. For the year ended December 31, 2012, there were 241 contributing employers in Plan A and 56 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

| <u>2012</u>                                     | <u>PLAN A</u> | <u>PLAN B</u> | <u>TOTAL</u>  |
|---|---------------|---------------|---------------|
| Active members                                  | 13,688        | 2,254         | 15,942        |
| Retirees and survivors                          | 5,991         | 657           | 6,648         |
| "DROP plan participants                         | 682           | 44            | 726           |
| Terminated employees due<br>deferred benefits   | 561           | 132           | 693           |
| Terminated due refunds                          | <u>6,795</u>  | <u>1,504</u>  | <u>8,299</u>  |
| TOTAL PARTICIPATING AS<br>OF THE VALUATION DATE | <u>27,717</u> | <u>4,591</u>  | <u>32,308</u> |

| <u>2011</u>                                     | <u>PLAN A</u> | <u>PLAN B</u> | <u>TOTAL</u>  |
|---|---------------|---------------|---------------|
| Active members                                  | 13,975        | 2,261         | 16,236        |
| Retirees and survivors                          | 5,718         | 611           | 6,329         |
| "DROP plan participants                         | 671           | 42            | 713           |
| Terminated employees due<br>deferred benefits   | 561           | 129           | 690           |
| Terminated due refunds                          | <u>6,795</u>  | <u>1,471</u>  | <u>8,266</u>  |
| TOTAL PARTICIPATING AS<br>OF THE VALUATION DATE | <u>27,720</u> | <u>4,514</u>  | <u>32,234</u> |

Eligibility Requirements:

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace and parish presidents may no longer join the Retirement System.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

Any member of Plan B can retire providing he /she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (10) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage if the remarriage occurs before age 55.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

DROP Benefits:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return, or at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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2. PLAN DESCRIPTION: (Continued)

Disability Benefits: (Continued)

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Lastly, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937)

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.5% of compensation for Plan A members and 3.0% of compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating employer.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2012, the actuarially determined contribution rate was 16.72% of member's compensation for Plan A and 9.31% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2012 was 15.75% for Plan A and 10.00% for Plan B.

According to state statute, the System also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions.

Administrative costs of the System are financed through employer contributions.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

Use of the term "reserve" by the System 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. Annuity Savings:

The Annuity Savings is credited with contributions made by the member of the System. 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 Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to fund part of the benefits. Plan A's Annuity Savings balance was \$385,884,851 and \$380,732,590 for December 31, 2012 and 2011, respectively. The balance for Plan B was \$18,336,273 and \$17,463,971 for December 31, 2012 and 2011, respectively. The Annuity Saving is fully funded for both plans for the years ending December 31, 2012 and 2011.

b. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments, administrative expenses and any other income or expense not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by the other accounts. The Pension Accumulation Reserve for Plan A as of December 31, 2012 and 2011 was \$940,464,073 and \$957,584,682, respectively. The balance for Plan B for December 31, 2012 and 2011 was \$105,795,828 and \$99,955,928, respectively.

The Pension Accumulation Reserve is 100% funded for Plan A and 100% funded Plan B for the year ended December 31, 2012. The Pension Accumulation Reserve is 84% funded for Plan A and 92% funded Plan B for the year ended December 31, 2011.

c. Annuity Reserve:

The Annuity 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 deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of December 31, 2012 and 2011 for Plan A was \$1,063,297,180 and \$965,831,697, respectively. The Annuity Reserve as of December 31, 2012 and 2011 for Plan B was \$58,284,042 and \$52,815,413 . The Annuity Reserve is fully funded for both plans for the years ending December 31, 2012 and 2011.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

d. 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/she 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 a true annuity. The Deferred Retirement Option balance for Plan A as of December 31, 2012 and 2011 was \$54,308,140 and \$47,527,180, respectively. The Deferred Retirement Option Plan balance for Plan B as of December 31, 2012 and 2011 was \$2,196,727 and \$2,106,311, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2012 and 2011.

e. Funding Deposit Account:

The Funding Deposit Account consists of excess contribution collected by the System. The excess funds earn interest at the board approved actuarial valuation rate and are credited to the fund at least once a year. These funds are due to the System freezing the employer rate at a higher rate than actuarially required. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability (Plan A), (2) reduce the future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. In accordance with a policy adopted by the Board of Trustees at the June 25, 2012 meeting, funds were withdrawn from the Funding Deposit Account, for Plan A, in order to fully reduce the outstanding unfunded accrued liability. The Funding Deposit Account balance for Plan A as of December 31, 2012 and 2011 was \$4,574,933 and \$29,274,204, respectively. The Funding Deposit Account balance for Plan B as of December 31, 2012 and 2011 was \$1,559,909 and \$1,012,867, respectively. The Funding Deposit Account is fully funded for both plans for the years ending December 31, 2012 and 2011.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method is used to calculate the funding requirements for Plan A with the unfunded accrued liability frozen as of December 31, 1989, and originally amortized over 40 years with payments increasing at 4% per year. The Aggregate Actuarial Cost Method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules on pages 35 - 37 is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2012 and 2011:

|                         | <u>2012</u>             | <u>2011</u>             |
|-------------------------|-------------------------|-------------------------|
| Deposits (bank balance) | \$ 2,449,370            | \$ 5,324,626            |
| Cash equivalents        | 31,822,635              | 23,904,121              |
| Investments             | <u>2,725,030,591</u>    | <u>2,344,735,261</u>    |
|                         | <u>\$ 2,759,302,596</u> | <u>\$ 2,373,964,008</u> |

Deposits:

The System maintains cash balances deposited in financial institutions which were insured by the Federal Deposit Insurance Corporation for an unlimited amount for non-interest bearing accounts as of December 31, 2012 and 2011, respectively.

Cash Equivalents:

Cash equivalents in the amount of \$31,822,635 and \$23,904,121 for December 31, 2012 and 2011, respectively, consist of balances invested in a money market mutual fund. The mutual fund account is established in the name of the System's custodian as an omnibus account for all custodial clients invested in the fund.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of a retirement system and each board of trustees to act collectively on behalf of the System and to 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 System shall not invest more than fifty-five percent of the total portfolio in common stock.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that the equity holdings in any single corporation shall not exceed between 3% and 8% of the market value of the manager's portfolio. For domestic small-cap growth managers no more than 25% of the portfolio may be invested in any one industry valued at market.

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

Concentration of Credit Risk: (Continued)

Fixed income investments in one issuer's security shall not exceed between 2.5% and 5% of the aggregated long-term debt portfolio at cost of the manager's portfolio (exclusive of issues of the U.S. Treasury or other Federal agencies). For fixed income private placement managers investment in one industry shall not exceed 10% of the portfolio, non-US investments shall not exceed 25% of the portfolio and commercial mortgage debt shall not exceed 10% of the portfolio. Exposure to interest rate and currency swaps shall not exceed 5% of the portfolio. The aggregate of futures contracts, options, options on future contracts on securities issued or guaranteed by the US government, interest rate swaps and currency swaps shall not exceed 15% of the total market value of the portfolio.

For international equity assets, exposure to any one EAFE country should not exceed the lesser of 20% of the portfolio assets at market or 150% of the country's weight in the MSCI EAFE Index. For emerging markets assets exposure in any one issuer is limited to 7% of the total portfolio at market value. Exposure to emerging market countries should be limited to no more than 10% of the international portfolio. At December 31, 2012, there were no investment holdings that exceeded the System's concentration of credit risk investment policy.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of December 31, 2012.

|           | <u>December 31, 2012</u>             |                            |                           |                      |
|-----------|--------------------------------------|----------------------------|---------------------------|----------------------|
|           | Government<br>Agency<br><u>Bonds</u> | Government<br><u>Bonds</u> | Corporate<br><u>Bonds</u> | <u>Total</u>         |
| A         | \$ --                                | \$ --                      | \$ 5,981,380              | \$ 5,981,380         |
| A+        | --                                   | --                         | --                        | --                   |
| A-        | --                                   | --                         | --                        | --                   |
| AA-       | --                                   | --                         | --                        | --                   |
| AAA       | 12,590,155                           | 1,184,429                  | 1,347,300                 | 15,121,884           |
| BB        | --                                   | --                         | --                        | --                   |
| BBB-      | --                                   | --                         | --                        | --                   |
| D         | --                                   | --                         | --                        | --                   |
| Not Rated | <u>24,998,236</u>                    | --                         | --                        | <u>24,998,236</u>    |
| Total     | <u>\$ 37,588,391</u>                 | <u>\$ 1,184,429</u>        | <u>\$ 7,328,680</u>       | <u>\$ 46,101,500</u> |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

|              | <u>December 31, 2011</u>             |                            |                           |                       |
|--------------|--------------------------------------|----------------------------|---------------------------|-----------------------|
|              | Government<br>Agency<br><u>Bonds</u> | Government<br><u>Bonds</u> | Corporate<br><u>Bonds</u> | <u>Total</u>          |
| A            | \$ --                                | \$ --                      | \$ 5,716,020              | \$ 5,716,020          |
| A+           | --                                   | --                         | --                        | --                    |
| A-           | --                                   | --                         | --                        | --                    |
| AA-          | 4,817,739                            | --                         | --                        | 4,817,739             |
| AAA          | 42,593,547                           | 1,063,884                  | 1,282,455                 | 44,939,886            |
| BB           | --                                   | --                         | --                        | --                    |
| BBB-         | --                                   | --                         | --                        | --                    |
| D            | --                                   | --                         | 461,250                   | 461,250               |
| Not<br>Rated | <u>54,388,189</u>                    | <u>1,336,288</u>           | --                        | <u>55,724,477</u>     |
| Total        | <u>\$ 101,799,475</u>                | <u>\$ 2,400,172</u>        | <u>\$ 7,459,725</u>       | <u>\$ 111,659,372</u> |

The System also invests in a bond fund in the amount \$31,261,898 and \$27,186,091 for the years ended December 31, 2012 and 2011, respectively. The bond fund's average credit quality rating was Ba as of December 31, 2012 and 2011. The bond fund policy states that its investments have a credit rating quality rating of B to Aaa with 10% of the total below Baa.

The System's investment policy limits its investments to corporate debt issues rated the equivalent of BBB/Baa or better by both Moody's Investor Services and Standard & Poor's rating services on investments held as of June 2002. The purchase of new securities will be restricted to securities carrying an investment rating of A or higher by both Standard and Poor's and Moody's. The average quality of the bond portfolio must be at least AA+ or its equivalent. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated. Those obligations include debt securities with Federal Home Loan Mortgage, Federal National Mortgage Assn., Government National Mortgage Assn., U.S. Treasury Zero Bonds, U.S. Treasury Notes and U.S. Government Guarantee.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System has no formal policy regarding custodial credit risk. The money market funds are established in the name of the System's custodian. The money market funds are managed by JP Morgan Chase, who also serves as custodian. The System is exposed to custodial credit risk at December 31, 2012 and 2011 for the cash equivalents balance in the amount of \$31,822,635 and \$23,904,121, respectively.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2012 and 2011, the System had the following investments in long-term debt securities and maturities:

| <u>2012</u><br><u>Investment Type</u> | <u>Fair</u><br><u>Value</u> | <u>Less</u><br><u>Than 1</u> | <u>1 - 5</u>         | <u>6 - 10</u>        | <u>More</u><br><u>Than 10</u> |
|---------------------------------------|-----------------------------|------------------------------|----------------------|----------------------|-------------------------------|
| Government Agency                     |                             |                              |                      |                      |                               |
| Bonds                                 | \$ 37,588,391               | \$ --                        | \$ 12,582,751        | \$ 9,095,971         | \$ 15,909,669                 |
| Government Bonds                      | 1,184,429                   | --                           | 1,184,429            | --                   | --                            |
| Corporate Bonds                       | <u>7,328,680</u>            | <u>--</u>                    | <u>5,981,380</u>     | <u>1,347,300</u>     | <u>--</u>                     |
|                                       | <u>\$ 46,101,500</u>        | <u>\$ --</u>                 | <u>\$ 19,748,560</u> | <u>\$ 10,443,271</u> | <u>\$ 15,909,669</u>          |
|                                       |                             |                              |                      |                      |                               |
| <u>2011</u><br><u>Investment Type</u> | <u>Fair</u><br><u>Value</u> | <u>Less</u><br><u>Than 1</u> | <u>1 - 5</u>         | <u>6 - 10</u>        | <u>More</u><br><u>Than 10</u> |
| Government Agency                     |                             |                              |                      |                      |                               |
| Bonds                                 | \$ 101,799,475              | \$ 1,520                     | \$ 12,174,623        | \$ 42,419,512        | \$ 47,203,820                 |
| Government Bonds                      | 2,400,172                   | 1,336,289                    | 1,063,883            | --                   | --                            |
| Corporate Bonds                       | <u>7,459,725</u>            | <u>--</u>                    | <u>4,251,390</u>     | <u>3,208,335</u>     | <u>--</u>                     |
|                                       | <u>\$ 111,659,372</u>       | <u>\$ 1,337,809</u>          | <u>\$ 17,489,896</u> | <u>\$ 45,627,847</u> | <u>\$ 47,203,820</u>          |

The System also invests in a bond fund in the amount \$31,261,898 and \$27,186,091 for the years ended December 31, 2012 and 2011, respectively. The average portfolio duration of this bond fund normally varies within two years of the duration of the Barclays Capital Credit Investment Grade Index which as of December 31, 2012 and 2011 and was 6.53 and 7.01 years, respectively.

The System has no formal policy regarding interest rate risk.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in the exchange rates will adversely affect the fair value of an investment.

The System invests in various foreign holdings. However, all securities held by the System are traded in United States and denominated in U.S. dollars. Therefore, the System is not exposed to foreign currency risk at December 31, 2012 and 2011.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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7. FIXED ASSETS:

The following is a summary of fixed assets at cost less accumulated depreciation:

| <u>2012</u>                    | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Land                           | \$ 120,618                   | \$ --              | \$ --            | \$ 120,618                |
| Building & improvements        | 755,010                      | --                 | --               | 755,010                   |
| Office equipment and furniture | 214,240                      | 19,540             | --               | 233,780                   |
| Less: accumulated depreciation | <u>(250,891)</u>             | <u>(36,012)</u>    | --               | <u>(286,903)</u>          |
|                                | <u>\$ 838,977</u>            | <u>\$ (16,472)</u> | <u>\$ --</u>     | <u>\$ 822,505</u>         |
|                                |                              |                    |                  |                           |
| <u>2011</u>                    | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
| Land                           | \$ 120,618                   | \$ --              | \$ --            | \$ 120,618                |
| Building & improvements        | 755,010                      | --                 | --               | 755,010                   |
| Office equipment and furniture | 209,739                      | 4,501              | --               | 214,240                   |
| Less: accumulated depreciation | <u>(217,223)</u>             | <u>(33,668)</u>    | --               | <u>(250,891)</u>          |
|                                | <u>\$ 868,144</u>            | <u>\$ (29,167)</u> | <u>\$ --</u>     | <u>\$ 838,977</u>         |

Depreciation expense for the years ended December 31, 2012 and 2011 was \$36,012 and \$33,668, respectively.

8. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a). All member contributions are treated as tax deferred for federal and state income tax purposes.

9. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

The System implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan 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 (OGB). 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](http://www.doa.la.gov/osrap). The Office of Group Benefits does provide an actuarial valuation of the Plan as of July 1, 2011. Information on the actuarial valuation is provided in this footnote. The July 1, 2012 valuation was not available.

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

*Funding Policy*

The contribution requirements of plan members and the System 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 four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan and the Medical Home Health Maintenance Organization (HMO) Plan (Regions 6, 7, 8 & 9). A Consumer Driven Health Savings Account (CD-HSA) plan is being offered, for active employees (and rehired retirees who pay premiums via payroll deductions), featuring lower premium rates in exchange for higher deductibles. The previously offered Exclusive Provider Organization (EPO) plan was folded into the HMO plan, effective July 1, 2010. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, employee premiums for a single member receiving benefits range from \$129 to \$144 and \$138 to \$147, for December 31, 2012 and 2011 respectively, per month for retiree-only coverage without Medicare. With Medicare the range is \$79 to \$87 and \$85 to \$89 for December 31, 2012 and 2011, respectively. The premiums for a retiree and spouse for the years ended December 31, 2012 and 2011 range from \$410 to \$468 and \$441 to \$479, respectively, per month for those without Medicare. The premium with Medicare ranges from \$140 to \$157 and \$150 to \$160 for December 31, 2012 and 2011 respectively.

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from \$888 to \$928 per month for retiree-only coverage without Medicare and between \$252 and \$283 with Medicare during the year ended December 31, 2012. Also, the System's contributions range from \$1,373 to \$1,424 for retiree and spouse without Medicare and between \$461 and \$470 with Medicare.

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.

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

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The actuarial valuation was done as of July 1, 2011 and 2010. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2011 and July 1, 2010 was \$52,400 and \$75,000, respectively, as set forth below:

|                                    | <u>July 1, 2011</u> | <u>July 1, 2010</u> |
|------------------------------------|---------------------|---------------------|
| Normal Cost                        | \$ 29,400           | \$ 41,700           |
| 30-year UAL amortization amount    | 20,985              | 30,415              |
| Interest on the above              | <u>2,015</u>        | <u>2,885</u>        |
| Annual required contribution (ARC) | <u>\$ 52,400</u>    | <u>\$ 75,000</u>    |

The following table presents the System's OPEB obligation for the year ended July 1, 2011 and 2010.

|                               | <u>July 1, 2011</u> | <u>July 1, 2010</u> |
|-------------------------------|---------------------|---------------------|
| Annual required contribution  | \$ 52,400           | \$ 75,000           |
| Contributions made            | <u>(1,811)</u>      | <u>(527)</u>        |
| Change in Net OPEB Obligation | 50,589              | 74,473              |
| Beginning Net OPEB Obligation | <u>351,929</u>      | <u>277,456</u>      |
| Ending Net OPEB Obligation    | <u>\$ 402,518</u>   | <u>\$ 351,929</u>   |

Utilizing the pay-as-you-go method, the System contributed during the year ended December 31, 2012 and 2011 3.40% and 0.70%, respectively, of the annual post employment benefits.

| <u>Year<br/>Ended</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Actual<br/>Employer<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> | <u>Net OPEB<br/>Obligation<br/>(Asset)</u> |
|-----------------------|---------------------------------|---|-----------------------------------|--|
| July 1, 2009          | 107,000                         | 3,163                                       | 2.96                              | 277,456                                    |
| July 1, 2010          | 75,000                          | 527   | 0.70                              | 351,929                                    |
| July 1, 2011          | 52,400                          | 1,811                                       | 3.40                              | 402,518                                    |

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

*Funded Status and Funding Progress*

In the year ended December 31, 2012, the System made no contributions to its post employment benefits plan trust. Since the plan has not been funded, the entire actuarial accrued liability of \$552,900 and \$801,600 as of July 1, 2011 and July 1, 2010, respectively, was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2011 and 2010, was as follows:

|   | <u>July 1, 2011</u> | <u>July 1, 2010</u> |
|---|---------------------|---------------------|
| Actuarial accrued liability (AAL)                                       | \$ 552,900          | \$ 801,600          |
| Actuarial value of plan assets  | -                   | -                   |
| Unfunded actuarial accrued liability (UAAL)                             | <u>\$ 552,900</u>   | <u>\$ 801,600</u>   |
| Funded ratio (actuarial value of plan assets / AAL)                     | 0%                  | 0%                  |
| Covered payroll (annual payroll of active employee covered by the plan) | \$ 609,194          | \$ 575,445          |
| UAAL as a percentage of covered payroll                                 | 91%                 | 139%                |

*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.

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, 2011 and 2010, actuarial valuation, 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). An initial annual healthcare cost trend rate for pre-Medicare and Medicare eligibles of 7.5% and 8.6% for 2011 and a rate of 8.0% and 9.1% for 2010, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2011, was twenty five years.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the System as of December 31, 2012, the most recent actuarial valuation date, is as follows:

PLAN A:

| <u>Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability Entry Age (b)</u> | <u>Unfunded (Excess) AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a/c)</u> |
|-------------|--------------------------------------|--|---|---------------------------|----------------------------|--|
| 12/31/12    | \$2,448,529,177                      | \$2,448,529,177                                  | \$-0-                                     | 100%                      | \$558,327,346              | 0%   |

PLAN B:

| <u>Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability Entry Age (b)</u> | <u>Unfunded (Excess) AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a/c)</u> |
|-------------|--------------------------------------|--|---|---------------------------|----------------------------|--|
| 12/31/12    | \$186,172,779                        | \$212,489,491                                    | \$26,316,712                              | 87.62%                    | \$86,882,261               | 30.29%   |

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 System'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            | December 31, 2012   |
| Actuarial Cost Method     | Plan A - Frozen Attained Age Normal Actuarial Cost<br>Plan B - Aggregate Actuarial Cost   |
| Asset Valuation Method:   | Market Value of investment securities adjusted to average in asset earnings above or below the assumed rate of return over a five-year period subject to a corridor limit of 85% to 115% of the market value of assets. |
| Actuarial Assumptions     |   |
| Investment Rate of Return | 7.5% (Net of investment expense)  |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

|   |  |
|---|--|
| Projected Salary Increases                      | Plan A – 5.75%<br>Plan B – 5.75%   |
| Cost of Living Adjustments                      | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. 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 the benefit increase.  |
| Changes in Actuarial<br>Changes in Normal Costs | For the year ended December 31, 2012, the system incurred a net increase in normal cost in the amount of \$9,640,011 and \$5,135,952 for Plans A and B respectively. This increase was due primarily to an unfavorable asset experience. The System incurred a net decrease in normal cost in the amount of \$5,462,710 and \$4,794,418 for Plans A and B respectively. The decrease was due primarily to plan liability experience and new members. |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL PLAN STATEMENTS OF PLAN NET POSITION  
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|   | PLAN "A"                |                         | PLAN "B"              |                       | TOTAL                |                         |
|---|-------------------------|-------------------------|-----------------------|-----------------------|----------------------|-------------------------|
|   | 2012                    | 2011                    | 2012                  | 2011                  | 2012                 | 2011                    |
| <b>ASSETS:</b>  |                         |                         |                       |                       |                      |                         |
| Cash  | \$ 2,157,054            | \$ 4,842,220            | \$ 135,313            | \$ 238,109            | \$ 2,292,367         | \$ 5,080,329            |
| Receivables:  |                         |                         |                       |                       |                      |                         |
| Due from (to) other funds                             | 812,174                 | 587,762                 | (812,174)             | (587,762)             | -                    | -                       |
| Contributions receivable -Member                      | 8,929,492               | 9,241,711               | 340,834               | 377,592               | 9,270,326            | 9,619,303               |
| Contributions receivable - Employer                   | 15,686,304              | 16,146,316              | 1,163,812             | 1,285,583             | 16,850,116           | 17,431,899              |
| Ad valorem taxes & state revenue sharing receivable   | 6,531,301               | 5,838,931               | 979,558               | 875,718               | 7,510,859            | 6,714,649               |
| Miscellaneous receivable                              | -                       | -                       | 685                   | -                     | 685                  | -                       |
| Investment receivable                                 | 791,228                 | 308,760                 | 59,223                | 21,382                | 850,451              | 330,142                 |
| Accrued interest and dividends                        | 509,130                 | 688,585                 | 35,897                | 45,367                | 545,027              | 733,952                 |
|   | <u>33,259,629</u>       | <u>32,812,065</u>       | <u>1,767,835</u>      | <u>2,017,880</u>      | <u>35,027,464</u>    | <u>34,829,945</u>       |
| Investments (at fair value)                           |                         |                         |                       |                       |                      |                         |
| Cash equivalents                                      | 27,725,606              | 21,118,291              | 4,097,029             | 2,785,830             | 31,822,635           | 23,904,121              |
| Common trust funds                                    | 1,112,217,807           | 973,028,019             | 84,292,702            | 73,678,583            | 1,196,510,509        | 1,046,706,602           |
| Corporate bonds                                       | 7,142,032               | 7,277,934               | 186,648               | 181,791               | 7,328,680            | 7,459,725               |
| Government bonds                                      | -                       | -                       | 1,184,429             | 2,400,172             | 1,184,429            | 2,400,172               |
| Government agency bonds                               | 35,981,414              | 99,805,046              | 1,606,977             | 1,994,429             | 37,588,391           | 101,799,475             |
| Bond funds  | 27,832,275              | 21,134,159              | 3,429,623             | 6,051,932             | 31,261,898           | 27,186,091              |
| Common stock  | 478,497,072             | 402,696,019             | 35,363,031            | 27,902,649            | 513,860,103          | 430,598,668             |
| Foreign equities                                      | 21,281,981              | 18,696,974              | 1,568,400             | 1,290,398             | 22,850,381           | 19,987,372              |
| Hedge funds   | 71,987,982              | 66,671,033              | 5,294,234             | 4,746,883             | 77,282,216           | 71,417,916              |
| Foreign fixed income                                  | 249,907,619             | 172,574,047             | 18,807,479            | 12,208,523            | 268,715,098          | 184,782,570             |
| Foreign equity funds                                  | 526,965,427             | 421,699,100             | 39,296,014            | 30,697,570            | 566,261,441          | 452,396,670             |
| Private equity funds                                  | 2,038,480               | -                       | 148,965               | -                     | 2,187,445            | -                       |
|   | <u>2,561,577,695</u>    | <u>2,204,700,622</u>    | <u>195,275,531</u>    | <u>163,938,760</u>    | <u>2,756,853,226</u> | <u>2,368,639,382</u>    |
| Deposits  | 13                      | 13                      | 2                     | 2                     | 15                   | 15                      |
| Property, plant and equipment:                        |                         |                         |                       |                       |                      |                         |
| Net of accumulated depreciation                       | 715,236                 | 729,559                 | 107,269               | 109,418               | 822,505              | 838,977                 |
| Total assets  | <u>2,597,709,627</u>    | <u>2,243,084,479</u>    | <u>197,285,950</u>    | <u>166,304,169</u>    | <u>2,794,995,577</u> | <u>2,409,388,648</u>    |
| <b>LIABILITIES:</b>                                   |                         |                         |                       |                       |                      |                         |
| Accounts payable                                      | 1,532,125               | 1,319,878               | 112,411               | 93,749                | 1,644,536            | 1,413,627               |
| Accrued leave payable                                 | 4,271                   | 4,271                   | -                     | -                     | 4,271                | 4,271                   |
| Withholding taxes payable                             | 14,314                  | 27,770                  | -                     | -                     | 14,314               | 27,770                  |
| Refunds payable                                       | 450,762                 | 564,696                 | 27,563                | 42,646                | 478,325              | 607,342                 |
| Investment payable                                    | 597,788                 | 445,845                 | 43,828                | 85,718                | 641,616              | 531,563                 |
| Other postemployment benefits payable                 | 402,518                 | 351,929                 | -                     | -                     | 402,518              | 351,929                 |
| Retirement payable                                    | 10,724,343              | 9,907,665               | 525,003               | 478,507               | 11,249,346           | 10,386,172              |
| Total liabilities                                     | <u>13,726,121</u>       | <u>12,622,054</u>       | <u>708,805</u>        | <u>700,620</u>        | <u>14,434,926</u>    | <u>13,322,674</u>       |
| <b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b> |                         |                         |                       |                       |                      |                         |
|   | <u>\$ 2,583,983,506</u> | <u>\$ 2,230,462,425</u> | <u>\$ 196,577,145</u> | <u>\$ 165,603,549</u> | <u>2,780,560,651</u> | <u>\$ 2,396,065,974</u> |

**PAROCHIAL EMPLOYEES' RETIRMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|   | PLAN "A"                |                         | PLAN "B"              |                       | TOTAL                   |                         |
|---|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|   | 2012                    | 2011                    | 2012                  | 2011                  | 2012                    | 2011                    |
| <b>ADDITIONS:</b>                                       |                         |                         |                       |                       |                         |                         |
| Contributions:  |                         |                         |                       |                       |                         |                         |
| Member  | \$ 49,815,254           | \$ 49,787,038           | \$ 2,507,560          | \$ 2,442,132          | \$ 52,322,814           | \$ 52,229,170           |
| Employer  | 87,838,354              | 86,983,853              | 8,561,397             | 8,288,333             | 96,399,751              | 95,272,186              |
| Ad valorem tax  | 6,504,922               | 6,101,567               | 963,027               | 917,773               | 7,467,949               | 7,019,340               |
| Revenue sharing   | 136,416                 | 137,305                 | 15,496                | 21,007                | 151,912                 | 158,312                 |
| Total contributions                                     | <u>144,294,946</u>      | <u>143,009,763</u>      | <u>12,047,480</u>     | <u>11,669,245</u>     | <u>156,342,426</u>      | <u>154,679,008</u>      |
| Investment income:                                      |                         |                         |                       |                       |                         |                         |
| Net appreciation (depreciation)                         |                         |                         |                       |                       |                         |                         |
| in fair value of investments                            | 302,122,328             | (57,416,358)            | 25,094,745            | (2,422,000)           | 327,217,073             | (59,838,358)            |
| Interest and dividend income                            | 55,466,569              | 51,171,662              | 2,179,910             | 2,007,584             | 57,646,479              | 53,179,246              |
|   | <u>357,588,897</u>      | <u>(6,244,696)</u>      | <u>27,274,655</u>     | <u>(414,416)</u>      | <u>384,863,552</u>      | <u>(6,659,112)</u>      |
| Less: Investment expense:                               |                         |                         |                       |                       |                         |                         |
| Custodial fees  | 107,599                 | 168,328                 | 16,138                | 20,194                | 123,737                 | 188,522                 |
| Money manager fees                                      | 9,399,788               | 8,364,143               | 697,631               | 618,515               | 10,097,419              | 8,982,658               |
| Investment consultant                                   | 168,864                 | 138,216                 | 25,326                | 20,729                | 194,190                 | 158,945                 |
|   | <u>9,676,251</u>        | <u>8,670,687</u>        | <u>739,095</u>        | <u>659,438</u>        | <u>10,415,346</u>       | <u>9,330,125</u>        |
| Net investment income (loss)                            | <u>347,912,646</u>      | <u>(14,915,383)</u>     | <u>26,535,560</u>     | <u>(1,073,854)</u>    | <u>374,448,206</u>      | <u>(15,989,237)</u>     |
| Other additions:  |                         |                         |                       |                       |                         |                         |
| Interest - transfers, refund payback                    | 1,075,554               | 731,061                 | 55,725                | 100,383               | 1,131,279               | 831,444                 |
| Transfers in - employee                                 | 358,712                 | 347,152                 | 27,457                | 26,260                | 386,169                 | 373,412                 |
| Transfers in - employer                                 | 502,917                 | 513,533                 | 43,841                | 29,154                | 546,758                 | 542,687                 |
| Miscellaneous income                                    | 263,193                 | 264,795                 | 10,056                | 3,088                 | 273,249                 | 267,883                 |
| Total other additions                                   | <u>2,200,376</u>        | <u>1,856,541</u>        | <u>137,079</u>        | <u>158,885</u>        | <u>2,337,455</u>        | <u>2,015,426</u>        |
| Total additions   | <u>494,407,968</u>      | <u>129,950,921</u>      | <u>38,720,119</u>     | <u>10,754,276</u>     | <u>533,128,087</u>      | <u>140,705,197</u>      |
| <b>DEDUCTIONS:</b>                                      |                         |                         |                       |                       |                         |                         |
| Retirement and disability benefits                      | 110,144,349             | 101,408,303             | 6,101,642             | 5,541,081             | 116,245,991             | 106,949,384             |
| Refunds to terminated employees                         | 11,599,043              | 9,853,911               | 611,969               | 467,714               | 12,211,012              | 10,321,625              |
| DROP benefits   | 15,731,881              | 10,174,512              | 811,589               | 586,486               | 16,543,470              | 10,760,998              |
| Transfers to/from plans                                 | -                       | (100,255)               | -                     | 100,255               | -                       | -                       |
| Transfer to other systems - employee                    | 598,158                 | 433,990                 | 8,207                 | 16,894                | 606,365                 | 450,884                 |
| Transfer to other systems - employer and interest       | 1,578,488               | 1,595,233               | 28,019                | 40,399                | 1,606,507               | 1,635,632               |
| Administrative expenses                                 | 1,159,662               | 1,070,172               | 173,802               | 159,955               | 1,333,464               | 1,230,127               |
| Other postemployment benefits                           | 43,991                  | 64,760                  | 6,598                 | 9,713                 | 50,589                  | 74,473                  |
| Depreciation  | 31,315                  | 29,277                  | 4,697                 | 4,391                 | 36,012                  | 33,668                  |
| Total deductions  | <u>140,886,887</u>      | <u>124,529,903</u>      | <u>7,746,523</u>      | <u>6,926,888</u>      | <u>148,633,410</u>      | <u>131,456,791</u>      |
| NET INCREASE  | 353,521,081             | 5,421,018               | 30,973,596            | 3,827,388             | 384,494,677             | 9,248,406               |
| <b>NET POSITION - RESTRICTED FOR PENSION BENEFITS -</b> |                         |                         |                       |                       |                         |                         |
| Net assets - beginning of year                          | <u>2,230,462,425</u>    | <u>2,225,041,407</u>    | <u>165,603,549</u>    | <u>161,776,161</u>    | <u>2,396,065,974</u>    | <u>2,386,817,568</u>    |
| END OF YEAR   | <u>\$ 2,583,983,506</u> | <u>\$ 2,230,462,425</u> | <u>\$ 196,577,145</u> | <u>\$ 165,603,549</u> | <u>\$ 2,780,560,651</u> | <u>\$ 2,396,065,974</u> |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES  
 BUDGET AND ACTUAL  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|  | 2012                |                     |                             | 2011                |                     |                             |
|--|---------------------|---------------------|-----------------------------|---------------------|---------------------|-----------------------------|
|  | Budget              | Actual              | Variance<br>(over)<br>under | Budget              | Actual              | Variance<br>(over)<br>under |
| <b><u>ADMINISTRATIVE EXPENSES:</u></b> |                     |                     |                             |                     |                     |                             |
| <b>SALARIES AND RELATED EXPENSES:</b>  |                     |                     |                             |                     |                     |                             |
| Salaries                               | \$ 690,252          | \$ 690,249          | \$ 3                        | \$ 640,446          | \$ 636,333          | \$ 4,113                    |
| Retirement                             | 108,715             | 106,582             | 2,133                       | 100,870             | 108,988             | (8,118)                     |
| Group hospitalization                  | 40,000              | 40,632              | (632)                       | 45,000              | 38,114              | 6,886                       |
| Medicare and payroll taxes             | 8,785               | 8,733               | 52                          | 8,320               | 7,300               | 1,020                       |
| Total salaries and related expenses    | 847,752             | 846,196             | 1,556                       | 794,636             | 790,735             | 3,901                       |
| <b>PROFESSIONAL SERVICES:</b>          |                     |                     |                             |                     |                     |                             |
| Actuarial consultant                   | 163,995             | 162,660             | 1,335                       | 142,700             | 137,580             | 5,120                       |
| Auditor                                | 44,200              | 43,768              | 432                         | 43,000              | 44,130              | (1,130)                     |
| Legal counsel                          | 25,000              | 8,488               | 16,512                      | 25,000              | 10,875              | 14,125                      |
| Computer programming                   | 62,000              | 59,328              | 2,672                       | 61,600              | 56,056              | 5,544                       |
| Medical board                          | 20,000              | 17,325              | 2,675                       | 20,000              | 20,518              | (518)                       |
| Investigation                          | 1,500               | 1,120               | 380                         | 1,500               | 1,120               | 380                         |
| Total professional services            | 316,695             | 292,689             | 24,006                      | 293,800             | 270,279             | 23,521                      |
| <b>COMMUNICATIONS:</b>                 |                     |                     |                             |                     |                     |                             |
| Printing                               | 30,000              | 14,098              | 15,902                      | 27,500              | 14,716              | 12,784                      |
| Telephone                              | 6,400               | 6,182               | 218                         | 6,400               | 6,232               | 168                         |
| Postage                                | 30,500              | 19,513              | 10,987                      | 27,700              | 22,548              | 5,152                       |
| Travel                                 | 29,000              | 15,031              | 13,969                      | 29,000              | 25,386              | 3,614                       |
| Website                                | 2,500               | 170                 | 2,330                       | 2,500               | 595                 | 1,905                       |
| Per diem                               | 2,250               | 1,425               | 825                         | 2,250               | 1,875               | 375                         |
| Total communications                   | 100,650             | 56,419              | 44,231                      | 95,350              | 71,352              | 23,998                      |
| <b>GENERAL OFFICE:</b>                 |                     |                     |                             |                     |                     |                             |
| Building maintenance                   | 4,000               | 4,450               | (450)                       | -                   | -                   | -                           |
| Rent                                   | 2,160               | 2,160               | -                           | 2,160               | 2,160               | -                           |
| Supplies                               | 13,700              | 11,498              | 2,202                       | 13,700              | 10,099              | 3,601                       |
| Dues and subscriptions                 | 12,000              | 11,446              | 554                         | 13,000              | 8,259               | 4,741                       |
| Equipment rental                       | 30,500              | 29,530              | 970                         | 30,000              | 28,572              | 1,428                       |
| Equipment maintenance                  | 11,000              | 12,574              | (1,574)                     | 11,000              | 11,000              | -                           |
| Insurance                              | 9,800               | 7,547               | 2,253                       | 10,200              | 7,015               | 3,185                       |
| Janitorial                             | 8,600               | 8,040               | 560                         | 8,600               | 8,040               | 560                         |
| Microfilm                              | -                   | -                   | -                           | 12,000              | 5,671               | 6,329                       |
| Training                               | 10,800              | 10,698              | 102                         | 11,150              | 7,675               | 3,475                       |
| Utilities                              | 9,200               | 6,105               | 3,095                       | 9,200               | 9,270               | (70)                        |
| Total general office                   | 111,760             | 104,048             | 7,712                       | 121,010             | 97,761              | 23,249                      |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>   | <b>\$ 1,376,857</b> | <b>\$ 1,299,352</b> | <b>\$ 77,505</b>            | <b>\$ 1,304,796</b> | <b>\$ 1,230,127</b> | <b>\$ 74,669</b>            |
| <b>INVESTMENT EXPENSES:</b>            |                     |                     |                             |                     |                     |                             |
| Custodial Bank                         | \$ 230,000          | \$ 123,737          | \$ 106,263                  | \$ 230,000          | \$ 188,522          | \$ 41,478                   |
| Investment consultant                  | 194,000             | 194,190             | (190)                       | 175,000             | 158,945             | 16,055                      |
| <b>TOTAL INVESTMENT EXPENSES</b>       | <b>\$ 424,000</b>   | <b>\$ 317,927</b>   | <b>\$ 106,073</b>           | <b>\$ 405,000</b>   | <b>\$ 347,467</b>   | <b>\$ 57,533</b>            |
| <b>CAPITAL OUTLAYS</b>                 | <b>\$ 25,000</b>    | <b>\$ 34,112</b>    | <b>\$ (9,112)</b>           | <b>\$ 8,000</b>     | <b>\$ -</b>         | <b>\$ 8,000</b>             |

**PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION - PLAN "A"  
STATEMENTS OF CHANGES IN RESERVE BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|   | 2012                  |                      |                     |                         |                         |                        |                         |
|---|-----------------------|----------------------|---------------------|-------------------------|-------------------------|------------------------|-------------------------|
|   |                       |                      | FUNDING             |                         |                         |                        | SURPLUS<br>(UNFUNDED)   |
|   | ANNUITY<br>SAVINGS    | DROP                 | DEPOSIT<br>ACCOUNT  | ANNUITY<br>RESERVE      | PENSION<br>ACCUMULATION | ACTUARIAL<br>LIABILITY | TOTAL                   |
| BALANCE - BEGINNING                     | \$ 380,732,590        | \$ 47,527,180        | \$ 29,274,204       | \$ 965,831,697          | \$ 957,584,682          | \$ (150,487,928)       | \$ 2,230,462,425        |
| REVENUES AND TRANSFERS:                 |                       |                      |                     |                         |                         |                        |                         |
| Employee contributions                  | 49,815,254            | -                    | -                   | -                       | -                       | -                      | 49,815,254              |
| Employer contributions                  | -                     | -                    | -                   | -                       | 87,838,354              | -                      | 87,838,354              |
| Tax collector contributions             | -                     | -                    | -                   | -                       | 6,504,922               | -                      | 6,504,922               |
| Revenue sharing contributions           | -                     | -                    | -                   | -                       | 136,416                 | -                      | 136,416                 |
| Net investment income (loss)            | -                     | -                    | 2,195,565           | -                       | 345,717,081             | -                      | 347,912,646             |
| Miscellaneous income                    | -                     | -                    | -                   | -                       | 263,193                 | -                      | 263,193                 |
| Transfer from Annuity Savings           | -                     | -                    | -                   | 32,824,504              | -                       | -                      | 32,824,504              |
| Transfer from Annuity Reserve           | -                     | 22,512,841           | -                   | -                       | -                       | -                      | 22,512,841              |
| Interest - transfers,<br>refund payback | -                     | -                    | -                   | -                       | 1,075,554               | -                      | 1,075,554               |
| Transfer from another system            | 358,712               | -                    | -                   | -                       | 502,917                 | -                      | 861,629                 |
| Transfer from other plans               | -                     | -                    | -                   | -                       | -                       | -                      | -                       |
| Actuarial transfer                      | -                     | -                    | -                   | 197,298,169             | -                       | 285,942,257            | 483,240,426             |
|   | <u>50,173,966</u>     | <u>22,512,841</u>    | <u>2,195,565</u>    | <u>230,122,673</u>      | <u>442,038,437</u>      | <u>285,942,257</u>     | <u>1,032,985,739</u>    |
| EXPENDITURES AND<br>TRANSFERS:          |                       |                      |                     |                         |                         |                        |                         |
| Refunds to terminated<br>employees      | 11,599,043            | -                    | -                   | -                       | -                       | -                      | 11,599,043              |
| Transfer to Annuity Reserve             | 32,824,504            | -                    | -                   | -                       | -                       | -                      | 32,824,504              |
| Transfer to DROP                        | -                     | -                    | -                   | 22,512,841              | -                       | -                      | 22,512,841              |
| Pensions paid                           | -                     | -                    | -                   | 110,144,349             | -                       | -                      | 110,144,349             |
| Transfer to other plans                 | -                     | -                    | -                   | -                       | -                       | -                      | -                       |
| DROP benefits                           | -                     | 15,731,881           | -                   | -                       | -                       | -                      | 15,731,881              |
| Administrative expenses                 | -                     | -                    | -                   | -                       | 1,159,662               | -                      | 1,159,662               |
| Other postemployment benefits           | -                     | -                    | -                   | -                       | 43,991                  | -                      | 43,991                  |
| Depreciation                            | -                     | -                    | -                   | -                       | 31,315                  | -                      | 31,315                  |
| Actuarial transfer                      | -                     | -                    | 26,894,836          | -                       | 456,345,590             | -                      | 483,240,426             |
| Transfers to another system             | 598,158               | -                    | -                   | -                       | 1,578,488               | -                      | 2,176,646               |
|   | <u>45,021,705</u>     | <u>15,731,881</u>    | <u>26,894,836</u>   | <u>132,657,190</u>      | <u>459,159,046</u>      | <u>-</u>               | <u>679,464,658</u>      |
| NET INCREASE (DECREASE)                 | <u>5,152,261</u>      | <u>6,780,960</u>     | <u>(24,699,271)</u> | <u>97,465,483</u>       | <u>(17,120,609)</u>     | <u>285,942,257</u>     | <u>353,521,081</u>      |
| BALANCE - ENDING                        | <u>\$ 385,884,851</u> | <u>\$ 54,308,140</u> | <u>\$ 4,574,933</u> | <u>\$ 1,063,297,180</u> | <u>\$ 940,464,073</u>   | <u>\$ 135,454,329</u>  | <u>\$ 2,583,983,506</u> |

2011

|                       |                      | FUNDING              |                       |                       | SURPLUS                 |           |                      |  |
|-----------------------|----------------------|----------------------|-----------------------|-----------------------|-------------------------|-----------|----------------------|--|
|                       |                      | DEPOSIT              | ANNUITY               | PENSION               | (UNFUNDED)              |           |                      |  |
| ANNUITY               | DROP                 | ACCOUNT              | RESERVE               | ACCUMULATION          | ACTUARIAL               | LIABILITY | TOTAL                |  |
| SAVINGS               |                      |                      |                       |                       |                         |           |                      |  |
| \$ 371,318,314        | \$ 37,949,444        | \$ 27,231,818        | \$ 894,443,088        | \$ 974,020,845        | \$ (79,922,102)         | \$        | 2,225,041,407        |  |
| 49,787,038            | -                    | -                    | -                     | -                     | -                       | -         | 49,787,038           |  |
| -                     | -                    | -                    | -                     | 86,983,853            | -                       | -         | 86,983,853           |  |
| -                     | -                    | -                    | -                     | 6,101,567             | -                       | -         | 6,101,567            |  |
| -                     | -                    | -                    | -                     | 137,305               | -                       | -         | 137,305              |  |
| -                     | -                    | 2,042,386            | -                     | (16,957,769)          | -                       | -         | (14,915,383)         |  |
| -                     | -                    | -                    | -                     | 264,795               | -                       | -         | 264,795              |  |
| -                     | -                    | -                    | 30,432,013            | -                     | -                       | -         | 30,432,013           |  |
| -                     | 19,752,248           | -                    | -                     | -                     | -                       | -         | 19,752,248           |  |
| -                     | -                    | -                    | -                     | 731,061               | -                       | -         | 731,061              |  |
| 347,152               | -                    | -                    | -                     | 513,533               | -                       | -         | 860,685              |  |
| -                     | -                    | -                    | -                     | 100,255               | -                       | -         | 100,255              |  |
| -                     | -                    | -                    | 162,117,147           | -                     | -                       | -         | 162,117,147          |  |
| <u>50,134,190</u>     | <u>19,752,248</u>    | <u>2,042,386</u>     | <u>192,549,160</u>    | <u>77,874,600</u>     | <u>-</u>                | <u>-</u>  | <u>342,352,584</u>   |  |
| 9,853,911             | -                    | -                    | -                     | -                     | -                       | -         | 9,853,911            |  |
| 30,432,013            | -                    | -                    | -                     | -                     | -                       | -         | 30,432,013           |  |
| -                     | -                    | -                    | 19,752,248            | -                     | -                       | -         | 19,752,248           |  |
| -                     | -                    | -                    | 101,408,303           | -                     | -                       | -         | 101,408,303          |  |
| -                     | -                    | -                    | -                     | -                     | -                       | -         | -                    |  |
| -                     | 10,174,512           | -                    | -                     | -                     | -                       | -         | 10,174,512           |  |
| -                     | -                    | -                    | -                     | 1,070,172             | -                       | -         | 1,070,172            |  |
| -                     | -                    | -                    | -                     | 64,760                | -                       | -         | 64,760               |  |
| -                     | -                    | -                    | -                     | 29,277                | -                       | -         | 29,277               |  |
| -                     | -                    | -                    | -                     | 91,551,321            | 70,565,826              | -         | 162,117,147          |  |
| 433,990               | -                    | -                    | -                     | 1,595,233             | -                       | -         | 2,029,223            |  |
| <u>40,719,914</u>     | <u>10,174,512</u>    | <u>-</u>             | <u>121,160,551</u>    | <u>94,310,763</u>     | <u>70,565,826</u>       | <u>-</u>  | <u>336,931,566</u>   |  |
| 9,414,276             | 9,577,736            | 2,042,386            | 71,388,609            | (16,436,163)          | (70,565,826)            | -         | 5,421,018            |  |
| <u>\$ 380,732,590</u> | <u>\$ 47,527,180</u> | <u>\$ 29,274,204</u> | <u>\$ 965,831,697</u> | <u>\$ 957,584,682</u> | <u>\$ (150,487,928)</u> | <u>\$</u> | <u>2,230,462,425</u> |  |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION - PLAN "B"  
STATEMENTS OF CHANGES IN RESERVE BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|                                     | 2012                 |                     |                               |                      |                         |   |                       |
|-------------------------------------|----------------------|---------------------|-------------------------------|----------------------|-------------------------|---|-----------------------|
|                                     | ANNUITY<br>SAVINGS   | DROP                | FUNDING<br>DEPOSIT<br>ACCOUNT | ANNUITY<br>RESERVE   | PENSION<br>ACCUMULATION | SURPLUS<br>(UNFUNDED)<br>ACTUARIAL<br>LIABILITY | TOTAL                 |
| BALANCE - BEGINNING                 | \$ 17,463,971        | \$ 2,106,311        | \$ 1,012,867                  | \$ 52,815,413        | \$ 99,955,928           | \$ (7,750,941)                                  | \$ 165,603,549        |
| REVENUES AND TRANSFERS:             |                      |                     |                               |                      |                         |   |                       |
| Employee contributions              | 2,507,560            | -                   | -                             | -                    | -                       | -   | 2,507,560             |
| Employer contributions              | -                    | -                   | -                             | -                    | 8,561,397               | -   | 8,561,397             |
| Net investment income (loss)        | -                    | -                   | 547,042                       | -                    | 25,988,518              | -   | 26,535,560            |
| Tax collector contributions         | -                    | -                   | -                             | -                    | 963,027                 | -   | 963,027               |
| Revenue sharing contributions       | -                    | -                   | -                             | -                    | 15,496                  | -   | 15,496                |
| Miscellaneous income                | -                    | -                   | -                             | -                    | 10,056                  | -   | 10,056                |
| Transfer from Annuity Savings       | -                    | -                   | -                             | 1,042,539            | -                       | -   | 1,042,539             |
| Transfer from Annuity Reserve       | -                    | 902,005             | -                             | -                    | -                       | -   | 902,005               |
| Transfer from another system        | 27,457               | -                   | -                             | -                    | 43,841                  | -   | 71,298                |
| Transfer (to) / from other plans    | -                    | -                   | -                             | -                    | -                       | -   | -                     |
| Interest - transfers refund payback | -                    | -                   | -                             | -                    | 55,725                  | -   | 55,725                |
| Actuarial transfer                  | -                    | -                   | -                             | 11,429,737           | -                       | 18,155,307                                      | 29,585,044            |
|                                     | <u>2,535,017</u>     | <u>902,005</u>      | <u>547,042</u>                | <u>12,472,276</u>    | <u>35,638,060</u>       | <u>18,155,307</u>                               | <u>70,249,707</u>     |
| EXPENDITURES AND TRANSFERS:         |                      |                     |                               |                      |                         |   |                       |
| Refunds to terminated employees     | 611,969              | -                   | -                             | -                    | -                       | -   | 611,969               |
| Transfer to Annuity Reserve         | 1,042,539            | -                   | -                             | -                    | -                       | -   | 1,042,539             |
| Transfer to DROP                    | -                    | -                   | -                             | 902,005              | -                       | -   | 902,005               |
| Pensions paid                       | -                    | -                   | -                             | 6,101,642            | -                       | -   | 6,101,642             |
| Transfer to other plans             | -                    | -                   | -                             | -                    | -                       | -   | -                     |
| DROP benefits                       | -                    | 811,589             | -                             | -                    | -                       | -   | 811,589               |
| Administrative expenses             | -                    | -                   | -                             | -                    | 173,802                 | -   | 173,802               |
| Other postemployment benefits       | -                    | -                   | -                             | -                    | 6,598                   | -   | 6,598                 |
| Depreciation                        | -                    | -                   | -                             | -                    | 4,697                   | -   | 4,697                 |
| Transfers to another system         | 8,207                | -                   | -                             | -                    | 28,019                  | -   | 36,226                |
| Actuarial transfer                  | -                    | -                   | -                             | -                    | 29,585,044              | -   | 29,585,044            |
|                                     | <u>1,662,715</u>     | <u>811,589</u>      | <u>-</u>                      | <u>7,003,647</u>     | <u>29,798,160</u>       | <u>-</u>  | <u>39,276,111</u>     |
| NET INCREASE (DECREASE)             | <u>872,302</u>       | <u>90,416</u>       | <u>547,042</u>                | <u>5,468,629</u>     | <u>5,839,900</u>        | <u>18,155,307</u>                               | <u>30,973,596</u>     |
| BALANCE - ENDING                    | <u>\$ 18,336,273</u> | <u>\$ 2,196,727</u> | <u>\$ 1,559,909</u>           | <u>\$ 58,284,042</u> | <u>\$ 105,795,828</u>   | <u>\$ 10,404,366</u>                            | <u>\$ 196,577,145</u> |

| 2011                 |                     |                         |                      |                      |  |                       |
|----------------------|---------------------|-------------------------|----------------------|----------------------|--|-----------------------|
| ANNUITY SAVINGS      | DROP                | FUNDING DEPOSIT ACCOUNT | ANNUITY RESERVE      | PENSION ACCUMULATION | SURPLUS (UNFUNDED) ACTUARIAL LIABILITY | TOTAL                 |
| \$ 16,233,560        | \$ 1,994,056        | \$ 334,656              | \$ 48,742,466        | \$ 95,771,055        | \$ (1,299,632)                         | \$ 161,776,161        |
| 2,442,132            | -                   | -                       | -                    | -                    | -                                      | 2,442,132             |
| -                    | -                   | 653,112                 | -                    | 7,635,221            | -                                      | 8,288,333             |
| -                    | -                   | 25,099                  | -                    | (1,098,953)          | -                                      | (1,073,854)           |
| -                    | -                   | -                       | -                    | 917,773              | -                                      | 917,773               |
| -                    | -                   | -                       | -                    | 21,007               | -                                      | 21,007                |
| -                    | -                   | -                       | -                    | 3,088                | -                                      | 3,088                 |
| -                    | -                   | -                       | 753,373              | -                    | -                                      | 753,373               |
| -                    | 698,741             | -                       | -                    | -                    | -                                      | 698,741               |
| 26,260               | -                   | -                       | -                    | 29,154               | -                                      | 55,414                |
| -                    | -                   | -                       | -                    | -                    | -                                      | -                     |
| -                    | -                   | -                       | -                    | 100,383              | -                                      | 100,383               |
| -                    | -                   | -                       | 9,559,396            | -                    | -                                      | 9,559,396             |
| <u>2,468,392</u>     | <u>698,741</u>      | <u>678,211</u>          | <u>10,312,769</u>    | <u>7,607,673</u>     | <u>-</u>                               | <u>21,765,786</u>     |
| 467,714              | -                   | -                       | -                    | -                    | -                                      | 467,714               |
| 753,373              | -                   | -                       | -                    | -                    | -                                      | 753,373               |
| -                    | -                   | -                       | 698,741              | -                    | -                                      | 698,741               |
| -                    | -                   | -                       | 5,541,081            | -                    | -                                      | 5,541,081             |
| -                    | -                   | -                       | -                    | 100,255              | -                                      | 100,255               |
| -                    | 586,486             | -                       | -                    | -                    | -                                      | 586,486               |
| -                    | -                   | -                       | -                    | 159,955              | -                                      | 159,955               |
| -                    | -                   | -                       | -                    | 9,713                | -                                      | 9,713                 |
| -                    | -                   | -                       | -                    | 4,391                | -                                      | 4,391                 |
| 16,894               | -                   | -                       | -                    | 40,399               | -                                      | 57,293                |
| -                    | -                   | -                       | -                    | 3,108,087            | 6,451,309                              | 9,559,396             |
| <u>1,237,981</u>     | <u>586,486</u>      | <u>-</u>                | <u>6,239,822</u>     | <u>3,422,800</u>     | <u>6,451,309</u>                       | <u>17,938,398</u>     |
| <u>1,230,411</u>     | <u>112,255</u>      | <u>678,211</u>          | <u>4,072,947</u>     | <u>4,184,873</u>     | <u>(6,451,309)</u>                     | <u>3,827,388</u>      |
| <u>\$ 17,463,971</u> | <u>\$ 2,106,311</u> | <u>\$ 1,012,867</u>     | <u>\$ 52,815,413</u> | <u>\$ 99,955,928</u> | <u>\$ (7,750,941)</u>                  | <u>\$ 165,603,549</u> |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
DECEMBER 31, 2012 AND 2011

|                 | <u>2012</u>     | <u>2011</u>     |
|-----------------|-----------------|-----------------|
| Gwen LeBlanc    | \$ 300          | \$ 375          |
| Terrie Rodrigue | 300             | 375             |
| Tim Ware        | 300             | 375             |
| Bob Manuel      | -               | 375             |
| Jerry Milner    | 300             | 375             |
| Sandy Treme     | <u>225</u>      | <u>-</u>        |
| TOTAL           | <u>\$ 1,425</u> | <u>\$ 1,875</u> |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES  
DECEMBER 31, 2007 THROUGH 2012

| PLAN A                     |  |  |   |   |
|----------------------------|--|--|---|---|
| Year ended<br><u>12/31</u> | Actuarial<br>Required<br>Contribution<br><u>Employer</u> | Percentage<br>Contributed<br><u>Employer</u> | Actuarial<br>Required<br>Contribution<br><u>Other Sources</u> | Percentage<br>Contributed<br><u>Other Sources</u> |
| 2007                       | 41,756,774   | 144.45%                                      | 4,595,741   | 105.30%   |
| 2008                       | 42,094,094   | 152.22%                                      | 5,223,887   | 107.67%   |
| 2009                       | 81,425,829   | 79.64%                                       | 6,055,964   | 93.18%  |
| 2010                       | 74,313,385   | 117.05%                                      | 6,229,353   | 100.15%   |
| 2011                       | 88,140,601   | 99.66%                                       | 5,960,476   | 104.67%   |
| 2012                       | 95,339,954   | 92.13%                                       | 6,214,184   | 106.87%   |

| PLAN B                     |  |  |   |   |
|----------------------------|--|--|---|---|
| Year ended<br><u>12/31</u> | Actuarial<br>Required<br>Contribution<br><u>Employer</u> | Percentage<br>Contributed<br><u>Employer</u> | Actuarial<br>Required<br>Contribution<br><u>Other Sources</u> | Percentage<br>Contributed<br><u>Other Sources</u> |
| 2007                       | 3,331,826  | 113.36%                                      | 647,136   | 105.30%   |
| 2008                       | 3,995,797  | 109.34%                                      | 722,107   | 85.95%  |
| 2009                       | 7,472,030  | 64.75%                                       | 886,003   | 108.42%   |
| 2010                       | 7,043,674  | 117.67%                                      | 921,782   | 101.84%   |
| 2011                       | 7,700,404  | 111.18%                                      | 893,947   | 105.02%   |
| 2012                       | 8,126,767  | 105.35%                                      | 947,375   | 103.29%   |

For the years ended 2007 and 2008 for Plan A, the actuarially required contribution differs from the actual contribution made due to the System freezing the rate higher than actuarilly required. For the years ended 2007, 2008, 2011 and 2012 for Plan B, the actuarially required contribution differs from the actual contribution made due to the System freezing the rate higher than actuarilly required. For the years ended 2009, 2010, 2011 and 2012 for Plan A, 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 effective year. For the years ended 2009, and 2010 for Plan B, 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 effective year.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS PENSION PLAN  
DECEMBER 31, 2007 THROUGH 2012

PLAN A

|          | Actuarial<br>Value of<br><u>Assets</u><br>(a) | Actuarial<br>Accrued<br>Liability<br><u>Entry Age</u><br>(b) | Unfunded<br>(Excess)<br>AAL<br><u>UAAL</u><br>(b-a) | Funded<br><u>Ratio</u><br>(a/b) | Covered<br><u>Payroll</u><br>(c) | UAAL as a<br>Percentage<br>of Covered<br><u>Payroll</u><br>[(b-a)/c] |
|----------|---|--|---|---------------------------------|----------------------------------|--|
| 12/31/07 | 2,027,214,660                                 | 2,093,543,018  | 66,328,358  | 96.83%                          | 454,741,830                      | 14.59%   |
| 12/31/08 | 1,943,569,363                                 | 2,003,951,156  | 60,381,793  | 96.99%                          | 511,891,487                      | 11.80%   |
| 12/31/09 | 2,135,230,590                                 | 2,188,782,978  | 53,552,388  | 97.55%                          | 536,408,372                      | 9.98%  |
| 12/31/10 | 2,259,207,052                                 | 2,304,963,509  | 45,756,457  | 98.01%                          | 546,737,427                      | 8.37%  |
| 12/31/11 | 2,344,047,017                                 | 2,380,950,353  | 36,903,336  | 98.45%                          | 552,543,155                      | 6.68%  |
| 12/31/12 | 2,448,529,177                                 | 2,448,529,177  | -   | 100.00%                         | 558,327,346                      | 0.00%  |

PLAN B

|          | Actuarial<br>Value of<br><u>Assets</u><br>(a) | Actuarial<br>Accrued<br>Liability<br><u>Entry Age</u><br>(b) | Unfunded<br>(Excess)<br>AAL<br><u>UAAL</u><br>(b-a) | Funded<br><u>Ratio</u><br>(a/b) | Covered<br><u>Payroll</u><br>(c) | UAAL as a<br>Percentage<br>of Covered<br><u>Payroll</u><br>[(b-a)/c] |
|----------|---|--|---|---------------------------------|----------------------------------|--|
| 12/31/07 | \$ 141,756,387                                | \$ 144,913,286   | \$ 3,156,899  | 97.82%                          | \$ 62,859,807                    | 5.02%  |
| 12/31/08 | 136,139,102                                   | 162,127,929  | 25,988,827  | 83.97%                          | 74,891,671                       | 34.70%   |
| 12/31/09 | 150,446,497                                   | 171,160,473  | 20,713,976  | 87.90%                          | 79,373,895                       | 26.10%   |
| 12/31/10 | 163,075,793                                   | 186,118,552  | 23,042,759  | 87.62%                          | 81,999,193                       | 28.10%   |
| 12/31/11 | 173,354,490                                   | 198,962,892  | 25,608,402  | 87.13%                          | 84,237,202                       | 30.40%   |
| 12/31/12 | 186,172,779                                   | 212,489,491  | 26,316,712  | 87.62%                          | 86,882,261                       | 30.29%   |

For Plan B the actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is a different from the actuarial method used for funding purposes. The above schedule of funding progress is to provide a surrogate for the funding status and funding of the Plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST EMPLOYEMENT BENEFIT OBLIGATIONS  
JULY 1, 2008 THROUGH 2011

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>Entry Age<br>(b) | Unfunded<br>(Excess)<br>AAL<br>UAAL<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(b-a)/c] |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| 07/01/08                       | -                                      | 1,167,300   | 1,167,300                                    | 0.00%                    | 469,742                   | 248.50%   |
| 07/01/09                       | -                                      | 1,417,300   | 1,417,300                                    | 0.00%                    | 554,048                   | 255.81%   |
| 07/01/10                       | -                                      | 801,600   | 801,600                                      | 0.00%                    | 575,445                   | 139.30%   |
| 07/01/11                       | -                                      | 552,900   | 552,900                                      | 0.00%                    | 609,194                   | 90.76%  |



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HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR'S 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

June 19, 2013

Board of Trustees  
Parochial Employees' Retirement System of Louisiana  
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the statements of plan net position and the related statements of changes in plan net position of Parochial Employees' Retirement System, as of and for the year ended December 31, 2012, which collectively comprise Parochial Employees' Retirement System's basic financial statements and have issued our report thereon dated June 19, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Parochial Employees' Retirement System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parochial Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of Parochial Employees' Retirement System's internal control over financial reporting.

1615 Poydras Street, Suite 2100 • New Orleans, LA 70112 • (504) 586-8866 • Fax (504) 525-5888  
1670 Old Spanish Trail • Slidell, LA 70458 • (985) 649-9996 • Fax (985) 649-9940  
247 Corporate Drive • Houma, LA 70360 • (985) 868-2630 • Fax (985) 872-3833  
5047 Highway 1, P. O. Box 830 • Napoleonville, LA 70390 • (985) 369-6003 • Fax (985) 369-9941

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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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, noted as 12-01 described in the accompanying schedule of findings that we consider to be significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Parochial 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Trustees, 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 Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2012 was unqualified.

2. Internal Control

Material weaknesses: none noted

Significant deficiency: 12-01

12-01 Investment income

During the audit of the System's investments it was noted that unrealized gains in the amount of \$4,049,067 were incorrectly recorded in the System's general ledger as investment interest income and interest income in the amount of \$597,754 was incorrectly recorded in the System's general ledger as realized gain. On the financial statements, Interest income transactions should be reported as investment income and unrealized gains should be reported as investment appreciation. As a result of the misposts, investment interest income was overstated, while investment appreciation was understated. Investment activity journal entries should be reviewed by management to verify proper recording of transactions. We recommend that investment activity journal entries be reviewed by management to verify proper recording of transactions and that manager statements be reconciled with the custodian reports periodically to ensure proper reporting of investment income.

3. Compliance and Other Matters

Noncompliance material to financial statements: none noted

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2012

SUMMARY OF PRIOR YEAR FINDINGS:

11-01 Annuity Savings

During the audit of the System's annuity savings for Plan A, it was noted that a detail schedule of annuity savings is not being reconciled with the general ledger. The annuity savings detail report generated from the database system should be reconciled with the amounts reported on the general ledger. Not reconciling the detail reporting with the general ledger could result in a misstatement of a participant's account. We recommend that the annuity savings detail report per the database system be reconciled with the annuity savings account balance per the general ledger periodically. This finding was resolved in the current year audit.

11-02 Investment income

During the audit of the System's investment income it was noted that interest income in the amount of \$1,263,621 was incorrectly recorded in the System's general ledger as unrealized gain. Interest income transactions should be reported as investment income on the financial statements. As a result of the mispost, investment appreciation was overstated. Investment income journal entries should be reviewed by management to verify proper recording of transactions. This finding was repeated. See finding 12-01.

# Parochial Employees' Retirement System

OF LOUISIANA

DAINNA S. TULLY, ADMINISTRATIVE DIRECTOR

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June 24, 2013

Duplantier, Hrapmann, Hogan & Maher  
Attn: Ms. Michelle Cunningham  
1340 Poydras St., Suite 2000  
New Orleans, LA 70112

RE: Response to Exit Conference Report

Dear Michelle:

Please let this letter serve as our response to the findings cited during our exit conference on June 20, 2013. I will respond to each finding in the order listed in the exit conference report:

1. Investment Income

The Chief Investment Officer will review the investment income postings to the General Ledger to verify proper recording of transactions.

If you require additional information concerning these responses, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Dainna S. Tully".

Dainna S. Tully  
Administrative Director