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LASERS

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

JUNE 30, 2010

P&N Postlethwaite & Netterville

A Professional Accounting Corporation

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of LASERS management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding LASERS net assets as of June 30, 2010 and 2009, and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, on our consideration of LASERS internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of 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 read in conjunction with this report in considering the results of our audit.

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The Management Discussion and Analysis and the other required supplemental information as listed in the table of contents, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 20, 2010

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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

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

We have audited the financial statements of Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LASERS's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LASERS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LASERS's internal control over financial reporting.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether LASERS's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management of LASERS and the Legislative Auditor of the State of Louisiana 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 20, 2010

P&N

LASERS
LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
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Management's Discussion and Analysis

The following is management's discussion and analysis of the financial performance of the Louisiana State Employees' Retirement System (LASERS or the System). This narrative overview and analysis helps to interpret the key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year. Readers are encouraged to consider the information presented here in conjunction with additional information provided in the Transmittal Letter of LASERS Comprehensive Annual Financial Report (CAFR).

Financial Highlights

- The net assets held in trust increased by $964.2 million, or 13.6%.
- The actuarial rate of return on the market value of the System's investments was 2.21% for 2010 compared to -7.64% for 2009.
- Net investment income experienced a gain of $1.1 billion compared to a loss of $1.7 billion for 2009.
- The System's funded ratio decreased from 60.8% at June 30, 2009[1], to 57.7% as of June 30, 2010.
- The unfunded actuarial accrued liability increased $764 million to $6.3 billion as of June 30, 2010.
- Total contributions increased by $6.4 million or 0.9% from 2009 to $696 million in 2010.
- Benefit payments increased by $57.8 million or 7.5% to $829 million in 2010.

Overview of the Financial Statements

The System's basic financial statements include the following: (1) statements of plan net assets, (2) statements of changes in plan net assets, (3) notes to the financial statements, and (4) required supplementary information.

The Statements of Plan Net Assets report the System's assets, liabilities, and resultant net assets held in trust for pension benefits. They disclose the financial position of the System as of June 30, 2010, and 2009, respectively.

The Statements of Changes in Plan Net Assets report the results of the System's fund's operations during years 2010 and 2009 disclosing the additions to and deductions from the plan net assets. They

[1] The funded ratio referenced for 2009 takes into account the initial unfunded accrued liability account (IUAL) and the Employer Credit Account which was not the same funded ratio used in determining the projected employer contribution rate. The System's funded ratio used for funding purposes was 59.3% at June 30, 2009.

support the change that has occurred to the prior year's net asset value on the statement of plan net assets.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial statements.

- Note A provides a general description of LASERS, information regarding employer and membership participation, funding status, and actuarial assumptions.
- Note B provides information regarding LASERS members' pension benefits for the Defined Benefit Plan.
- Note C provides information regarding LASERS members' pension benefits for the Defined Contribution Component.
- Note D provides a summary of significant accounting policies and plan asset matters including the basis of accounting, estimates, methods used to value investments, property and equipment, accumulated leave, and reclassifications.
- Note E provides information regarding member and employer contribution requirements.
- Note F describes LASERS deposits and risk disclosures which include custodial credit risk, concentration of credit risk, credit risk, interest rate risk, and foreign currency risk.
- Note G describes the System's investments, and includes information regarding bank balances, derivatives, real estate, and alternative investments.
- Note H provides information regarding securities lending transactions.
- Note I provides information on other postemployment benefits.
- Note J provides information on subsequent events.

Required Supplementary Information provides additional information and detail concerning LASERS progress in funding its pension obligations and other post employment benefits, the history of employer contributions, and schedules of trend data.

The ***Supporting Schedules*** section includes the schedules of administrative expenses, investment expenses, Board compensation, and payments to consultants.

Financial Analysis

LASERS financial position is measured in several ways. One way is to determine the plan net assets (difference between total assets and total liabilities) available to pay benefits. Over time, increases and decreases in the LASERS plan net assets indicate whether its financial health is improving or deteriorating. Other factors, such as financial market conditions, should also be taken into consideration when measuring LASERS overall health.

The following table illustrates a condensed version of LASERS Statements of Plan Net Assets for fiscal years ending 2010, 2009, and 2008. LASERS plan net assets as of June 30, 2010, and 2009, totaled $8,064,543,049 and $7,100,333,387, respectively. All of the plan net assets are available to meet LASERS ongoing obligations to members, retirees, and beneficiaries.

Condensed Comparative Statements of Plan Net Assets

	2010	2009	2008
Cash and Cash Equivalents	$ 84,434,055	$ 93,768,308	$ 90,020,187
Receivables	89,990,919	164,801,135	105,237,613
Investments	7,960,987,417	6,985,993,117	8,784,261,024
Securities Lending Cash Collateral Held	717,218,874	869,609,079	1,786,521,801
Capital Assets	11,189,902	13,110,842	14,839,316
Total Assets	**$ 8,863,821,167**	**$ 8,127,282,481**	**$ 10,780,879,941**
Accounts Payable & Other Liabilities	34,270,764	65,630,959	36,470,348
Securities Lending Obligation Held	765,007,354	961,318,135	1,786,521,801
Total Liabilities	**$ 799,278,118**	**$ 1,026,949,094**	**$ 1,822,992,149**
Net Assets Held in Trust For Pension Benefits	**$ 8,064,543,049**	**$ 7,100,333,387**	**$ 8,957,887,792**

For the fiscal year ending June 30, 2010, plan net assets were approximately $8.1 billion. This reflected an increase of approximately 14% or $964,209,662 from the previous fiscal year end. In the one-year period from June 30, 2008, to June 30, 2009, LASERS plan net assets decreased approximately 21% or $1,857,554,405. These changes were a direct result of the unprecedented market volatility and strain that occurred in the financial markets during those time periods.

LASERS maintains its commitment to a broadly diversified portfolio. Carefully underwritten and conservative assumptions for future expected returns have been adopted, and the investment portfolio is structured to optimize the risk/return trade-off. This is done in part by reviewing the Plan's asset allocation. LASERS continues to believe that it is well positioned to meet its long-term goals.

Condensed Comparative Statements of Changes in Plan Net Assets

	2010	2009	2008
Additions (Reductions)			
Employer Contributions	$ 490,701,310	$ 486,583,512	$ 505,678,953
Member Contributions	205,328,033	203,050,933	192,412,444
Legislative Appropriations	-	-	20,000,000
Net Investment Income (Loss)	1,139,301,483	(1,739,762,198)	(357,912,195)
Other Income	12,689,994	13,919,576	16,507,453
Total Additions (Reductions)	1,848,020,820	(1,036,208,177)	376,686,655
Deductions			
Retirement Benefits	829,236,652	771,408,255	718,303,319
Refunds and Transfers of Contributions	35,676,509	30,314,007	32,149,383
Administrative Expenses	16,763,434	17,593,089	18,251,681
Depreciation Expense	2,134,563	2,030,877	1,242,050
Total Deductions	883,811,158	821,346,228	769,946,433
Net Increase (Decrease)	**964,209,662**	**(1,857,554,405)**	**(393,259,778)**
Net Assets Beginning of Year	**7,100,333,387**	**8,957,887,792**	**9,351,147,570**
Net Assets End of Year	**$ 8,064,543,049**	**$ 7,100,333,387**	**$ 8,957,887,792**

Additions (Reductions) to Plan Assets

The revenues needed to finance retirement benefits are accumulated primarily through the collection of employer and employee contributions and earnings on investments. Revenue gains for the fiscal year ended June 30, 2010, totaled $1,848,020,820. The revenue consisted of employer and employee contributions totaling $696,029,343, a net investment gain of $1,139,301,483, and other income of $12,689,994. Volatility in the financial markets caused by new government regulations, the global recession, and the 2008 credit crisis is the primary reason for the fluctuations in additions (reductions) for the fiscal years presented. Our investment portfolio in 2010 completed the current year with a positive market rate of return on investment assets of 16.1% exceeding the target of 8.25%. The net result was a gain of 166% or $2,879,063,681 in investment earnings over 2009.

At June 30, 2009, total revenues decreased by 375% or $1,412,894,832 over fiscal year 2008. The decreased revenue was due primarily to net investment income decreasing 386% from 2008. Combined contributions and other income decreased 4% and 15.7% respectively. Our investment portfolio completed the fiscal year with a negative market rate of return on investment assets of 19.1%, which was below the 8.25% target rate of return.

During 2010, combined employer and employee contribution income increased from 2009 by $6,394,898. Employer Contributions based on payroll paid increased $4,117,798, primarily because of an increase in the employer percentage match from 18.5% for the year ended June 2009 to 18.6% for the year ended June 2010 as well as higher average wages. Member contributions increased 1.1% as a result of a higher contribution rate for members hired after June 30, 2006, and higher average wages. For employees hired after June 30, 2006, the contribution rate is 8% compared to the 7.5% contributed by members with credited service prior to July 1, 2006.

Deductions from Plan Assets

LASERS was created to provide lifetime retirement, survivor, and disability benefits to qualified LASERS members. The cost of such programs includes recurring benefit payments, refund of contributions to employees who left the System, and the cost of administering LASERS.

Deductions for the fiscal year ending June 30, 2010, totaled $883,811,158, an increase of approximately 8% over June 30, 2009. For the fiscal year ending June 30, 2009, deductions were $821,346,228, an increase of about 7% over June 30, 2008. The increase in deductions for fiscal years ended 2010 and 2009 were due to increases in benefits paid. Benefits paid in 2010, as in 2009, increased because of the increase in the number of retirees and the average benefit resulting from the higher average salary history of the newer retirees.

Administrative expenses decreased 5% for the fiscal year ended June 30, 2010. This is primarily attributable to the decreases in personnel expenses due to the reduction of Obligations for Postemployment Benefits (OPEB) and professional services related to the completion of the capital outlay project, SOLARIS. In 2009, administrative expenses decreased $658,592 or 4% over fiscal year ended 2008. The decrease was primarily attributable to the reduction in SOLARIS project costs in professional services. Detail of administrative expense activity can be found in the *Schedules of Administrative Expenses* located under Supporting Schedules.

Depreciation expense increased 5% for the fiscal year ended June 30, 2010, compared to a 64% increase for 2009 over 2008. The increases for 2009 compared to 2008 can be attributed to the capitalization of the SOLARIS pension administration system.

Total additions less total deductions resulted in a net increase in plan net assets of $964,209,662 in 2010, compared to a decrease of $1,857,554,405 in 2009. The net result is a 14% increase and 21% decrease in plan net assets held in trust for pension benefits for 2010 and 2009, respectively.

Funded Status

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio decreased to 57.7% at June 30, 2010, compared to 60.8% as of June 30, 2009, and 67.6% as of June 30, 2008.[2] The reduced funding in 2010 can be attributed to the smoothing effect of the prior four years' gains or losses on returns on investments. The amount by which LASERS actuarial liabilities exceeded the actuarial assets was $6.3 billion at June 30, 2010, compared to $5.5 billion at June 30, 2009, and $4.4 billion at June 30, 2008, thereby increasing the unfunded actuarial accrued liability by $1.9 billion since 2008. The Louisiana Legislature provided a one-time appropriation of $20 million in 2008 to accelerate the payoff of the initial unfunded accrued liability. The investment yield on the actuarial value of assets has averaged over five, ten, and twenty years 5.73%, 3.77%, and 7.54%, respectively. For the year ending June 30, 2010, the net realized actuarial rate of return was 2.21%, which was less than the System's assumed actuarial rate of return of 8.25%. This resulted in a net investment experience loss of

[2] The funded ratio referenced for years 2008 and 2009 takes into account the initial unfunded accrued liability account (IUAL) and the Employer Credit Account which was not the same funded ratio used in determining the projected employer contribution rate. The System's funded ratio used for funding purposes was 67.0% at June 30, 2008, and 59.3% at June 30, 2009.

$494.7 million. For the fiscal years ending June 30, 2009, and 2008, the net realized actuarial rate of return was -7.64% and 8.49%, respectively.

Requests for Information

This Financial Report is designed to provide a general overview of the System's finances. For questions concerning any information in this report or the CAFR, or for additional information contact the Louisiana State Employees' Retirement System, Attention: Fiscal Division, P. O. Box 44213, Baton Rouge, LA 70804-4213.

Louisiana State Employees' Retirement System

Statements of Plan Net Assets

June 30, 2010 and 2009

	2010	2009
Assets		
Cash and Cash Equivalents	$ 84,434,055	$ 93,768,308
Receivables:		
Employer Contributions	37,242,369	38,631,781
Member Contributions	15,610,009	16,259,139
Interest and Dividends	26,788,046	29,258,769
Investment Proceeds	7,455,192	78,560,002
Other	2,895,303	2,091,444
Total Receivables	89,990,919	164,801,135
Investments (at fair value):		
Short-Term Investments-Domestic/International	127,615,624	104,413,791
Bonds/Fixed Income - Domestic	1,597,637,072	1,472,432,260
Bonds/Fixed Income-International	391,157,459	359,642,061
Equity Securities - Domestic	1,963,558,128	1,903,399,102
Equity Securities - International	1,871,907,668	1,462,027,860
Real Estate Investments	10,597	10,832
Alternative Investments	2,009,100,869	1,684,067,211
Total Investments	7,960,987,417	6,985,993,117
Securities Lending Cash Collateral Held	717,218,874	869,609,079
Capital Assets (at cost)-Net:		
Property and Equipment	4,148,983	4,514,708
Intangible Assets	7,040,919	8,596,134
Total Assets	**8,863,821,167**	**8,127,282,481**
Liabilities		
Payables:		
Investment Commitments	18,149,618	48,800,823
Trade Payables and Other Accrued Liabilities	16,121,146	16,830,136
Total Payables	34,270,764	65,630,959
Securities Lending Obligations	765,007,354	961,318,135
Total Liabilities	**799,278,118**	**1,026,949,094**
Net Assets Held in Trust for Pension Benefits	**$ 8,064,543,049**	**$ 7,100,333,387**

The accompanying notes are an integral part of these statements.

Louisiana State Employees' Retirement System

Statements of Changes in Plan Net Assets

For the Years Ended June 30, 2010 and 2009

	2010	2009
Additions (Reductions)		
Contributions:		
Employer Contributions	$ 490,701,310	$ 486,583,512
Employee Contributions	205,328,033	203,050,933
Total Contributions	696,029,343	689,634,445
Investment Income/(Loss):		
Net Appreciation/(Depreciation) in Fair Value of Investments	701,944,900	(1,501,101,588)
Interest & Dividends	199,675,844	201,088,041
Alternative Investment Income/(Loss)	232,043,084	(347,900,031)
Less Alternative Investment Expenses	(28,295,642)	(26,339,140)
Net Appreciation/(Depreciation) Securities Lending	47,548,901	(38,684,730)
Less Securities Lending Expenses	128,053	(14,500,742)
Other Income	4,719,475	1,103,728
Less Investment Expense Other than Alternative Investments and Securities Lending	(18,463,132)	(13,427,736)
Net Investment Income/(Loss)	1,139,301,483	(1,739,762,198)
Other Income	12,689,994	13,919,576
Total Additions/(Reductions)	1,848,020,820	(1,036,208,177)
Deductions		
Retirement Benefits	829,236,652	771,408,255
Refunds and Transfers of Member Contributions	35,676,509	30,314,007
Administrative Expenses	16,763,434	17,593,089
Depreciation Expense	2,134,563	2,030,877
Total Deductions	883,811,158	821,346,228
Net Increase (Decrease)	**964,209,662**	**(1,857,554,405)**
Net Assets Held in Trust For Pension Benefits		
Beginning of Period	**7,100,333,387**	**8,957,887,792**
End of Period	**$ 8,064,543,049**	**$ 7,100,333,387**

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

A. Plan Description

1. General Organization

The Louisiana State Employees' Retirement System (LASERS or the System) is the administrator of a single-employer defined benefit pension plan, and is a component unit of the State of Louisiana included in the State's Comprehensive Annual Financial Report (CAFR) as a pension trust fund. The System was established by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401).

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

- The Commission on Public Retirement reviews administration, benefits, investments, and funding of the public retirement systems.
- The operating budget of the System is subject to budgetary review and approval by the Joint Legislative Committee on the Budget.
- The Legislative Auditor is responsible for the procurement of audits for the public retirement systems and is authorized to contract with a licensed Certified Public Accountant (CPA) for each audit.

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement 39, *Determining Whether Certain Organizations Are Component Units* which amended Statement 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens to or to impose specific financial burdens on the System. The System also determined whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the System.

2. Plan Membership

The System is one of several public retirement systems in Louisiana. Each system has specific membership requirements established by legislation, with LASERS established for state officers, employees, and their beneficiaries. Other public employers report members who retained membership in LASERS upon transfer to other public systems or as provided by specific legislation. A summary of government employers and members participating in LASERS at June 30, 2010, and 2009, follows:

Type of Employer	2010 Number of Employers	2010 Number of Members	2009 Number of Employers	2009 Number of Members
State Agencies	219	58,437	220	61,550
Other Public Employers	140	444	138	441
Total Employers	**359**	**58,881**	**358**	**61,991**

Type of Active Members	2010 Number of Members	2009 Number of Members
Regular State Employees (Before July 2006)	34,710	38,188
Regular State Employees (After July 2006)	15,882	15,449
Corrections Primary Employees (Before 1986)	70	97
Corrections Primary Employees (After 1986)	659	781
Corrections Secondary	4,130	4,338
Wildlife Agents (Before 2003)	135	143
Wildlife Agents (After 2003)	81	80
Judges	332	333
Peace Officers	107	114
Legislators	21	18
Alcohol Tobacco Control	45	48
Bridge Police	29	-
Appellate Law Clerks	160	-
Active After DROP	2,520	2,402
Total Active Members	**58,881**	**61,991**

At June 30, 2010, and 2009, membership consisted of:

	2010	2009
Active Members	58,881	61,991
Regular Retirees*	31,086	30,062
Disability Retirees*	2,603	2,631
Survivors	5,696	5,560
Vested & Reciprocals	1,981	1,947
Inactive Members Due Refunds	50,842	49,701
DROP Participants	2,629	2,683
Total Membership	153,718	154,575

* For actuarial purposes "Disability Retirees" includes members that LASERS considers "Regular Retirees" because they have reached the normal retirement eligibility requirements.

3. Funded Status and Funding Progress

Contributions to the System are determined through annual actuarial valuations. Administration of LASERS is financed through contributions to the plan from members, the state of Louisiana, and cumulative investment earnings. The schedule below reflects the funded status and progress of the System for the fiscal year ended June 30, 2010. Dollars are presented in thousands.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2009	$ 8,499,662	$ 13,986,847	$ 5,487,185	60.8%	$ 2,562,576	214.1%
6/30/2010	$ 8,512,403	$ 14,764,015	$ 6,251,612	57.7%	$ 2,546,457	245.5%

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

Additional information on the actuarial methods and assumptions used as of the June 30, 2010, actuarial valuation follows:

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method –Closed by Statute	Amortized according to La. R.S. 11:102 For unfunded accrued liability resulting from benefit increases occurring on or after June 30, 2007: Level dollar payment over 10 years All unfunded accrued liability changes occurring prior to 2009, except benefit increases in 2007 and 2008, were re-amortized into two schedules as of June 30, 2010. Payment schedules increase in a prescribed variable manner until 2018, then will either increase until paid off in 2029, or remain level until paid off in 2040, depending upon the schedule, as required by statue. For unfunded accrued liability changes occurring 2009 or later: Level dollar payment over 30 years, from date of occurrence

Remaining Amortization Period	Up to 30 years, dependent upon the amortization method as described above
Asset Valuation Period	Utilizes a four-year weighted average of the unrealized gain or loss in the value of all assets at market
Actuarial Assumptions:	
Investment Rate of Return	8.25% per annum, net expenses
Inflation Rate	3.0% per annum
Mortality	Mortality rates were projected based on the RP-2000 Mortality Table.
Termination, Disability and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (2003-2008) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 2003-2008 experience study of the System's members. The salary increase ranges for specific types of members are: • Regular: 4.3% to 14.0% • Judges: 3.0% to 5.5% • Corrections: 4.0% to 15.0% • Wildlife: 6.0% to 17.0%
Cost-of-Living Adjustments	Liability for raises already granted is included in the retiree reserve.

B. Defined Benefit Plan

1. Eligibility Requirements

All state employees, except those specifically excluded by statute, become members of the System's Defined Benefit Plan (DBP) as a condition of employment, unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the Governor may, at their option, become members of LASERS.

2. Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute and vary depending on the member's hire date, employer, and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age upon completing 30 years of creditable service to age 60 upon completing ten years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for substantially all members is equal to 2.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life with certain benefits being paid to their designated beneficiary after their death.

Act 75 of the 2005 Louisiana Regular Legislative Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

3. Deferred Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who select the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described above.

4. Disability Benefits

All members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

5. Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

6. Permanent Benefit Increases/Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, the System allows for the payment of permanent benefit increases, also known as cost of living adjustments, that are funded through investment earnings when recommended by the Board of Trustees and approved by the State Legislature.

C. Defined Contribution Component

Optional Retirement Plan

In 1999, an Optional Retirement Plan (ORP) was established as a defined contribution component of LASERS for certain unclassified employees who otherwise would have been eligible to become members of LASERS. The ORP provides retirement and death benefits to eligible participants while affording the maximum portability of these benefits to the participants. Investment options for participants are established by the third party ORP provider and selected by the participant. ORP balances are held by the ORP provider in each participant's name. These balances are included in LASERS total investments on the Statements of Plan Net Assets. Participants are vested in all funds submitted to the ORP provider by LASERS. The ORP does not contain special provisions for disability benefits. Death benefits are paid by the provider in accordance with Internal Revenue Code provisions. All other benefit obligations are the sole obligation of the ORP. The ORP was closed to new members on December 7, 2007. At June 30, 2010, and 2009, membership consisted of:

	2010	2009
Number of Members	109	124
Fair Value of Assets	$ 5,395,423	$ 4,517,369

D. Summary of Significant Accounting Policies

1. Basis of Accounting

LASERS financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. State General Fund appropriations are recognized in the period when they are appropriated. Employer and member contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Administrative expenses are funded through contributions to the plan from members, the State of Louisiana, and cumulative investment earnings and are subject to budgetary control of the Board of Trustees and the Joint Legislative Committee on the Budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

2. Securities Lending

The System records collateral received under its securities lending agreement where the System has the ability to spend, pledge, or sell the collateral without borrower default. Liabilities resulting from these transactions are also reported. The security lending cash collateral pools are reported at the market value of the underlying securities. Security lending income and expenses are reported as investment income and expenses in the accompanying financial statements. The Statement of Net Assets does not include detailed holdings of securities lending collateral by investment classification.

3. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates. The retirement system utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the Statements of Plan Net Assets.

4. Method Used to Value Investments

As required by GASB 25, investments are reported at fair value. Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. All derivative financial instruments are reported at fair value in the Statements of Plan Net Assets with valuation changes recognized in income. Gains and losses are reported in the Statements of Changes in Plan Net Assets as net appreciation (depreciation) in fair value of investments during the period the instruments are held and when the instruments are sold or expire. The nature and use of derivative instruments is discussed in *Note G Cash and Investments (8)*. The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value (such as private equity, real estate, and tangible assets) has been determined by management based on the individual investment's capital account balance, reported at fair value, at the closest available reporting period, adjusted for subsequent contributions, distributions, and management fees. Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term. Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses are included as investment earnings in the Statements of Changes in Plan Net Assets.

5. Property and Equipment

Property and equipment and computer software are reported at historical cost. Depreciation is computed using the straight-line method based upon useful lives of 40 years for building, 3 to 15 years for equipment and furniture, and 7 years for computer software. The capitalization thresholds of property and equipment for the year ended June 2010 were:

- Computer Software Developed or Modified Internally (reported as Intangible Assets): $1,000,000
- Movable Property and Equipment: $1,000

LASERS is a 50% co-owner of the Louisiana Retirement Systems building and related land with Teachers' Retirement System of Louisiana. LASERS interest in the building and land is reflected in the following schedules.

Changes in Property and Equipment

For Period Ending June 30, 2010

	June 30, 2009	Additions	Deletions/ Transfers	June 30, 2010
Asset Class (at Cost)				
Land	$ 858,390	$ -	$ -	858,390
Building	5,514,352	7,269	(2,500)	5,519,121
Furniture, Equipment, and Intangibles	13,635,738	206,353	(113,392)	13,728,699
Total Property and Equipment	**20,008,480**	**213,622**	**(115,892)**	**20,106,210**
Accumulated Depreciation				
Building	(2,669,194)	(138,686)	2,500	(2,805,380)
Furniture, Equipment, and Intangibles	(4,228,444)	(1,995,876)	113,392	(6,110,928)
Total Accumulated Depreciation	**(6,897,638)**	**(2,134,562)**	**115,892**	**(8,916,308)**
Total Property and Equipment - Net	**$ 13,110,842**	**$ (1,920,940)**	**$ -**	**$ 11,189,902**

Changes in Property and Equipment

For Period Ending June 30, 2009

	June 30, 2008	Additions	Deletions/ Transfers	June 30, 2009
Asset Class (at Cost)				
Land	$ 858,390	$ -	$ -	$ 858,390
Building	5,476,157	38,195	-	5,514,352
Storage	24,104	-	(24,104)	-
Furniture, Equipment, and Intangibles	10,231,776	5,921,743	(2,517,781)	13,635,738
Capital Outlay Project - WIP*	5,632,338	-	(5,632,338)	-
Total Property and Equipment	**22,222,765**	**5,959,938**	**(8,174,223)**	**20,008,480**
Accumulated Depreciation				
Building and Storage	(2,554,905)	(138,393)	24,104	(2,669,194)
Furniture, Equipment, and Intangibles	(4,828,544)	(1,892,484)	2,492,584	(4,228,444)
Total Accumulated Depreciation	**(7,383,449)**	**(2,030,877)**	**2,516,688**	**(6,897,638)**
Total Property and Equipment - Net	**$ 14,839,316**	**$ 3,929,061**	**$ (5,657,535)**	**$ 13,110,842**

(Note: For 2009, $5,632,338 was transferred from Capital Outlay Project Work in Progress to Furniture, Equipment and Intangibles.)

* WIP - work in process

6. Accumulated Leave

The employees of the System accumulate unlimited amounts of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to an employee at the employee's current rate of pay. Upon retirement, unused annual leave in excess of 300 hours and sick leave are credited at the current pay rate as earned service in computing retirement benefits. The liability for accrued annual leave of up to 300 hours is included in other liabilities in the Statements of Plan Net Assets.

7. Reclassifications

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

E. Contributions

1. Member Contributions

Member contribution rates for the System are established by La. R.S. 11:62. Member contributions are deducted from a member's salary and remitted to the System by participating employers. The rates in effect during the years ended June 30, 2010, and 2009, for the various types of members are as follows:

	Percent of Earned Compensation	
Type of Member	**2010**	**2009**
Alcohol, Tobacco, and Control Employees	9.0%	9.0%
Appellate Law Clerks (hired prior to July 1, 2006)	7.5%	7.5%
Appellate Law Clerks II (hired July 1, 2006, or later)	8.0%	8.0%
Bridge Police Employees for the Crescent City Connection	8.5%	8.5%
Clerk of the House of Representatives and Secretary of the Senate	9.5%	9.5%
Correctional Officers, Security Personnel, and Probation Officers	9.0%	9.0%
Legislature, Governor, Lieutenant Governor, Judges, and Court Officers	11.5%	11.5%

Type of Member	Percent of Earned Compensation	
	2010	2009
Peace Officers	9.0%	9.0%
Regular Members (hired July 1, 2006, or later)	8.0%	8.0%
Regular Members (hired prior to July 1, 2006)	7.5%	7.5%
Special Legislative Employees	9.5%	9.5%
State Treasurer	7.5%	7.5%
Wildlife Agents	9.5%	9.5%

A member's claim is established for member contributions less amounts transferred to reserves for retirement and amounts refunded to terminated members. If a member leaves covered employment or dies before any benefits become payable on their behalf, the accumulated contributions may be refunded to the member or their designated beneficiary. Similarly, accumulated contributions in excess of any benefits paid to a member or their survivors are refunded to the member's beneficiary or their estate upon cessation of any survivor's benefits.

2. Employer Contributions

The employer contribution rate is established annually under La. R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the System's Actuary. Rates for the years ended June 30, 2010, and 2009, are as follows:

	2010	2009
Percent of Member's Earned Compensation	18.6%	18.5%

Note J. Subsequent Events provides information on legislation enacted during the 2010 Regular Session which effect contributions for members hired on or after January 1, 2011.

F. Deposits and Investment Risk Disclosures

1. Deposit and Investment Risk Disclosures

The information presented on the following pages include disclosures of custodial, interest rate, credit, and foreign currency risks in accordance with GASB 40 and GASB 53 and are designed to inform financial statement users about investment risks that could affect the System's ability to meet its obligations. These tables presented classify investments by risk type, while the financial statements present investments by asset class; thus, the totals shown on the tables may not be comparable to the amounts shown for the individual asset classes on the financial statements.

2. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of bank failure, the System's deposits may not be returned. The System does not have a formal deposit policy for custodial credit risk. All U.S. bank balances at year end were insured or collateralized by the pledge of government securities held by the agents in the entity's name. As of June 30, 2010, LASERS had uninsured cash deposits in non-U.S. banks of $5.3 million for investments pending settlement.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investments, or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the government's name. LASERS had no custodial credit risk for investments as of June 30, 2010.

3. Concentration of Credit Risk

Concentration of credit risk is the "risk of loss attributed to the magnitude of investments in a single issuer." The risk occurs "when investments are concentrated in any one issuer that represents 5% or more of plan net assets." Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The System has no investments of any single organization (other than those issued or guaranteed by the U.S. Government) that represent 5% or more of the System's net plan assets, nor does the System hold more than 5% of any corporation's stock.

4. Credit Risk

Credit risk is the risk that a borrower will be unable to meet its obligation. The overall average quality of each core fixed income portfolio shall be rated AA by Standard and Poor's or higher. Non-rated issues or issues below investment grade (below BBB) may be purchased up to a maximum of 15% of each core fixed income portfolio. These quality restrictions will not apply to a manager that is hired by LASERS to manage dedicated high-yield fixed income portfolios. The average duration shall not differ from the passive benchmark's duration by more than two years.

In preparing this report, credit risk associated with all fixed income holdings including collateral for repurchase agreements and securities lending collateral has been included. The System's exposure to credit risk as of June 30, 2010, and 2009, is as follows:

Rating		Fair Value 2010	Percent 2010		Fair Value 2009	Percent 2009
A	$	98,318,354	3.5%	$	9,892,762	0.4%
A-		39,547,080	1.4%		815,713	0.0%
A+		83,082,003	2.9%		1,103,170	0.0%
A1		216,613,622	7.6%		113,117,746	4.0%
A2		330,038	0.0%		244,819,297	8.7%
A3		3,081,526	0.1%		43,790,762	1.6%
AA1		-	0.0%		25,807,790	0.9%
AA2		-	0.0%		217,556,648	7.8%
AA3		-	0.0%		108,829,186	3.9%
AA		138,440,143	4.9%		1,157,342	0.0%
AA-		102,434,885	3.6%		1,303,192	0.0%
AA+		43,622,583	1.5%		5,687,094	0.2%
AAA		709,389,695	25.0%		841,723,101	30.0%
B1		3,446,321	0.1%		91,484,754	3.3%
B2		1,469,750	0.1%		68,764,021	2.5%
B3		11,508,920	0.4%		88,478,753	3.2%
B		99,611,196	3.5%		24,417,263	0.9%
B-		90,904,383	3.2%		6,488,912	0.2%
B+		92,234,297	3.3%		-	0.0%
BB		55,379,762	2.0%		868,101	0.0%
BB+		23,463,410	0.8%		-	0.0%
BB-		72,441,540	2.6%		296,931	0.0%
BA1		-	0.0%		40,063,673	1.4%
BA2		1,880,053	0.1%		51,537,352	1.8%
BA3		463,851	0.0%		84,207,025	3.0%
BAA1		6,650,964	0.2%		82,649,164	2.9%
BAA2		554,565	0.0%		34,304,979	1.2%
BAA3		-	0.0%		49,353,605	1.8%
BBB		53,357,296	1.9%		2,320,805	0.1%
BBB+		53,314,857	1.9%		736,704	0.0%
BBB-		49,163,041	1.7%		-	0.0%
C		822,063	0.0%		3,970,230	0.1%
CC		55,308,186	2.0%		-	0.0%
CA		-	0.0%		21,786,249	0.8%
CAA1		7,200,076	0.3%		106,079,609	3.8%
CAA2		9,257,252	0.3%		54,723,585	2.0%
CAA3		-	0.0%		16,477,259	0.6%
CCC		141,716,371	5.0%		7,540,506	0.3%
CCC+		41,166,834	1.5%		447,500	0.0%
CCC-		6,810,900	0.2%		-	0.0%
D		20,787,825	0.7%		95,091	0.0%
P-1		40,700,445	1.4%		32,922,890	1.2%
Non-rated		436,622,859	15.5%		302,592,505	10.8%
Securities Lending Commingled Collateral Pool		22,532,083	0.8%		17,885,922	0.6%
Total Fixed Income	**$**	**2,833,629,029**	**100.0%**	**$**	**2,806,097,191**	**100.0%**

5. Interest Rate Risk

Interest rate risk is the risk from changes in interest rates adversely affecting the fair value of an investment. LASERS has no formal interest rate risk policy. LASERS, as expressed in its Investment Policy, expects its fixed income managers to approximate the portfolio's duration (a measure of a debt investment's exposure to fair value changes arising from interest rates) to within two years of its respective benchmark. Investments with fair values that are highly sensitive to interest rate changes may contain terms that increase the sensitivity of their fair values.

As of June 30, 2010, and 2009, the System had the following domestic and foreign debt investments and maturities:

		Investment Maturities (in Years)			
Type	Fair Value 2010	Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government Obligations	$ 132,093,285	$ 2,883,912	$ 46,455,418	$ 59,478,863	$ 23,275,092
U.S. Agency Obligations	411,541,565	10,121,256	24,846,593	63,317,613	313,256,103
Mortgages	381,839,705	68,553,721	18,242,233	109,835,461	185,208,290
Corporate Bonds	967,072,581	385,664,937	404,955,286	115,854,377	60,597,981
International Bonds	667,247,604	286,887,333	183,954,311	121,981,310	74,424,650
Commercial Paper and Other Short-term Investments	127,615,624	127,615,624	-	-	-
Securities Lending Commingled Collateral Pool	22,532,083	22,532,083	-	-	-
Repurchase Agreements	121,724,128	121,724,128	-	-	-
Bond Mutual Funds	1,962,454	-	-	-	-
Total Debt Investments	**$ 2,833,629,029**	**$ 1,025,982,994**	**$ 678,453,841**	**$ 470,467,624**	**$ 656,762,116**

		Investment Maturities (in Years)			
Type	Fair Value 2009	Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government Obligations	$ 108,212,273	$ 1,343,020	$ 23,708,076	$ 56,235,522	$ 26,925,655
U.S. Agency Obligations	410,637,537	-	25,992,020	53,181,570	331,463,947
Mortgages	541,773,205	290,813,655	1,681,249	3,699,576	245,578,725
Corporate Bonds	1,292,535,408	554,805,047	347,561,811	326,142,535	64,026,015
International Bonds	296,400,750	30,584,134	88,537,776	101,501,620	75,777,220
Commercial Paper and Other Short-term Investments	104,413,791	103,711,947	701,844	-	-
Securities Lending Commingled Collateral Pool	17,885,922	17,885,922	-	-	-
Repurchase Agreements	32,621,244	32,621,244	-	-	-
Bond Mutual Funds	1,617,061	-	-	-	-
Total Debt Investments	**$ 2,806,097,191**	**$ 1,031,764,969**	**$ 488,182,776**	**$ 540,760,823**	**$ 743,771,562**

6. Foreign Currency Risk

Foreign currency risk is the potential risk for loss due to changes in exchange rates. Cash held by the manager may be in U.S. dollar or foreign currencies of the manager's choice. Managers may purchase or sell currency on a spot basis to accommodate securities settlements. Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility or to facilitate the settlement of securities transactions.

Currency contracts may be utilized to either hedge the portfolio's currency risk exposure or in the settlement of securities transactions.

The fair value of securities held in a foreign currency at June 30, 2010, and 2009, is as follows:

Currency	Global Bonds 2010	Global Stock 2010	Cash 2010	Private Equity 2010	Total Fair Value 2010
Australian Dollar	$ 47,677,048	$ 81,884,085	$ 4,686	$ -	$ 129,565,819
Brazilian Real	-	1,193,607	703,734	-	1,897,341
British Pound Sterlir	-	204,136,000	229,015	-	204,365,015
Canadian Dollar	2,779,457	89,431,487	137,082	-	92,348,026
Czech Koruna	-	162,144	7,526	-	169,670
Danish Krone	-	14,087,215	1,682	-	14,088,897
Euro	74,640,928	295,282,629	906,686	11,519,159	382,349,402
Hong Kong Dollar	-	23,472,335	145,979	-	23,618,314
Hungarian Forint	-	-	33	-	33
Israeli Shekel	-	5,036,860	35,794	-	5,072,654
Japanese Yen	114,477,262	260,563,092	2,002,845	-	377,043,199
Malaysian Ringgit	-	1,298,715	18,756	-	1,317,471
Mexican Peso	7,575,269	189,257	1,989	-	7,766,515
New Zealand Dollar	3,765,368	753,273	24,587	-	4,543,228
Norwegian Krone	-	5,573,935	181,334	-	5,755,269
Philippines Peso	-	71,497	742	-	72,239
Polish Zloty	13,505,211	361,108	2,723	-	13,869,042
Singapore Dollar	-	40,149,164	344,778	-	40,493,942
South African Rand	-	419,346	59,663	-	479,009
South Korean Won	-	8,997,737	76,508	-	9,074,245
Swedish Krona	-	24,214,465	110,798	-	24,325,263
Swiss Franc	-	87,459,169	325,097	-	87,784,266
Thailand Baht	-	754,948	14,667	-	769,615
Total	**$ 264,420,543**	**$ 1,145,492,068**	**$ 5,336,704**	**$ 11,519,159**	**$ 1,426,768,474**

Currency	Global Bonds 2009	Global Stock 2009	Cash 2009	Private Equity 2009	Total Fair Value 2009
Australian Dollar	$ 26,186,438	$ 73,919,913	$ 402,672	$ -	$ 100,509,023
Brazilian Real	-	3,937,064	78,106	-	4,015,170
British Pound Sterling	-	171,707,691	102,055	-	171,809,746
Canadian Dollar	-	80,004,368	206,020	-	80,210,388
Czech Koruna	-	-	62,386	-	62,386
Danish Krone	-	10,027,584	48,461	-	10,076,045
Euro	96,580,445	287,755,963	1,674,169	6,361,382	392,371,959
Hong Kong Dollar	-	25,032,641	47,038	-	25,079,679
Hungarian Forint	-	-	1,080	-	1,080
Israeli Shekel	-	-	1,842	-	1,842
Japanese Yen	95,504,050	257,948,130	2,153,787	-	355,605,967
Malaysian Ringgit	-	786,463	111,219	-	897,682
Mexican Peso	15,058,077	325,303	2,850	-	15,386,230
New Zealand Dollar	-	488,363	11,844	-	500,207
Norwegian Krone	-	6,479,114	55,885	-	6,534,999
Polish Zloty	25,318,169	35,503	177,493	-	25,531,165
Singapore Dollar	497,378	32,192,811	96,920	-	32,787,109
South African Rand	-	367,995	483	-	368,478
South Korean Won	-	10,280,448	78,978	-	10,359,426
Swedish Krona	-	17,638,151	734,219	-	18,372,370
Swiss Franc	-	71,882,309	291,821	-	72,174,130
Thailand Baht	-	885,231	38,492	-	923,723
Total	**$ 259,144,557**	**$ 1,051,695,045**	**$ 6,377,820**	**$ 6,361,382**	**$ 1,323,578,804**

Foreign investments denominated in U.S. currency such as American Depository Receipts (ADRs) and Yankee bonds do not carry foreign currency risk; therefore, are not included in the tables above. Additionally, at June 30, 2010, LASERS portfolio contained three commingled emerging market funds subject to foreign currency risk with an aggregate fair value of $644.5 million. LASERS Investment Guidelines, some of which are noted in *Note G. Cash and Investments*, are designed to mitigate the risks discussed above.

G. Cash and Investments

1. Cash and Cash Equivalents

Cash and cash equivalents include cash deposited in banks and short-term repurchase agreements. Cash is insured by the Federal Deposit Insurance Corporation up to $250,000, and cash equivalents are collateralized by the pledge of government securities held by the agents in the entity's name.

2. Short-Term Investments

Short–term reserves may be held in U.S. dollar or global denominated investment vehicles available through the System's custodian. These funds may be invested in direct U.S. Government obligations such as U.S. Treasury Bills or repurchase agreements, which are fully collateralized by U.S. Treasury issues. Excess cash may also be invested in the negotiable certificates of deposit, global time deposits, global currency or other short-term investment vehicles designated by the Board.

3. Investments

Louisiana state law (La. R.S. 11:261-269) provides for the fiduciary and investment responsibilities of LASERS. La. R.S. 11:263 states that the prudent man rule shall apply to all investments of LASERS. This law specifically requires management of LASERS to exercise the judgment and care under the circumstances prevailing that a prudent institutional investor would use in the conduct of an enterprise of a like character with like aims.

La. R.S. 11:267(C) provides that the System may invest up to 65% of its total assets in equities. This is modified by the directive that the System invest an amount equal to at least 10% of its total equity portfolio in one or more index funds in accordance with La. R.S. 11:267(B)(1)(a). In addition, LASERS Board of Trustees has adopted certain investment policies, objectives, rules, and guidelines that are intended to protect and preserve LASERS assets while targeting an 8.25% nominal rate of return.

The following table presents the System's appreciation in investments at June 30, 2010, compared to its depreciation in investments at June 30, 2009:

	2010	2009
Unrealized gains/(losses) on investments during the year	$ 698,432,975	$ (1,383,128,940)
Realized gains/(losses) on investments including currency sold during the year	267,228,330	(538,393,070)
Total	**$ 965,661,305**	**$ (1,921,522,010)**

4. Domestic Equity

Domestic equity purchases are limited to publicly traded common stocks. Exceptions shall be approved by the Board in advance. No single holding shall account for more than 6% of the allowable equity portion of the portfolio at market value.

LASERS domestic equity portfolios are expected to be fully invested. No single holding in LASERS portfolio shall account for more than 5% of the outstanding common stock of any one corporation. No more than 10% of a manager's domestic equity portfolio may consist of cash or cash equivalents. Additionally, no single holding across all actively managed portfolios of an investment management firm shall account for more than 15% of the outstanding common stock of any one corporation.

The purchase of stocks or convertibles in foreign companies which are publicly traded securities may be held by each domestic stock manager in proportions which each manager shall deem appropriate, up to 10% of the portfolio at market value. Convertible bonds, convertible preferred stocks, warrants and rights may be purchased as equity substitutes as long as they meet the equity guidelines listed above.

5. International Equity

Short-term reserves may be held in U.S. dollar-denominated, local currency securities, or investment vehicles available through the System's custodian. Managers may purchase or sell currency on a spot basis to accommodate security settlements. Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility or to facilitate the settlement of security transactions.

LASERS international equity portfolios are expected to be fully invested. No more than 10% of a manager's international equity portfolio may consist of cash or cash equivalents. Equity securities should be issued by non-U.S. corporations, although the manager has latitude to hold U.S. securities provided that such investment is consistent with attainment of the portfolio's investment objectives and does not exceed 10% of the portfolio's market value. American Depository Receipts (ADRs) do not count toward this 10% limitation.

The number of issues held and their geographic or industry distribution shall be left to the investment manager provided that equity holdings in any one company (including common stock and convertible securities) do not exceed 6% of the market value of the manager's portion of LASERS portfolio. Additionally, bonds of the companies in question would be included in LASERS exposure calculation if held in the manager's portfolio.

Managers with established international equity mandates may invest up to 10% of their portfolio(s) in the emerging markets, as defined by the MSCI EM Index. Managers with an emerging markets equity mandate are expected to invest in the emerging (non-established) markets, subject to the guidelines listed above.

6. Domestic Fixed Income

Domestic fixed income investments may include U.S. Government and Federal Agency obligations, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage-backed securities, and senior secured debt and other instruments deemed prudent by the investment managers. No more than 6% of the market value of LASERS domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies.

The overall average quality of each fixed income portfolio shall be rated AA by Standard and Poor's or higher. Split-rated securities will be measured using Standard and Poor's ratings. Non-rated issues or issues below investment grade (below BBB) may be purchased up to a maximum of 15% of the portfolio. These quality restrictions will not apply to a manager that is hired by LASERS to manage dedicated high-yield fixed income portfolios.

The diversification of securities by maturity, quality, sector, coupon and geography is the responsibility of the manager. Active bond management is encouraged, as deemed appropriate by the investment managers. The average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the passive benchmark's duration by more than two years.

Investments in mortgage-backed securities shall have the characteristics of fixed income securities and be responsive to changes in domestic interest rate changes, as well as other factors that affect the credit markets and mortgage investments. The investment managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments for the Plan, and shall adhere to the specific investment, security, diversification limits and administrative guidelines established in the investment management agreement(s).

High-yield fixed income managers may invest up to 20% of their portfolios in non-U.S. fixed income securities. They shall perform careful credit analysis to mitigate losses from defaults. Investments should be diversified across sector, industry, sub-industry and market to mitigate losses. No more than 6% of market value of the system's high yield assets may be invested in the debt securities of any one issuer.

7. **Global Fixed Income**

The global bond portfolio may hold no more than 30% of its assets, at market value, in the debt securities of any single foreign government or non-U.S. government entity. No single non-government debt security shall constitute more than 6% of the global bond portfolio, at market value. Securities issued by AAA rated supranational organizations (such as the World Bank) shall be considered to be government equivalents.

Short-term reserves may be held in U.S. dollar-denominated or local currency securities or investment vehicles available through LASERS custodian.

Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility rather than leverage portfolio risk exposure. Currency contracts may be utilized to either hedge the portfolio's currency risk exposure or in the settlement of securities transactions. Managers may purchase or sell currency on a spot basis to accommodate securities settlements. Decisions as to the number of issues held and their geographic distribution shall be the responsibility of the investment manager.

The overall average quality of each global fixed income portfolio shall be AA or higher. Non-rated issues may be purchased, provided that in the judgment of the manager, they are of a quality sufficient to maintain the average overall portfolio quality of AA or higher. Issues below investment grade (below BBB) and/or mortgage backed securities may be purchased up to a maximum of 15% of the portfolio. The average duration (interest rate sensitivity) of a global fixed income portfolio shall not differ from the passive benchmark by more than two years.

8. **Derivatives**

During the fiscal years 2010 and 2009, the System invested in collateralized mortgage obligations (forms of mortgage-backed securities) and forward foreign exchange contracts. The System reviews market value of all securities on a monthly basis. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates.

a. **Collateralized mortgage obligations** (CMOs) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMOs established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates than others that can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reductions in interest payments cause a decline in cash flows and, thus, a decline in market value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

b. A **currency forward** is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized, and carry counterparty risk. Forwards are usually transacted in the over-the-counter market. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the System records the unrealized translation gain or loss.

Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals. The following tables represent the fair value of all open currency forwards at June 30, 2010, and 2009:

2010 Currency

Sold	Purchased	US Dollar Value at Trade Date	Payable Base Market Value	Receivable Base Market Value	Unrealized Gain (Loss)
Japanese Yen	U.S. Dollars	$ 240,988	$ (241,451)	$ 240,988	$ (463)
U.S. Dollars	Euro Currency	854,175	(854,175)	859,578	5,403
Euro Currency	British Pound Sterling	47,903,788	(44,099,535)	46,775,416	2,675,881
Total		**$ 48,998,951**	**$ (45,195,161)**	**$ 47,875,982**	**$ 2,680,821**

2009 Currency

Sold	Purchased	US Dollar Value at Trade Date	Payable Base Market Value	Receivable Base Market Value	Unrealized Gain (Loss)
Euro Currency	British Pound Sterling	$ 41,298,519	$ (44,416,501)	$ 46,395,646	$ 1,979,145
British Pound Sterling	Euro Currency	3,386,141	(3,376,789)	3,323,323	(53,466)
South Korean Won	U.S. Dollars	540,875	(541,406)	540,875	(531)
U.S. Dollars	Hong Kong Dollars	89,336	(89,336)	89,336	-
U.S. Dollars	Japanese Yen	257,250	(257,250)	254,721	(2,529)
U.S. Dollars	South Korean Won	748,157	(748,157)	748,891	734
U.S. Dollars	Norwegian Krone	61,041	(61,041)	60,742	(299)
U.S. Dollars	Thailand Baht	155,480	(155,480)	155,084	(396)
Total		**$ 46,536,799**	**$ (49,645,960)**	**$ 51,568,618**	**$ 1,922,658**

9. Real Estate

Real estate investments are limited to a direct investment in the property located at the intersection of Essen Lane and United Plaza Boulevard in Baton Rouge, Louisiana. Stock and stock funds comprised of real estate investments trusts (REITS) are also allowed.

10. Alternative Investments

Investments in alternatives include, but are not limited to private equity, absolute return (hedge funds), and global tactical asset allocation. Investment strategies may include buyouts or corporate restructuring, venture capital, secondary investments, distressed securities, mezzanine, and energy and natural resources. The total commitments and total amount invested for alternative investments on a cost basis as of June 30, 2010, and 2009, respectively:

Alternatives Investments	2010	2009
Commitments		
Private Equity	$ 1,951,856,870	$ 1,893,400,789
Absolute Return	711,000,000	671,000,000
Global Asset Allocation	370,000,000	370,000,000
Total Commitments	**$ 3,032,856,870**	**$ 2,934,400,789**
Amount Invested (cost basis)		
Private Equity	$ 947,859,796	$ 838,911,850
Absolute Return	712,890,784	667,706,673
Global Asset Allocation	347,993,188	347,991,010
Total Invested (cost basis)	**$ 2,008,743,768**	**$ 1,854,609,533**

LASERS endeavors to systematically commit additional funds to this asset class over time as it becomes under-represented relative to the LASERS target asset allocation. LASERS attempts to commit up to 200% of its target weighting to private equity investments to help ensure that the funded portion of the investments approximates the target allocation.

LASERS only invests in alternative assets when there is complete transparency and policy compliance reporting. The Board of LASERS recognizes that alternative assets are potentially more risky than other investments of the Fund. As such, extra care is taken in evaluating and fully understanding all aspects on an alternative investment opportunity.

No more than 25% of the alternative asset investment allocation may be invested with a single manager, general partner, or single fund, with the exception of a fund-of-funds. Preference will be given to those funds where the general partner is contributing at least 1% of the total fund. References on a general partner must be checked prior to investing in a fund.

H. Securities Lending Program

State Statutes and the Board's policies permit the system to make short-term collateralized loans of its securities to broker-dealers and other entities in order to earn incremental income. LASERS has contracted with its custodian, BNY Mellon, to lend domestic and international equity and debt securities. The majority of security loans can be terminated on demand by either LASERS or the borrower. Collateral in the form of cash or other securities is required for 102% of the fair value of domestic or sovereign debt, and 105% of the fair value of international securities excluding sovereign debt loaned. Since the majority of the loans are terminable at will, their duration does not generally match the duration of the investments made with the cash collateral.

Due to disruptions in the credit markets beginning in the fall of 2008, prices of several securities experienced declines. At June 30, 2009, LASERS had an approximate $27 million loss due to Lehman and Sigma Bonds of which $3 million in security lending income has been applied during fiscal year 2010. During fiscal year 2010, LASERS realized a loss on a CIT Group bond of approximately $3 million bringing the balance owed Mellon to $27 million. The unrealized loss in the cash collateral pools recovered from an unrealized loss of $64 million at June 30, 2009, to an unrealized loss of $20 million at June 30, 2010.

LASERS is not permitted to pledge or sell collateral securities unless a borrower defaults. The System did not impose any restrictions during the fiscal year on the amount of the loans that BNY Mellon made on its behalf and BNY Mellon indemnified the System by agreeing to purchase replacement securities, or return cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year.

On June 30, 2010, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. At June 30, 2010, the market value of securities on loan totaled $715,202,710.

I. Other Postemployment Benefits (OPEB)

1. Plan Description

The Office of Group Benefits (OGB) is an agent multiple-employer post-employment healthcare plan that covers retired employees of the state, as well as school boards and various other non-state employers. OGB provides health and life insurance benefits to eligible retirees, their spouses, and their dependents. La. R.S. 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

2. Funding Policy

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

3. **Annual OPEB Cost and Net OPEB Obligation**

The state is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 22.46% of annual covered payroll. At June 30, 2010, and 2009 annual OPEB costs and net OPEB obligations were:

	2010	2009
Annual Required Contribution	$ 1,554,400	$ 2,276,300
Interest on OPEB Obligation	161,152	82,440
Adjustment to Annual Required Contribution	(153,947)	(78,754)
Annual OPEB Cost (Expense)	1,561,605	2,279,986
Contributions Made	(328,140)	(308,246)
Increase in Net OPEB Obligation	1,233,465	1,971,740
Net OPEB Obligation Beginning of Year	4,028,800	2,057,060
Net OPEB Obligation End of Year	$ 5,262,265	$ 4,028,800

For fiscal year 2010, LASERS annual OPEB cost (expense) was $1,561,605. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2009 and 2008 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 2,335,000	12.47%	$ 2,057,060
6/30/2009	$ 2,279,986	14.17%	$ 4,028,800
6/30/2010	$ 1,561,605	21.01%	$ 5,262,265

Funded Status and Funding Progress. The funding status of the plan as of June 30, 2010, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2008	$ -	$ 23,055,800	$ 23,055,800	0.0%	$ 6,633,000	347.6%
7/1/2009	$ -	$ 18,281,800	$ 18,281,800	0.0%	$ 6,919,500	264.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedules of Funding Progress, presented as required supplementary information following the *Notes to the Financial Statements*, presents the current year's funding status and presents multiyear trend information that will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Fiscal year 2008 was the implementation year of OPEB for LASERS.

4. Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, a projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.5% for pre-Medicare and 9.6% for Medicare-eligible participants initially, reduced by decrements to an ultimate rate of 5% after fifteen years. The valuation utilized participant data supplied by OGB, the State Payroll System, and the various state retirement systems. Projected claim costs were determined by combining trended claims data, actual capitation rates and actual vendor fees. LASERS unfunded actuarial accrued liability is being amortized using both a level dollar amount and a level percent of pay over an open amortization period of 30 years, the maximum amortization period allowed by GASB 45.

J. Subsequent Events

The Louisiana Legislature enacted legislation in its 2010 Regular Session that made changes to contribution rates, final average compensation, benefit accrual rates, retirement eligibility, disability benefits, and survivor benefits for LASERS members hired on or after January 1, 2011, but retains the provisions of current law in these specific areas for members hired on or before December 31, 2010.

Also the Legislature established the LASERS Hazardous Duty Services Plan for certain law enforcement personnel hired on or after January 1, 2011. Members of existing specialty plans will have the option of remaining in those plans or becoming a member of the Hazardous Duty Service Plan. Additional legislation modifies restrictions on investments and adds specific considerations for investment decisions. For specific information on legislative changes that affect the System refer to Title 11 of the Louisiana Revised Statutes.

Required Supplementary Information

Schedules of Funding Progress for LASERS

For the Six Years Ended June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio[3] (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2005	$ 6,673,500	$ 10,847,062	$ 4,173,562	61.5%	$ 2,100,043	198.7%
6/30/2006	$ 7,430,784	$ 11,548,680	$ 4,117,896	64.3%	$ 1,979,705	208.0%
6/30/2007	$ 8,345,495	$ 12,421,907	$ 4,076,411	67.2%	$ 2,175,367	187.4%
6/30/2008	$ 9,167,170	$ 13,562,214	$ 4,395,044	67.6%	$ 2,436,956	180.3%
6/30/2009	$ 8,499,662	$ 13,986,847	$ 5,487,185	60.8%	$ 2,562,576	214.1%
6/30/2010	$ 8,512,403	$ 14,764,015	$ 6,251,612	57.7%	$ 2,546,457	245.5%

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

Schedules of Employer Contributions

For the Six Years Ended June 30, 2010

Date	Annual Required Contribution	Percentage Contributed
2005	$ 411,727,561	99.2%
2006	$ 423,502,813	93.1%
2007	$ 434,796,738	97.0%
2008	$ 456,741,202	115.4%
2009	$ 492,402,961	102.8%
2010	$ 585,268,922	87.2%

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

[3] For the years ended June 30, 2005, through June 30, 2009, the funded ratio referenced takes into account the initial unfunded accrued liability account (IUAL) and the Employer Credit Account which is not the same funded ratio used in determining the projected employer contribution rate.

Schedules of Funding Progress for OGB OPEB Trust
For the Year Ended June 30, 2010*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$ -	$ 19,690,300	$ 19,690,300	0.0%	$ 5,822,128	338.2%
7/1/2008	$ -	$ 23,055,800	$ 23,055,800	0.0%	$ 6,633,000	347.6%
7/1/2009	$ -	$ 18,281,800	$ 18,281,800	0.0%	$ 6,919,500	264.2%

*Fiscal year 2008 was the implementation year of OPEB for the State of Louisiana; therefore, six years of trend data is not available.

Supporting Schedules

Schedules of Revenues by Source and Expenses by Type

For the Ten Years Ended June 30, 2010

	2001	2002	2003	2004	2005
Revenues By Source:					
Employer Contributions	$ 245,213,071	$ 256,079,880	$ 292,290,126	$ 335,991,617	$ 391,870,045
Member Contributions	144,603,488	151,350,321	159,469,854	163,277,178	169,143,849
Legislative Appropriations	-	-	-	-	-
Net Investment Income (Loss)	(408,921,855)	(342,821,109)	212,771,376	996,067,481	650,345,827
Other Income	12,102,647	14,658,709	15,137,037	9,325,388	37,363,680
Total Additions (Reductions) to Plan Net Assets	**$ (7,002,649)**	**$ 79,267,801**	**$ 679,668,393**	**$ 1,504,661,664**	**$ 1,248,723,401**
Expenses By Type:					
Benefits	$ 452,637,691	$ 498,392,717	$ 544,009,581	$ 573,152,747	$ 581,665,163
Refunds and Transfers	36,147,087	31,391,355	25,043,817	28,760,064	30,357,532
Administrative	13,176,189	12,821,861	11,171,799	12,624,215	17,873,386
Depreciation	696,447	437,711	657,638	800,103	760,927
Total Deductions to Plan Net Assets	**$ 502,657,414**	**$ 543,043,644**	**$ 580,882,835**	**$ 615,337,129**	**$ 630,657,008**
Total Change in Net Assets	**$ (509,660,063)**	**$ (463,775,843)**	**$ 98,785,558**	**$ 889,324,535**	**$ 618,066,393**

Schedules of Revenues by Source and Expenses by Type (continued)

For the Ten Years Ended June 30, 2010

	2006	2007	2008	2009	2010
Revenues By Source:					
Employer Contributions	$ 411,250,496	$ 416,329,361	$ 505,678,953	$ 486,583,512	$ 490,701,310
Member Contributions	165,509,666	167,957,870	192,412,444	203,050,933	205,328,033
Legislative Appropriations	13,600,000	-	20,000,000	-	-
Net Investment Income (Loss)	833,207,981	1,472,840,599	(357,912,195)	(1,739,762,198)	1,139,301,483
Other Income	33,115,285	12,285,284	16,507,453	13,919,576	12,689,994
Total Additions (Reductions) to Plan Net Assets	**$ 1,456,683,428**	**$ 2,069,413,114**	**$ 376,686,655**	**$ (1,036,208,177)**	**$ 1,848,020,820**
Expenses By Type:					
Benefits	$ 620,367,483	$ 673,617,033	$ 718,303,319	$ 771,408,255	$ 829,236,652
Refunds and Transfers	37,821,549	38,030,600	32,149,383	30,314,007	35,676,509
Administrative	15,291,109	14,505,724	18,251,681	17,593,089	16,763,434
Depreciation	750,463	619,733	1,242,050	2,030,877	2,134,563
Total Deductions to Plan Net Assets	**$ 674,230,604**	**$ 726,773,090**	**$ 769,946,433**	**$ 821,346,228**	**$ 883,811,158**
Total Change in Net Assets	**$ 782,452,824**	**$ 1,342,640,024**	**$ (393,259,778)**	**$ (1,857,554,405)**	**$ 964,209,662**

Schedules of Administrative Expenses

For the Years Ended June 30, 2010 and 2009

		2010	2009
Administrative Expenses:			
Salaries and Related Benefits		$ 12,719,392	$ 12,837,084
Travel Expenses		112,788	145,315
Operating Services		3,032,114	3,046,463
Professional Services		757,435	1,504,140
Acquistions	(1)	141,705	340,651
Total Operating Expenses		**$ 16,763,434**	**$ 17,873,653**
Capitalized Expenditures:			
SOLARIS Software Project - Professional Services	(1)	-	(58,959)
Other Acquisitions		-	(221,605)
Total Capitalized Expenditures		**$ -**	**$ (280,564)**
Total Administrative Expenses		**$ 16,763,434**	**$ 17,593,089**

(1) LASERS capitalizes the internal and external costs incurred to develop internal-use computer software that exceeds a $1 million threshold and depreciates it over seven years once operational, following GASB 51 and the AICPA's Statement of Position No. 98-1.

Schedules of Investment Expenses

For the Years Ended June 30, 2010 and 2009

	2010	2009
Investment Activities Expenses:		
Alternative Investment Expenses		
Alternative Manager Fees	$ 24,832,501	$ 26,434,699
Profit Sharing Fees	3,463,141	(95,559) [1]
Total Alternative Expenses	**$ 28,295,642**	**$ 26,339,140**
Investment Manager Expenses		
Investment Manager Fees	$ 17,189,711	$ 12,307,056
Profit Sharing Fees	158,864	-
Total Investment Manager Expenses	**$ 17,348,575**	**$ 12,307,056**
Other Investment Expenses		
Investment Consultant Fees	$ 565,000	$ 550,000
Research and Data Services	395,337	339,660
Investment Performance Management	101,633	91,592
Global Custodian Fees	52,587	139,428
Total Other Investment Expenses	**$ 1,114,557**	**$ 1,120,680**
Total Investment Activities Expenses	**$ 46,758,774**	**$ 39,766,876**
Securities Lending Activities Expenses:		
Securities Lending Activities Expenses	$ (128,053) [2]	$ 14,500,742
Total Securities Lending Activities Expenses	**$ (128,053)**	**$ 14,500,742**

[1]Due to disruptions in the market for the fiscal year ending June 30, 2009, recovery of prior year profit sharing fees created a credit balance.

[2]Security Lending expenses had a credit balance for the year ending June 30, 2010, due to the low Federal Funds rate environment which led to negative rebates offseting the expenses.

Schedules of Board Compensation
For the Years Ended June 30, 2010 and 2009

Board of Trustees	2010 Number of Meetings	2010 Amount	2009 Number of Meetings	2009 Amount
Cynthia Bridges	11	$ 825	12	$ 900
Virginia Burton	7	525	21	1,575
Connie Carlton	24	1,800	24	1,800
Charles Castille	22	1,650	18	1,350
Beverly Hodges	12	900	0	-
Janice Lansing	11	825	0	-
Barbara McManus	23	1,725	21	1,575
Susan Pappan[1]	22	-	2	-
Lori Pierce[2]	12	-	0	-
Louis Quinn	9	675	23	1,725
Sheryl Ranatza[3]	20	-	20	-
Kathy Singleton	11	825	0	-
Lorry Trotter	12	900	23	1,725
Trudy White[4]	0	-	3	225
Total Compensation		**$ 10,650**		**$ 10,875**

[1]Susan Pappan assumed Trudy White's position in June 2009 and chose not to receive the Board per diem.

[2]Lori Pierce chose not to receive the Board per diem beginning January 2010.

[3]Sheryl Ranatza chose not to receive the Board per diem beginning June 2007.

[4]Trudy White resigned from the Board in May 2009.

Schedules of Professional/Consultant Fees
For the Years Ended June 30, 2010 and 2009

		2010		2009
Accounting and Auditing				
Postlethwaite and Netterville, APAC	$	47,900	$	47,500
Actuary				
Hall Actuarial Associates		38,640		34,000
S J Actuarial Associates		124,000		132,600
Legal Fees				
Avant & Falcon		4,419		4,594
Beus Gilbert, PLLC		30,883		40,386
Phelps Dunbar, LLP		1,032		-
Roedel Parsons Koch Balhoff & McCollister		3,840		5,703
Tarcza & Associates, LLC		37,779		25,178
Disability Program				
Physician and Other Reviews		89,752		80,836
Information Technology Consultants				
Deloitte Consulting, LLP (Formerly Bearing Point, Inc.)		311,489		1,118,151
Provaliant Retirement, LLC		-		(25,000)
Other Professional Services				
CEM Benchmarking, Inc.		35,000		-
Election Service Corporation		19,115		19,115
Firefly Digital, Inc.		11,675		-
SSA Consultants, Inc.		-		17,659
Other Non-Consultant Professionals		1,911		3,418
Professional Service/Consultant Fees	$	757,435	$	1,504,140

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