R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2008 AND 2007

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

September 26, 2008

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

We have audited the accompanying statements of plan net assets of the State of Louisiana School Employees' Retirement System (Plan), a component unit of the State of Louisiana, as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the State of Louisiana School Employees' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Louisiana School Employees' Retirement System as of June 30, 2008 and 2007, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

We have audited the financial statements of the Plan for the years ending June 30, 2008 and 2007 and issued our unqualified opinion on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 29 - 31, and the supplemental schedules listed on pages 32 – 42 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2003 – 2008 and supplemental schedules for the years ending June 30, 2008 and 2007, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2008 on our consideration of State of Louisiana's School Employees' Retirement System internal control over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008

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

FINANCIAL HIGHLIGHTS

- The System experienced net investment losses of $(76,115,398) at June 30, 2008; this is a 134% decrease from net investment income of $221,780,221 at June 30, 2007. This decrease was due to the negative market conditions as the problems in the mortgage lending markets spread to the overall credit markets and the stock market contemplated the possibility of a recession. As a result, the total composite return of the portfolio was (4.74)% for the year ended June 30, 2008 as compared to 14.90% for the year ended June 30, 2007.

- Member contributions increased by $2,140,110 or 11%. This increase is due to an increase in member salaries and a slight increase in the number of active members.

- Employer contributions increased by $1,275,779 or 3%. This increase is mainly due to a number of factors. While the employer contributions rate decreased from 19.6% to 18.1% the members' salaries increased and also the number of members contributing increased.

- Refunds of member contributions decreased by $1,866,118 or (37)%. During the previous fiscal year, a large number of members who had been out of active service were notified of options regarding their contribution balances. These members chose to refund their contributions.

- Other expenses decreased by $473,773 resulting from a decrease in transfers of member and employer contributions to other systems. A larger amount of contributions were transferred in from other systems.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008

The statements of plan net assets report the pension fund's assets, liabilities, and results in the net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2008 and 2007.

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

LSERS FINANCIAL ANALYSIS

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

Statements of Plan Net Assets
June 30, 2008 and 2007

	2008	2007
Cash	$ 15,714,474	$ 16,553,344
Receivables	41,682,191	37,709,848
Investments	1,721,137,885	1,882,921,397
Property and Equipment	3,585,751	3,684,688
Total Assets	1,782,120,301	1,940,869,277
Total Liabilities	269,878,452	284,239,944
Net Assets Held in Trust for Pension Benefits	$ 1,512,241,849	$ 1,656,629,333

Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2008 and 2007

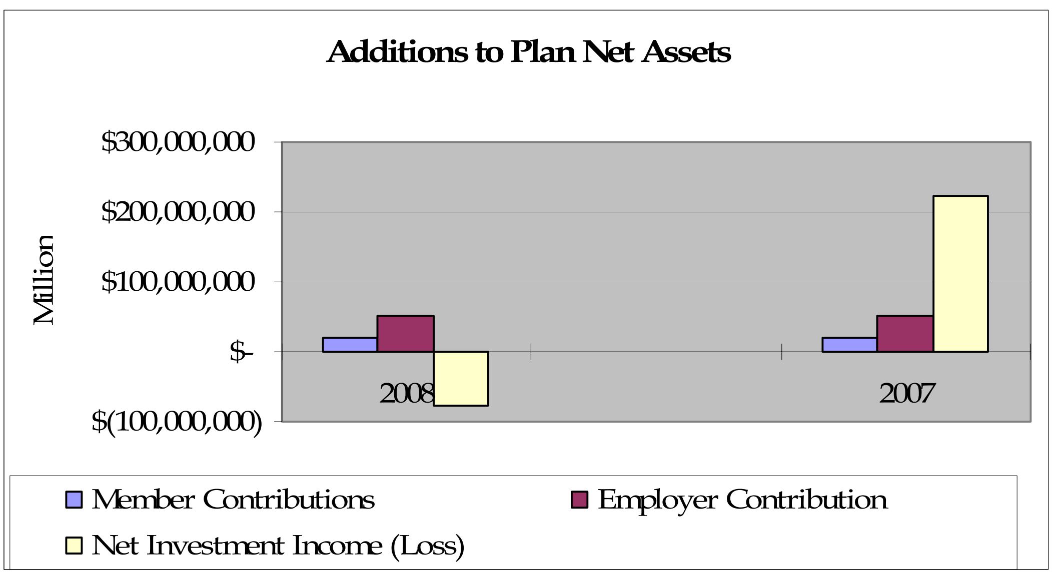
	2008	2007
Additions:		
Contributions	$ 73,164,425	$ 69,748,536
Investment Gains/(Losses)	(76,115,398)	221,780,721
Total Additions (Deductions)	(2,950,973)	291,529,257
Total Deductions	141,436,511	139,295,595
Change in Plan Net Assets	$ (144,387,484)	$ 152,233,662

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008

ADDITIONS TO PLAN NET ASSETS

Additions (deductions) to LSERS plan net assets were derived from member and employer contributions and net gains (losses) on investments. Employer contributions increased $1,275,779 or 3% while member contributions increased $2,140,110 or 11%. The System experienced net investment losses of $(76,115,398) for the fiscal year ending June 30, 2008 as compared to net investment income of $221,780,721 for fiscal year ending June 30, 2007. This decrease is due to the negative market conditions experienced this fiscal year.

Additions to Plan Net Assets	2008	2007	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 21,398,728	$ 19,258,618	$ 2,140,110	11%
Employer Contributions	51,765,697	50,489,918	1,275,779	3%
Net Investment Gain/(Loss)	(76,115,398)	221,780,721	(297,896,119)	(134)%
Total	$ (2,950,973)	$ 291,529,257	$ (294,480,230)	



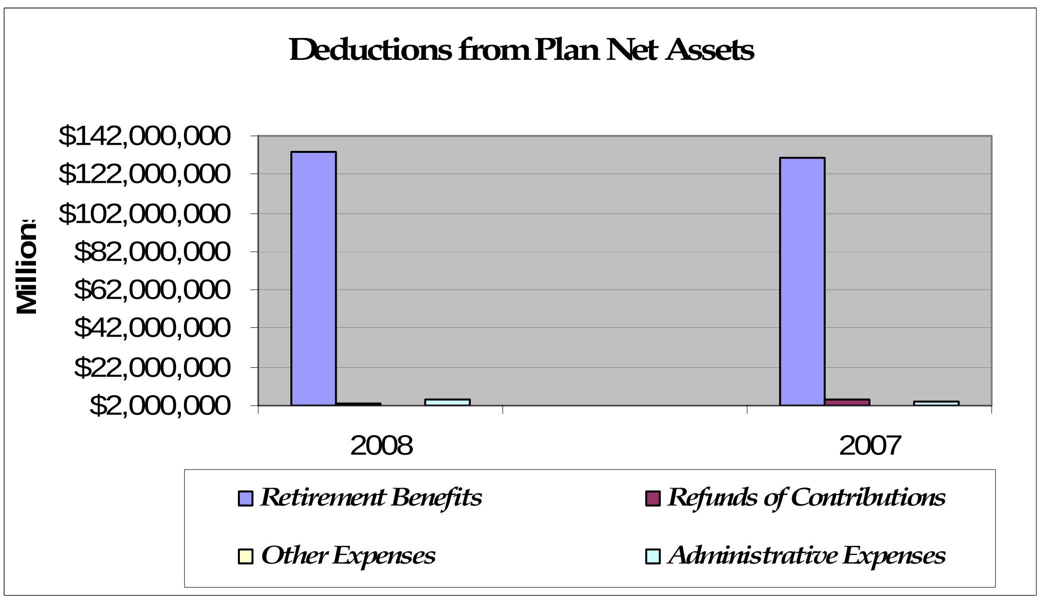
DEDUCTIONS FROM PLAN NET ASSETS

Deductions from plan net assets include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from plan net assets totaled $141,436,511 in fiscal year 2008. This increase of $2,140,916 or 1.54% is due mainly to the increase in retirement benefits paid.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008

The cost of administering LSERS benefits per member during 2008 was $179.

Deductions to Plan Net Assets	2008	2007	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$133,619,893	$ 130,256,443	$ 3,363,450	3%
Refunds of Contributions	3,123,097	4,989,215	(1,866,118)	(37)%
Administrative Expenses	4,704,910	3,587,553	1,117,357	31%
Other Expenses	(11,389)	462,384	(473,773)	(102)%
Total	$ 141,436,511	$ 139,295,595	$ 2,140,916	



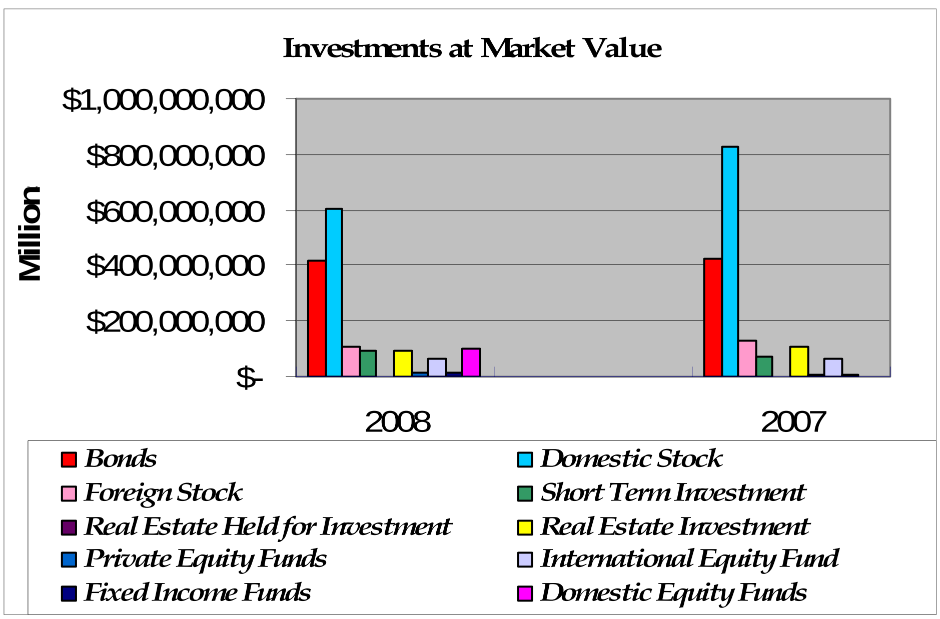
INVESTMENTS

LSERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2008 excluding collateral held under securities lending program were $1,510,316,021 as compared to $1,637,325,454 at June 30, 2007, an decrease of $(127,009,433).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2008

LSERS' investments in various asset classes at the end of the 2008 and 2007 fiscal years are indicated in the following table:

Investments	2008	2007	Increase (Decrease) Amount	Increase (Decrease) Percentage
Bonds	$ 416,496,089	$ 421,538,527	$ (5,042,438)	(1)%
Fixed Income Funds	11,722,545	10,283,473	1,43,072	14%
Domestic Stock	603,351,740	829,543,133	(226,191,393)	(27)%
Foreign Stock	111,309,973	126,229,365	(14,919,392)	(12)%
Short Term Investments	91,704,516	73,653,099	18,051,417	25%
Real Estate Held for Investment	2,603,822	2,261,714	342,108	15%
Real Estate Investment	96,500,618	104,778,358	(8,277,740)	(8)%
Private Equity Funds	14,628,427	5,186,030	9,442,397	182%
Domestic Equity Funds	100,629,073	--	100,629,073	100%
International Equity Fund	61,369,218	63,851,755	(2,482,537)	(4)%
Total	$ 1,510,316,021	$ 1,637,325,454	$ (127,009,433)	



REQUESTS FOR INFORMATION

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008 AND 2007

ASSETS

	2008	2007
CASH:		
In bank	$ 15,714,474	$ 16,553,344
RECEIVABLES: (Note 1)		
Member contributions	3,269,557	2,959,358
Employer contributions	7,784,997	7,907,454
Accrued interest and dividends	4,464,739	4,933,842
Investment receivable	26,129,264	21,642,397
Other	33,634	266,797
Total receivables	41,682,191	37,709,848
INVESTMENTS, AT FAIR VALUE: (Notes 1, 5, 6 and 7) (Pages 35 - 41)		
Short-term investments	91,704,516	73,653,099
U.S. Government and agency obligations	41,746,837	41,230,226
Bonds - domestic and foreign	374,749,252	380,308,301
Fixed income funds	11,722,545	10,283,473
Private equity funds	14,628,427	5,186,030
Domestic equity funds	100,629,073	-
International equity fund	61,369,218	63,851,755
Marketable securities - domestic	603,351,740	829,543,133
Marketable securities - foreign	111,309,973	126,229,365
Collateral held under securities lending program	210,821,864	245,595,943
Real estate funds	96,500,618	104,778,358
Real estate held for investment	2,603,822	2,261,714
Total investments	1,721,137,885	1,882,921,397
PROPERTY AND EQUIPMENT, AT COST: (Notes 1 and 9)		
Building	3,632,918	3,632,918
Land	1,010,225	1,010,225
Furniture and equipment	432,634	1,066,362
	5,075,777	5,709,505
Less accumulated depreciation	1,490,026	2,024,817
Total property and equipment	3,585,751	3,684,688
Total assets	1,782,120,301	1,940,869,277

LIABILITIES AND NET ASSETS

	2008	2007
LIABILITIES:		
Accounts payable	1,530,722	1,624,728
Accrued expenses and benefits	70,290	130,176
Obligations under securities lending program (Notes 5 and 6)	210,821,864	245,595,943
Investment payable	56,742,920	36,889,097
Other post employement benefits obligation (Note 14)	712,656	-
Total liabilities	269,878,452	284,239,944
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,512,241,849	$ 1,656,629,333

(A schedule of funding progress for the Plan is presented on Page 29)

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
ADDITIONS:		
Contributions: (Notes 1 and 3)		
Member contributions	$ 21,398,728	$ 19,258,618
Employer contributions	51,765,697	50,489,918
Total contributions	73,164,425	69,748,536
Investment Income (Loss): (Notes 1, 6 and 7)		
Net appreciation (depreciation) in fair value of investments	(121,441,410)	176,432,565
Interest	27,767,511	28,852,850
Securities lending income	9,916,021	12,507,593
Dividends	16,168,016	17,569,251
Real estate income	3,305,998	2,435,049
Foreign currency exchange gain	52,710	-
	(64,231,154)	237,797,308
Less Investment Expense:		
Investment advisory fee	3,052,102	3,490,510
Custodian and bank fees	215,033	204,827
Foreign currency exchange loss	-	229,412
Securities lending expense	8,617,109	11,954,427
Real estate expense	-	137,411
	11,884,244	16,016,587
Net investment gain (loss)	(76,115,398)	221,780,721
Total additions (deductions)	(2,950,973)	291,529,257
DEDUCTIONS:		
Retirement benefits paid	133,619,893	130,256,443
Refunds of contributions	3,123,097	4,989,215
Administrative expenses (Page 42)	4,704,910	3,587,553
Depreciation expense	131,802	127,973
Transfer to (from) other systems - employee	(12,810)	79,006
Transfer to (from) other systems - employer and interest	(130,381)	255,405
Total deductions	141,436,511	139,295,595
NET INCREASE (DECREASE)	(144,387,484)	152,233,662
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,656,629,333	1,504,395,671
END OF YEAR	$ 1,512,241,849	$ 1,656,629,333

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Reporting Entity

In June 1991, the Governmental Accounting Standards Board (GASB) issued Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability.

In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. There are no component units of the Plan.

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

Basis of Accounting:

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

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

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

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

Expenditures are recognized in the period incurred.

Investments are reported at fair value. Changes in market value are reported as gains or losses in the year the change occurred. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

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

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

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

Property and Equipment:

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

2. PLAN DESCRIPTION:

The State of Louisiana School Employees' Retirement System ("the Plan") is the administrator of a cost-sharing multiple-employer defined benefit pension plan and is a component unit of the State of Louisiana included in the State's CAFR as a Pension Trust Fund. The Plan was established and provided for by R.S.11:1001 of the Louisiana Revised Statutes (LRS). The accompanying statements present information only as to transactions of the program of the Plan as authorized by Louisiana Revised Statutes. For the years ended June 30, 2008 and 2007, the local government contributors consisted of 77 school boards and 50 other agencies contributing to the Plan.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

2. PLAN DESCRIPTION: (Continued)

The Plan provides retirement benefits to non-teacher school employees excluding those classified as lunch workers within the public school system of Louisiana. At June 30, 2008 and 2007, plan membership consisted of:

	2008	2007
Retirees and beneficiaries currently receiving benefits	12,159	12,017
Terminated employees entitled to benefits but not yet receiving them	385	385
Terminated vested employees who have not withdrawn contributions (DROP)	583	673
Fully vested, partially and nonvested active employees	13,153	12,935
TOTAL PARTICIPANTS	26,280	26,010

Eligibility Requirements:

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

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

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

Benefits:

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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

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

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

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

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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

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

3. CONTRIBUTIONS AND RESERVES:

Contributions for plan members are established by state statute at 7.5% of their annual covered salary for the years ended June 30, 2008 and 2007. Contributions for all participating school boards are actuarially determined as required by Act 81 of 1988 but cannot be less than the rate required by the Constitution. The employer rate for the years ended June 30, 2008 and 2007 was 18.1% and 19.6%, respectively.

Administrative costs are included in aggregate normal cost.

Reserves:

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

A) Administrative:

The Administrative Fund Reserve provides for general and administrative expenses of the Plan and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the investment earnings and is made as needed. The Administrative Fund Reserve for each year ending June 30, 2008 and 2007 is $0. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Plan. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Survivor Benefit Reserve. When a member retires, the amount of his accumulated contributions is transferred to Pension Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2008 and 2007 is $145,217,040 and $137,564,511, respectively. The Annuity Savings is fully funded.

C) Pension Accumulation Fund:

The Pension Accumulation Fund consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Fund as of June 30, 2008 and 2007 is $635,555,739 and $559,663,861, respectively. The Pension Accumulation Fund is 14% funded at June 30, 2008 and 48% funded at June 30, 2007.

D) Pension Reserve and Survivors Benefit Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of active members receive benefits from the Survivors Benefit Reserve account. The Pension Reserve as of June 30, 2008 and 2007 is $1,103,336,254 and $1,075,545,710, respectively. The Survivors Benefit Reserve as of June 30, 2008 and 2007 is $110,792,195 and $110,437,170, respectively. Both Reserves are fully funded.

E) Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option as of June 30, 2008 and 2007 is $64,626,896 and $63,509,013, respectively. The Deferred Retirement Option account is fully funded.

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JUNE 30, 2008 AND 2007

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

F) Initial Benefit Retirement Plan Reserve:

The Initial Benefit Retirement Plan Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2008 and 2007 is $713,767 and $882,748, respectively. The Initial Benefit Retirement Plan Reserve is fully funded.

4. ACTUARIAL COST METHOD:

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

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's deposits, cash equivalents and investments at June 30, 2008 and 2007:

	2008	2007
Deposits (bank balance)	$ 16,055,567	$ 16,921,090
Cash equivalents	91,704,516	73,653,099
Investments	1,629,433,369	1,809,268,298
	$ 1,737,193,452	$ 1,899,842,487

Deposits:

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

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SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2008 AND 2007

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

Cash Equivalents:

For the years ending June 30, 2008 and 2007, cash equivalents in the amount of $62,111,345 and $68,617,133, respectively, consist of government pooled investments, commercial paper and a government agency note. The funds are managed and held by a separate money manager and are in the name of the Plan. For the years ending June 30, 2008 and 2007, cash equivalents in the amount of $16,314,223 and $328,433, respectively, consist of U. S. Treasury Bills managed by a separate money manager, held by the Plan's custodian, and are in the name of the Plan. For the years ending June 30, 2008 and 2007, cash equivalents in the amount of $13,278,948 and $4,707,533, respectively, consist of money market funds held by the Plan’s custodian in the name of the Plan.

Investments:

In accordance with LRS 11:263, the Plan is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the Plan "shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income." Notwithstanding the Prudent-Man Rule, the Plan shall not invest more than sixty-five percent of the total portfolio in equity investments.

Concentration of Credit Risk:

The Plan’s investment policy states that no more than 5 percent of the total stock portfolio valued at market may be invested in the common stock of any one organization. There were no investments in any one organization which represented 5% of total investments at June 30, 2008 and 2007.

Credit Risk:

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

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SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Credit Risk: (Continued)

2008

	U.S. Gov't and Gov't Agency Obligations	Corporate Bonds	Government mortgage backed securities	Collateralized mortgage obligations	Other Bonds	Total Bonds	Fixed Income Funds
AAA	9,998,795	5,043,176	-	59,026,617	3,598,890	77,667,478	-
AA+	-	-	-	601,755	-	601,755	-
AA	-	5,423,497	-	722,382	348,510	6,494,389	-
AA-	-	4,348,462	-	-	-	4,348,462	-
A+	-	21,002,134	-	-	-	21,002,134	-
A	-	20,725,745	-	-	-	20,725,745	-
A-	-	11,017,291	-	-	-	11,017,291	-
BBB+	-	12,760,197	-	-	17,749	12,777,946	-
BBB	-	26,721,397	-	-	-	26,721,397	-
BBB-	-	10,560,521	-	-	1,529,250	12,089,771	-
BB+	-	4,038,955	-	-	-	4,038,955	-
BB	-	4,705,311	-	-	33,063	4,738,374	-
BB-	-	1,428,750	-	-	-	1,428,750	-
B+	-	24,850	-	-	-	24,850	-
B	-	3,055,500	-	-	134,906	3,190,406	-
B-	-	80,000	-	-	-	80,000	-
CCC	-	1,252,597	-	-	-	1,252,597	-
D	-	-	-	-	2,176	2,176	-
Not Rated	31,748,042	2,460,018	166,323,012	6,779,168	983,373	208,293,613	11,722,545
	41,746,837	134,648,401	166,323,012	67,129,922	6,647,917	416,496,089	11,722,545

2007

	U.S. Gov't and Gov't Agency Obligations	Corporate Bonds	Mortgage backed securities	Collateralized mortgage obligations	Other Bonds	Total Bonds	Fixed Income Funds
AAA	27,885,805	4,784,846	-	48,328,043	1,472,802	82,471,496	-
AA+	-	-	-	-	-	-	-
AA	-	4,455,040	-	971,428	75,097	5,501,565	-
AA-	-	3,513,777	-	-	-	3,513,777	-
A+	-	20,730,604	-	-	-	20,730,604	-
A	-	18,408,440	-	-	-	18,408,440	-
A-	-	12,191,517	-	-	-	12,191,517	-
BBB+	-	12,448,876	-	-	387,579	12,836,455	-
BBB	-	33,816,338	-	1,498,164	11,224	35,325,726	-
BBB-	-	13,511,044	-	-	111,986	13,623,030	-
BB+	-	3,945,304	-	-	-	3,945,304	-
BB	-	6,043,704	-	-	1,470,000	7,513,704	-
BB-	-	2,549,996	-	-	-	2,549,996	-
B+	-	1,500,000	-	-	-	1,500,000	-
B	-	1,504,718	-	-	10,447	1,515,165	-
B-	-	1,586,250	-	-	-	1,586,250	-
Not Rated	13,344,421	7,291,840	169,354,511	7,312,330	1,022,396	198,325,498	10,283,473
	41,230,226	148,282,294	169,354,511	58,109,965	4,561,531	421,538,527	10,283,473

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Credit Risk: (Continued)

The Plan's investment policy limits its investments to corporate debt issues rated investment grade by Moody's Investor Services, Standard & Poors, Fitch Investor Services, or Duff & Phelps. Securities that are downgraded below the policy standard must be sold within a reasonable amount of time. In addition, the plan may invest in debt instruments of the U.S. Government or its agencies.

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

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan is not exposed to custodial credit risk at June 30, 2008 and 2007 for investments in the amounts of $1,510,316,021 and $1,637,325,454, respectively, since the investments are in the name of the Plan. At June 30, 2008 and 2007, for collateral held under securities lending in the amounts of $210,821,864 and $245,595,943, respectively, and noncash collateral received under the securities lending program in the amounts of $1,922,297 and $2,621,403, respectively, the Plan is exposed to custodial credit risk since these investments are not in the name of the Plan. The Plan has no formal investment policy regarding custodial credit risk.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2008 and 2007 as follows:

Currency	2008 Fair Value	2007 Fair Value
Australian dollar	$ 6,284,781	$ 8,200,100
European euro	11,139,299	16,321,530
Canadian dollar	3,676,113	3,608,367
China/Hong Kong dollar	14,849,365	14,980,480

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Foreign Currency Risk: (Continued)

Danish krone	$ --	$ 2,608,781
Japanese yen	46,824,337	48,590,422
Singapore Dollar	2,429,250	--
Swedish krona	3,357,756	5,248,330
Swiss franc	7,146,770	2,409,595
British pound	15,602,302	24,261,760
Total	$ 111,309,973	$ 126,229,365

The Plan's investment policy has a target of 10 percent of total investments in foreign marketable securities. At June 30, 2008 and 2007, the Plan's current position is 6% and 8%, respectively.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2008 and 2007, the Plan had the following investments in long-term debt securities and maturities:

2008

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Maturities Not Determined
U.S. Government and Government Agency Obligations	$ 41,746,837	$ -	$ 19,213,699	$ 12,534,342	$ 9,998,796	$ -
Other Bonds:						
Corporate Bonds	$ 134,648,401	$ -	$ 67,295,060	$ 38,239,920	$ 29,113,421	$ -
Mortgage-backed securities	166,323,012	2,766,246	6,693,371	79,462	126,453,236	30,330,697
Collateralized mortgage obligations	67,129,922	-	263,386	-	66,866,536	-
Other	6,647,917	-	-	1,529,250	5,118,667	-
	$ 374,749,252	$ 2,766,246	$ 74,251,817	$ 39,848,632	$ 227,551,860	$ 30,330,697
Collateral Held Under Securities Lending Program	$ 210,821,863	$ 210,821,863	$ -	$ -	$ -	$ -

2007

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Maturities Not Determined
U.S. Government and Government Agency Obligations	$ 41,230,226	$ -	$ 21,354,884	$ 6,567,817	$ 13,307,525	$ -
Other Bonds:						
Corporate Bonds	$ 148,282,294	$ 1,467,995	$ 69,076,964	$ 43,434,271	$ 34,303,064	$ -
Mortgage-backed securities	169,354,511	-	9,313,602	5,604,890	134,418,188	20,017,831
Collateralized mortgage obligations	58,109,965	-	-	1,853,525	56,256,440	-
Other	4,561,531	-	-	1,469,968	3,091,563	-
	$ 380,308,301	$ 1,467,995	$ 78,390,566	$ 52,362,654	$ 228,069,255	$ 20,017,831
Collateral Held Under Securities Lending Program	$ 245,595,943	$ 245,595,943	$ -	$ -	$ -	$ -

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

Interest Rate Risk: (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, no more than 3 percent of the Plan's investment portfolio may have stated maturities in excess of 30 years.

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

6. SECURITY LENDING TRANSACTIONS:

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

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 71 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 36 days. Cash collateral may also be invested separately in "term loans", in which the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses are known to the securities lending agent.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

6. SECURITY LENDING TRANSACTIONS: (Continued)

The Plan has the following securities on loan:

	June 30, 2008 Market (Carrying Value)	June 30, 2007 Market (Carrying Value)
U. S. Government Securities	$ 41,731,107	$ 42,918,723
U. S. Government Agency Securities	14,437,551	4,831,220
Corporate bonds	23,648,469	37,308,847
Marketable Securities – domestic	117,257,401	143,259,374
Marketable Securities – foreign	9,838,993	14,233,994
	$ 206,913,521	$ 242,552,158

Securities on loan at June 30, 2008 and 2007 are collateralized by cash collateral in the amount of $210,821,864 and $245,595,943, respectively, and noncash collateral in the amount of $1,922,297 and $2,621,403, respectively.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral at June 30, 2008 and 2007. Such matching did exist since loans may be terminated on demand.

7. FUTURES:

The Plan has entered into futures contracts for the purpose of maintaining market exposure for excess cash. At June 30, 2008, the Plan had 13 outstanding S&P futures contracts, and 90 treasury note futures contracts, all maturing September 2008. At June 30, 2007, the Plan had 7 outstanding S&P futures contracts and 68 treasury note futures. The notional value of the open contracts at June 30, 2008 and 2007 was $6,404,414 and $14,295,688, respectively. The fair value of the open contracts at June 30, 2008 and 2007 was $6,107,005 and $14,253,278, respectively.

The Plan is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the Plan does not anticipate nonperformance by the counterparties. The Plan is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the Plan is the notional value of the contracts. During the year ended June 30, 2008 and 2007, the Plan realized net losses and net gains of $(104,299) and $1,075,905, respectively, on futures trading. The net losses and gains are recorded on the financial statements in net appreciation in fair value income.

The Fund is required to pledge $330,000 of treasury bills as collateral for the S&P 500 trading account. At June 30, 2008 and 2007, the pledged treasury bills' fair market value was $327,023 and $328,432, respectively.

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SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2008 AND 2007

8. PER DIEM PAID TO BOARD MEMBERS:

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

9. PROPERTY AND EQUIPMENT:

Changes in property and equipment are as follows:

	Beginning Balance	Additions	Deletions	Transfer to Investment	Ending Balance
Building	$ 3,632,918	$ --	$ --	$ --	$ 3,632,918
Land	1,010,225	--	--	--	1,010,225
Furniture and equipment	1,066,362	36,259	(669,987)	--	432,634
Accumulated depreciation	(2,024,817)	(131,802)	666,593	--	(1,490,026)
	$ 3,684,688	$ (95,543)	$ (3,394)	$ --	$ 3,585,751

Depreciation expense for the years ended June 30, 2008 and 2007 was $131,802 and $127,973, respectively.

10. SUPPLEMENTARY INFORMATION:

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

11. TAX QUALIFICATION:

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

12. ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

13. OPERATING LEASES:

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

Minimum future rentals to be received on operating leases for each of the next 2 years and in the aggregate are:

JUNE 30	
2009	283,193
2010	94,398
	$ 377,591

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

14. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

During the year ended June 30, 2008, the Plan implemented GASB 45, *Postemployment benefits other than pension benefits*. Since the year ended June 30, 2008 was the year of implementation, the Plan elected to implement prospectively, therefore prior year comparative data is not available.

Substantially all Plan employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the Plan. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Plan. At June 30, 2008, nine retirees were receiving post-employment benefits.

Plan Description

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

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

Funding Policy

The contribution requirements of plan members and the Plan are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, during the year ended June 30, 2008, employee premiums for a single member receiving benefits range from $34 to $92 per month for retiree-only coverage with Medicare or from $125 to $170 per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the year ended June 30, 2008 range from $69 to $165 per month for those with Medicare or from $408 to $493 per month for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Plan contributing anywhere from $103 to $237 per month for retiree-only coverage with Medicare or from $809 to $842 per month for retiree-only coverage without Medicare during the year ended June 30, 2008. Also, the Plan’s contributions range from $207 to $427 per month for retiree and spouse with Medicare or $1,242 to $1,293 for retiree and spouse without Medicare.

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

Annual OPEB Cost

The Plan’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2007 is $790,300 as set forth below:

Normal Cost	$ 547,000
30-year UAL amortization amount	212,904
Interest on the above	30,396
Annual required contribution (ARC)	$ 790,300

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
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JUNE 30, 2008 AND 2007

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

Annual OPEB Cost (Continued)

The following table presents the Plan's OPEB Obligation for the year ended June 30, 2008:

Beginning Net OPEB Obligation July 1, 2007	$ --
Annual required contribution	790,300
OPEB Cost	790,300
Contributions made	--
Claim costs	77,644
Change in Net OPEB Obligation	712,656
Ending Net OPEB Obligation June 30, 2008	$ 712,656

Utilizing the pay-as-you-go method, the Plan contributed 9.82% of the annual post employment benefits cost during the year ended June 30, 2008.

Funded Status and Funding Progress

In the year ended June 30, 2008, the Plan made no contributions to its post employment benefits plan trust. A trust was established during the year ended June 30, 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the entire actuarial accrued liability of $5,570,600 was unfunded.

The funded status of the plan as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	$ 5,570,600
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	$ 5,570,600
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,792,730
UAAL as a percentage of covered payroll	311%

Actuarial Methods and Assumptions

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Actuarial Methods and Assumptions (Continued)

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

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2007, was thirty years.

15. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
$1,578,991	$2,060,242	$481,251	76.6%	$289,529	166.2%

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

15. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: : (Continued)

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry Age
Amortization method	Level Percentage of Projected Payroll, the amortization period is for a specified number of years (closed basis)
Remaining amortization period	21 years
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	The rate of annual salary growth is based on the members' years of service.
Cost of living adjustments	The liability for cost of living raises already granted is included in the retiree reserve. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of benefit increases.
Changes in unfunded liability/ actuarial assumptions	The System experienced an increase in the unfunded liability in the amount of $24,618,425 as a result of changes in actuarial assumptions regarding termination, disability, retirement, DROP, salary growth and mortality. The System also experienced an increase in the unfunded liability in the amount $112,929,006 as a result of investment losses. The System experienced a decrease in the unfunded liability in the amount of $57,671,330 as a result of an experience gain.

16. RECLASSIFICATION

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)
JUNE 30, 2003 THROUGH 2008

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2003	$1,369,601*	$1,730,796	$361,195	79.1%	$268,656	134.4%
2004	1,381,154	1,820,958	439,804	75.8	259,698	169.4
2005	1,423,207	1,889,445	466,238	75.3	259,232	179.9
2006	1,480,748	1,872,594	391,846	79.1	239,321	163.7
2007	1,558,328	1,947,603	389,275	80.0	259,045	150.3
2008	1,578,991	2,060,242	481,251	76.6	289,259	166.2

* The actuarial value of assets are reduced by the employer credit account.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2003 THROUGH 2008

Year Ended June 30	Actuarially Required Contribution	Percentage Contributed
2003	47,222,922	64.29
2004	45,553,547	61.47
2005	49,942,339	75.59
2006	43,526,534	99.84
2007	45,808,043	110.22
2008	54,526,426	94.94

The actuarially required contribution differs significantly from actual contributions made due to the Plan's requirement to contribute the greater of the actuarially required amount or the contribution percentage required by the Louisiana Constitution in the amount of 6%. The statutory rate was higher than the actuarially required rate for the year 2003. The excess contributions collected were added to the employer credit account. The employer credit account was used to fund future years actuarially required employer contributions.

For the years ending June 30, 2008, 2007, 2006, 2005, 2004 and 2003, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

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

Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a/c)]
July 1, 2007	$ --	$5,570,600	$5,570,600	-- %	$1,792,730	311%

OTHER SUPPLEMENTARY INFORMATION

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

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2007	$ 1,075,545,710	$ 110,437,170	$ 137,564,511	$ 63,509,013
ADDITIONS:				
Contributions:				
Members	-	-	21,398,728	-
Employers	-	-	-	-
Investment loss and other sources	-	-	-	-
Transfers from Annuity Savings	10,635,912	-	-	-
Pensions transferred from Pension Reserve	-	-	-	12,325,265
Operating transfers	-	-	-	-
Actuarial transfers	149,218,978	2,859,474	-	-
Total additions	159,854,890	2,859,474	21,398,728	12,325,265
DEDUCTIONS:				
Retirement allowances paid	119,225,759	2,504,449	-	11,207,382
Refunds to members	-	-	3,123,097	-
Transfers to Pension Reserve	-	-	10,635,912	-
Pensions transferred to DROP	12,325,265	-	-	-
Pensions transferred to IBRP	513,322	-	-	-
Transfers to other systems	-	-	(12,810)	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	132,064,346	2,504,449	13,746,199	11,207,382
NET INCREASE (DECREASE)	27,790,544	355,025	7,652,529	1,117,883
BALANCES, JUNE 30, 2008	$ 1,103,336,254	$ 110,792,195	$ 145,217,040	$ 64,626,896

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 882,748	$ 559,663,861	$ -	$ (290,973,680)	$ 1,656,629,333
-	-	-	-	21,398,728
-	51,765,697	-	-	51,765,697
-	(76,115,398)	-	-	(76,115,398)
-	-	-	-	10,635,912
513,322	-	-	-	12,838,587
-	-	4,704,910	-	4,704,910
-	104,947,910	-	-	257,026,362
513,322	80,598,209	4,704,910	-	282,254,798
682,303	-	-	-	133,619,893
-	-	-	-	3,123,097
-	-	-	-	10,635,912
-	-	-	-	12,325,265
-	-	-	-	513,322
-	(130,381)	-	-	(143,191)
-	131,802	-	-	131,802
-	-	4,704,910	-	4,704,910
-	4,704,910	-	-	4,704,910
-	-	-	257,026,362	257,026,362
682,303	4,706,331	4,704,910	257,026,362	426,642,282
(168,981)	75,891,878	-	(257,026,362)	(144,387,484)
$ 713,767	$ 635,555,739	$ -	$ (548,000,042)	$ 1,512,241,849

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2006	$ 1,040,221,198	$ 108,606,912	$ 135,649,178	$ 62,477,642
ADDITIONS:				
Contributions:				
Members	-	-	19,258,618	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	12,275,064	-	-	-
Pensions transferred from Pension Reserve	-	-	-	14,918,864
Operating transfers	-	-	-	-
Actuarial transfers	151,829,437	4,349,141	-	-
Total additions	164,104,501	4,349,141	19,258,618	14,918,864
DEDUCTIONS:				
Retirement allowances paid	112,957,310	2,518,883	-	13,887,493
Refunds to members	-	-	4,989,215	-
Transfers to Pension Reserve	-	-	12,275,064	-
Pensions transferred to DROP	14,918,864	-	-	-
Pensions transferred to IBRP	903,815	-	-	-
Transfers to other systems	-	-	79,006	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	128,779,989	2,518,883	17,343,285	13,887,493
NET INCREASE (DECREASE)	35,324,512	1,830,258	1,915,333	1,031,371
BALANCES, JUNE 30, 2007	$ 1,075,545,710	$ 110,437,170	$ 137,564,511	$ 63,509,013

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 871,690	$ 524,767,645	$ -	$ (368,198,594)	$ 1,504,395,671
-	-	-	-	19,258,618
-	50,489,918	-	-	50,489,918
-	221,780,721	-	-	221,780,721
-	-	-	-	12,275,064
903,815	-	-	-	15,822,679
-	-	3,587,553	-	3,587,553
-	-	-	77,224,914	233,403,492
903,815	272,270,639	3,587,553	77,224,914	556,618,045
892,757	-	-	-	130,256,443
-	-	-	-	4,989,215
-	-	-	-	12,275,064
-	-	-	-	14,918,864
-	-	-	-	903,815
-	255,405	-	-	334,411
-	127,973	-	-	127,973
-	-	3,587,553	-	3,587,553
-	3,587,553	-	-	3,587,553
-	233,403,492	-	-	233,403,492
892,757	237,374,423	3,587,553	-	404,384,383
11,058	34,896,216	-	77,224,914	152,233,662
$ 882,748	$ 559,663,861	$ -	$ (290,973,680)	$ 1,656,629,333

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

JUNE 30, 2008

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

JUNE 30, 2007

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Jeffrey Faulk	15	$ 1,125
Betty Crain	16	1,200
Betty Jacobs	8	600
Judith McKee	16	1,200
Larry Wilmer	11	825
Earl Richard	16	1,200
Eugene Rester	8	600
Kathy Landry	16	1,200
TOTALS		$ 7,950

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2008

	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:			
U.S. Government and			
Government Agency Obligations	$ 40,855,000	$ 41,332,210	$ 41,746,837
Corporate bonds	136,589,000	141,469,913	134,648,401
Mortgage-backed securities	166,252,317	166,932,034	166,323,012
Collateralized mortgage obligations	73,038,099	71,821,798	67,129,922
Other	8,018,770	7,695,129	6,647,917
	$ 424,753,186	$ 429,251,084	$ 416,496,089

	Cost	Market Value
FIXED INCOME FUNDS	$ 11,390,972	$ 11,722,545
DOMESTIC EQUITY FUNDS	$ 110,196,089	$ 100,629,073
INTERNATIONAL EQUITY FUND	$ 50,000,000	$ 61,369,218
PRIVATE EQUITY FUNDS	$ 15,300,000	$ 14,628,427
REAL ESTATE FUNDS	$ 81,019,190	$ 96,500,618

	Cost	Market Value
STOCKS:		
Domestic stocks	$ 550,909,555	$ 603,351,740
Foreign stocks	77,015,368	111,309,973
	$ 627,924,923	$ 714,661,713
SHORT-TERM INVESTMENTS	$ 91,652,930	$ 91,704,516
REAL ESTATE HELD FOR INVESTMENT	$ 2,151,604	$ 2,603,822

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

	Par Value	Fair Value
SHORT TERM INVESTMENTS:		
NTGI Collective Government Short Term Fund	$ 35,222,868	$ 35,222,868
FHLMC Discount Note due 7-14-2008	16,000,000	15,987,200
Toyota Motor Credit Com Paper due 9-09-08	8,500,000	8,454,927
Barclays US Funding Com Paper 7-21-2008	8,000,000	7,988,100
BankAmerica Corp Com Paper due 9-3-2008	6,500,000	6,467,726
Citigroup Funding Com Paper 7-18-2008	4,000,000	3,991,500

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

	Par Value	Fair Value
BONDS:		
FHLMC Gold 5.5% due 9-01-2026	$ 25,900,000	$ 25,511,500
U.S. Treasury Note 2.625% due 5-31-2010	18,950,000	18,961,844
U.S. Treasury Note 3.875% due 5-15-2018	12,640,000	12,534,342
FNMA Pool #555592 5.5% due 7-01-2033	8,235,197	8,165,552
GNMA Pool #781746 5% due 5-15-2034	7,528,644	7,326,424
U.S. Treasury Bond 2.375% due 1-15-2027	6,175,000	6,885,414
CMO Cwalt Inc #2005-65CB 5.5% due 1-25-2036	6,369,837	6,028,841
FHLMC Pool #C01585 5% due 7-01-2033	6,186,428	5,966,160
FHLMC Pool #C01598 5% due 8-01-2033	5,852,155	5,643,818
Morgan Stanley Dean Witter 2003-T11 due 6-13-2041	5,185,000	5,136,925
FNMA 4.5% Single Family Mortgage due 10-01-2010	4,970,000	4,792,944
FHLMC Pool #C7-8238 5.5% due 4-01-2033	4,785,884	4,741,763
Union Pacific Corp 6.625% due 2-01-2029	4,500,000	4,561,866
Deer & Co Global Note 6.95% due 4-25-2014	4,000,000	4,382,260
FHLMC 5% Participation Certificate due 4-2026	4,495,000	4,306,772
Dow Chemical Co Note 6% due 10-01-2012	4,000,000	4,144,728
Valero Energy Corp 7.5% due 4-15-2032	4,000,000	4,048,272
SBC Communications Inc. 5.625% due 6-15-2016	4,000,000	3,961,284
Burlington Northern Santa Fe Co 5.65% due 5-1-2017	4,000,000	3,910,100
Target Corp 4% due 6-15-2013	4,000,000	3,855,072
Oneok Inc. Note 5.2% due 6-15-2015	4,000,000	3,781,500
Cox Communication Inc. 7.75% due 11-1-2010	3,500,000	3,687,898
Allstate Corp Note 6.125% due 2-15-2012	3,500,000	3,637,704
GNMA Pool #004028 6% 9-20-2037	3,555,695	3,609,635
CMO Wachovia Bk Mtg 2005-C19 4.661% due 5-15-2044	3,730,000	3,590,767
GNMA Pool #782217 6% due 10-15-2037	3,504,129	3,561,972
CMO Bear Stearns Mtg 2004-PWR3 4.715 % due 2-11-2041	3,435,000	3,305,716
FNMA Pool #938758 6.5% due 5-1-2037	3,106,378	3,201,774
FedEx Corp Notes 7.25% due 2-15-2011	3,000,000	3,123,600

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

	Shares	Fair Value
DOMESTIC STOCKS:		
Exxon Mobil	135,515	$ 11,942,937
Wal-Mart	183,154	10,293,255
Chevron	100,329	9,945,613
Proctor & Gamble Co	157,505	9,577,879
International Business Machines	70,800	8,391,924
ConocoPhillips	88,770	8,379,000
General Electric	299,061	7,981,938
Phillip Morris Intl	153,625	7,587,539
Microsoft	274,628	7,555,016
AT&T	216,060	7,279,061
Intel	333,950	7,173,246
Cisco Systems	271,450	6,313,927
Qualcomm Inc	134,453	5,965,680
Apache Corp	42,485	5,905,415
Johnson & Johnson	89,972	5,788,798
JPMorgan Chase & Co	164,940	5,659,091
Marathon Oil	106,189	5,508,418
Google	9,950	5,327,879
Apple	30,698	5,140,073
Transocean	33,302	5,074,892
Bank of America	198,609	4,740,797
Pepsico	63,042	4,008,841
Public Service Enterprise Group	86,822	3,987,734
McDonalds	70,873	3,984,480
Pfizer	221,366	3,867,264
Sandridge Energy	58,279	3,763,658
Monsanto	28,633	3,620,357
Burlington Northern Santa Fe	36,114	3,607,427
Exelon	40,030	3,601,099

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

	Shares	Fair Value	Country
FOREIGN STOCKS:			
Woodside Petroleum	68,302	$ 4,424,355	Australia
Suncor Energy Inc	63,000	3,676,112	Canada
Cnooc Ltd	1,966,000	3,383,634	China
CLP Holdings	390,000	3,341,092	Hong Kong
Hong Kong & China Gas	1,374,998	3,269,333	Hong Kong
Colruyt Sa	11,500	3,040,701	Belgium
Keyence Corp	12,520	2,986,942	Japan
Tokio Marine Holdings	73,000	2,850,997	Japan
Fanuc Ltd	29,000	2,836,941	Japan
Hutchison Whampoa	275,000	2,772,060	Hong Kong
Astellas Pharma	65,300	2,772,039	Japan
Shin-Etsu Chemical	44,500	2,762,228	Japan
Cannon Inc	51,050	2,629,432	Japan
Daikin Industries	52,000	2,629,309	Japan
Novartis AG	46,800	2,584,429	Switzerland

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2008

	Shares		Fair Value
FIXED INCOME FUNDS:			
Evergreen International Bond Trust	395,683	$	4,805,727
Evergreen Selective High Yield Bond Trust	392,675		4,384,019
DOMESTIC EQUITY FUNDS:			
Rumbline Mid Cap Index Fund	1,193,635		44,927,985
AXA Rosenberg U.S. 130 – 30 Institutional Fund	30,000		28,408,701
Analytic Core Equity Plus Fund	268,300		27,292,388
INTERNATIONAL EQUITY FUNDS:			
Thornburg International Equity Fund	50,000,000		61,369,218
REAL ESTATE FUNDS:			
Principal U.S. Property Fund	1,488,769		49,283,149
Prudential PRISA I Fund	1,217		47,853,541
PRIVATE EQUITY FUNDS			
Hamilton Lane Private Equity Fund IV	N/A		7,067,570
Pantheon USA Fund VII	N/A		5,910,857
Pantheon Asia Fund V	N/A		1,650,000

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
EXPENSES:		
Salaries	$ 2,139,704	$ 2,010,845
Overtime pay	10,903	8,897
Related benefits	1,421,856	607,262
Student labor	11,548	10,792
Compensation - board	7,125	7,950
Total expenses	3,591,136	2,645,746
OPERATING EXPENSES:		
Professional improvement - staff and board	8,631	17,050
Travel - board	39,216	26,732
Travel - staff	36,570	7,064
Total operating expenses	84,417	50,846
OPERATING SERVICES:		
Printing	29,581	51,649
Equipment maintenance	42,138	49,631
Building	452,162	294,169
Dues	15,502	5,277
Postage	134,586	129,301
Telephone	40,575	45,328
Equipment rent	-	794
Insurance	11,811	12,332
Legal	7,345	9,497
Advertising	2,016	3,785
Total operating services	735,716	601,763
SUPPLIES:		
Office	26,234	31,349
Computer	57,663	70,220
Total supplies	83,897	101,569
PROFESSIONAL SERVICES:		
Medical	5,400	4,595
Actuary	61,720	49,800
Audit	23,700	23,700
Records imaging	41,070	6,285
Total professional services	131,890	84,380
INTERAGENCY TRANSFERS:		
Civil Service	9,342	7,461
Total interagency transfers	9,342	7,461
OTHER CHARGES:		
Legiscon	3,075	3,200
Miscellaneous	3,628	11,180
Computer software	61,809	81,408
Total other charges	68,512	95,788
TOTAL EXPENSES	$ 4,704,910	$ 3,587,553

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

September 26, 2008

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

We have audited the financial statements of the State of Louisiana School Employees' Retirement System (Plan), a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. However, we noted other instances of deficiencies in internal control that we have reported to the management of the State of Louisiana School Employees' Retirement System in a separate letter dated September 26, 2008.

Compliance and Other Matters

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

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

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of State of Louisiana School Employees' Retirement System for the years ended June 30, 2008 and 2007 was unqualified.

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

Internal Control:

Material weaknesses – none noted
Significant deficiencies – none noted

Compliance:

Noncompliance material to financial statements – none noted

MANAGEMENT LETTER COMMENTS:

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

SUMMARY OF PRIOR FINDINGS:

None.