R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2011 AND 2010

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2011 AND 2010

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
FINANCIAL STATEMENTS:	
Statements of Plan Net Assets	8
Statements of Changes in Plan Net Assets	9
Notes to Financial Statements	10 - 30
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	31
Schedule of Employer Contributions	32
Schedule of Funding Progress for School Employees' Retirement System OPEB Plan	33
OTHER SUPPLEMENTARY INFORMATION:	
Statements of Changes In Reserve Balances	34 - 35
Schedules of Per Diem Paid to Trustees	36
Schedule of Administrative Expenses	37
Schedule of Investments	38
Schedules of Top Investment Holdings	39 - 44
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	45 - 46
SUMMARY SCHEDULE OF FINDINGS	47

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INDEPENDENT AUDITOR'S REPORT

September 16, 2011

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, 2011 and 2010, 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 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, the financial position of the State of Louisiana School Employees' Retirement System as of June 30, 2011 and 2010, 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Plan's financial statements as a whole. The required supplementary information on pages 31 - 33, as required by the Governmental Accounting Standards Board, and the other supplementary information listed on pages 34 - 44 are presented for purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2006 – 2011 and supplemental schedules for the years ending June 30, 2011 and 2010, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011 on our consideration of the State of Louisiana School Employees' Retirement System's internal control over financial reporting and on 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011

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

FINANCIAL HIGHLIGHTS

- The System experienced net investment gains of $287,634,455 at June 30, 2011; this is a 92% increase from net investment gains of $149,812,525 at June 30, 2010. The recovery that began in March 2009 continued a slow steady advance and was on track to deliver GDP growth of 3% in 2011 until a series of natural disasters stuck in Japan and the heartland of the U.S. The resulting supply chain interruptions lingered into the early summer. As the summer progressed the markets concerns shifted from the natural disasters to man-made disasters as Congress refused to address the increasing national debt problem with a budget cut and tax increase compromise solution. Rather they chose to continue to kick the problem down the road. Major reform is likely stalled until after the 2012 elections. Despite the U.S. credit downgrade bond prices rallied as European banks struggled with concerns over defaults by several European Union nations. Despite these problems, the S&P 500 gained 31% for the year. As a result, the total composite market return of the portfolio was a positive 24% for the year ended June 30, 2011 as compared to a positive 13% for the year ended June 30, 2010. This represented the best year the System has ever experienced in its history.

- Member contributions decreased by $195,440 or 1%. The decrease is attributable to a slight decline in the active member population and a corresponding decrease in aggregate member salaries.

- Employer contributions increased by $19,620,362 or 37%. The employer contribution rate established by the system's actuary and approved by the Public Employees' Retirement Systems Actuarial Committee is projected a year in advance and was 38% more than the preceding plan year.

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, 2011

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, 2011 and 2010.

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, 2011 and 2010

	2011	2010
Cash	$ 38,661,665	$ 16,283,379
Receivables	41,408,917	35,416,159
Investments	1,450,895,389	1,419,244,921
Property and Equipment	3,311,066	3,367,200
Total Assets	1,534,277,037	1,474,311,659
Total Liabilities	17,642,447	188,459,468
Net Assets Held in Trust for Pension Benefits	$ 1,516,634,590	$ 1,285,852,191

Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2011 and 2010

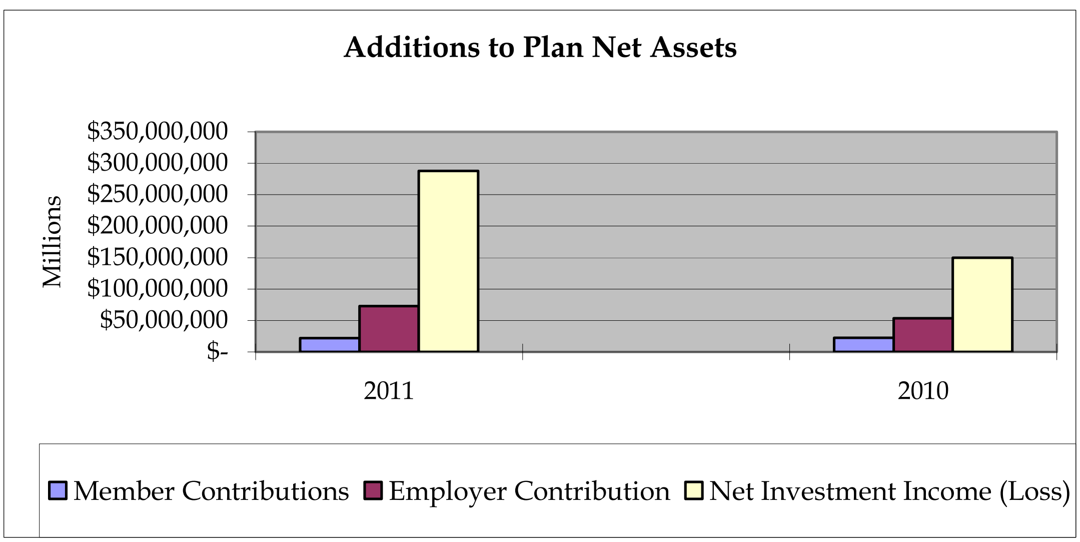
	2011	2010
Additions:		
Contributions	$ 95,071,168	$ 75,646,246
Investment Income	287,634,455	149,812,525
Total Additions	382,705,623	225,458,771
Total Deductions	151,923,224	143,294,337
Change in Plan Net Assets	230,782,399	82,164,434
Net Assets Held in Trust		
Beginning of the Year	1,285,852,191	1,203,687,757
End of the Year	$ 1,516,634,590	$ 1,285,852,191

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011

ADDITIONS TO PLAN NET ASSETS

Additions to LSERS plan net assets were derived from member and employer contributions and net investment income. Employer contributions increased $19,620,362 or 37% while member contributions decreased $195,440 or 1%. The System experienced net investment income of $287,634,455 for the fiscal year ending June 30, 2011 as compared to net investment income of $149,812,525 for fiscal year ending June 30, 2010. This increase in net investment income was achieved as employment began to stabilize with net new jobs added hovering around the 400,000 per month level and consumer balance sheets and confidence levels recovered resulting in increased consumer spending.

Additions to Plan Net Assets	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 22,153,401	$ 22,348,841	$ (195,440)	(1)%
Employer Contributions	72,917,767	53,297,405	19,620,362	37%
Net Investment Income	287,634,455	149,812,525	137,821,930	92%
Total	$ 382,705,623	$ 225,458,771		



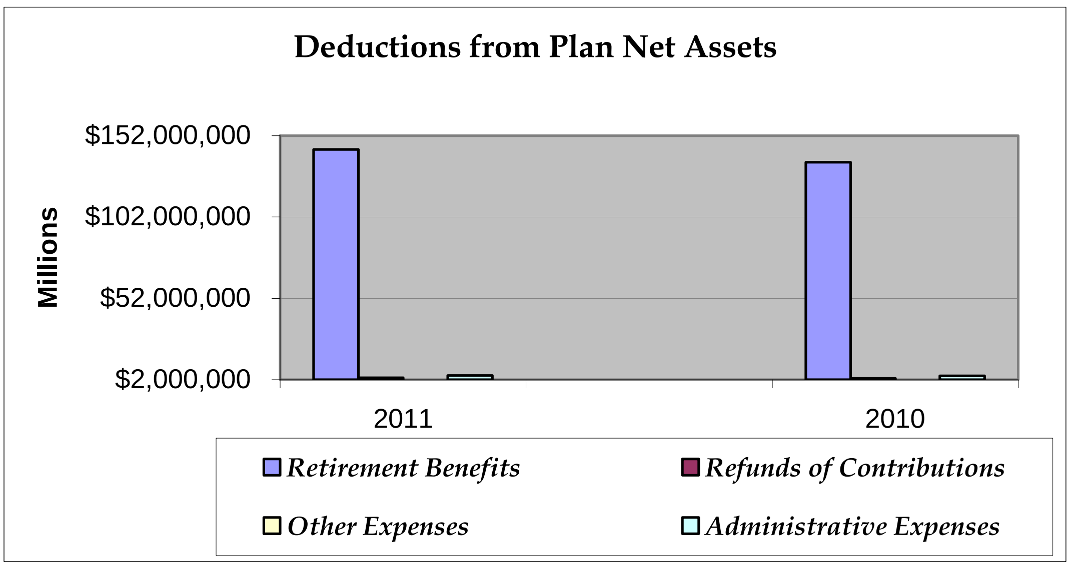
DEDUCTIONS FROM PLAN NET ASSETS

Deductions from plan net assets include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from plan net assets totaled $151,923,224 in fiscal year 2011. The deductions increased 6% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable. No cost-of-living benefits were granted during the year.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011

The cost of administering LSERS benefits per member during 2011 was $172.

Deductions to Plan Net Assets	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 143,626,224	$ 135,746,109	$ 7,880,115	6%
Refunds of Contributions	3,214,342	2,783,208	431,134	15%
Administrative Expenses	4,577,657	4,380,464	197,193	5%
Other Expenses	505,001	384,556	120,445	31%
Total	$ 151,923,224	$ 143,294,337		



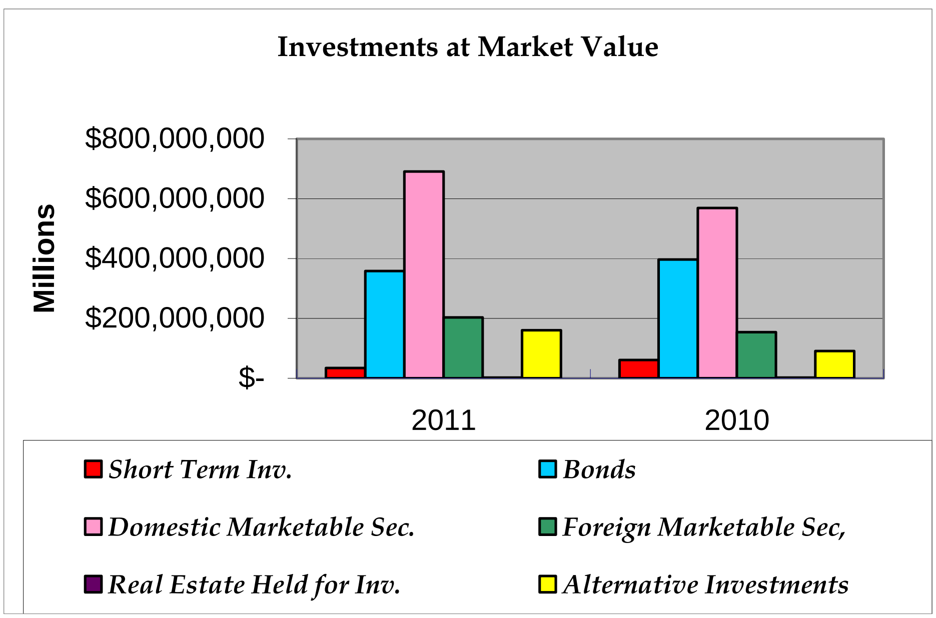
INVESTMENTS

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, 2011 excluding collateral held under securities lending program were $1,448,980,201 as compared to $1,273,480,825 at June 30, 2010, an increase of $175,499,376.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2011

LSERS' investments in various asset classes at the end of the 2011 and 2010 fiscal years are indicated in the following table:

Investments	2011	2010	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 34,643,853	$ 60,895,460	$ (26,251,607)	(43)%
Bonds	358,025,201	396,961,549	(38,936,348)	(10)%
Domestic Marketable Securities	691,109,402	568,649,330	122,460,072	22%
Foreign Marketable Securities	202,800,904	153,878,567	48,922,337	32%
Real Estate Held for Investment	1,993,124	1,993,124	-	- %
Alternative Investments	160,407,717	91,102,795	69,304,922	76%
Total	$ 1,448,980,201	$ 1,273,480,825		



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, 2011 AND 2010

ASSETS

	2011	2010
CASH:		
In bank	$ 38,661,665	$ 16,283,379
RECEIVABLES: (Note 1)		
Member contributions	3,005,451	3,259,055
Employer contributions	10,723,161	7,899,584
Accrued interest and dividends	5,004,310	4,858,738
Investment receivable	22,560,972	19,318,103
Other	115,023	80,679
Total receivables	41,408,917	35,416,159
INVESTMENTS, AT FAIR VALUE:		
(Notes 1, 5, 6, 7 and 8) (Pages 37 - 43)		
Short-term investments	34,643,853	60,895,460
U.S. Government and agency obligations	97,069,700	143,921,655
Bonds - domestic	152,857,216	152,270,206
Bonds - foreign	108,098,285	100,769,688
Marketable securities - domestic	691,109,402	568,649,330
Marketable securities - foreign	202,800,904	153,878,567
Collateral held under securities lending program	1,915,188	145,764,096
Alternative investments	160,407,717	91,102,795
Real estate held for investment	1,993,124	1,993,124
Total investments	1,450,895,389	1,419,244,921
PROPERTY AND EQUIPMENT, AT COST: (Notes 1 and 10)		
Building	3,632,918	3,632,918
Land	1,010,225	1,010,225
Furniture and equipment	358,286	313,198
	5,001,429	4,956,341
Less accumulated depreciation	1,690,363	1,589,141
Total property and equipment	3,311,066	3,367,200
Total assets	1,534,277,037	1,474,311,659

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES:		
Accounts payable	1,157,487	1,211,178
Accrued expenses and benefits	96,772	99,205
Obligations under securities lending program (Notes 5 and 6)	1,915,188	145,764,096
Investment payable	12,191,367	39,502,379
Other post employement benefits obligation (Note 15)	2,281,633	1,882,610
Total liabilities	17,642,447	188,459,468
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,516,634,590	$ 1,285,852,191

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS:		
Contributions: (Notes 1 and 3)		
Member contributions	$ 22,153,401	$ 22,348,841
Employer contributions	72,917,767	53,297,405
Total contributions	95,071,168	75,646,246
Investment Income: (Notes 1, 6, 7 and 8)		
Net appreciation in fair value of investments	260,256,630	118,523,675
Interest	17,661,978	19,758,192
Securities lending income	485,809	609,003
Dividends	12,479,618	10,723,631
Alternative investment income	2,077,243	2,402,924
Foreign currency exchange gain (loss)	(866,065)	1,523,706
	292,095,213	153,541,131
Less Investment Expense:		
Investment advisory fee	3,842,179	3,298,450
Custodian and bank fees	470,726	255,903
Securities lending expense	147,853	174,253
	4,460,758	3,728,606
Net investment income	287,634,455	149,812,525
Total additions	382,705,623	225,458,771
DEDUCTIONS:		
Retirement benefits paid	143,626,224	135,746,109
Refunds of contributions	3,214,342	2,783,208
Administrative expenses (Page 37)	4,577,657	4,380,464
Depreciation expense	123,539	106,428
Transfer to other systems - employee	93,711	34,980
Transfer to other systems - employer and interest	287,751	243,148
Total deductions	151,923,224	143,294,337
NET INCREASE	230,782,399	82,164,434
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,285,852,191	1,203,687,757
END OF YEAR	$ 1,516,634,590	$ 1,285,852,191

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 May, 2002, the Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends 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.

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:

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

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

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

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

The Plan invests in limited private equity partnerships. These investments are valued at market value, which is estimated by the General Partner of each partnership. Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term.

Property and Equipment:

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

Compensated Absences:

The employees of the Plan accumulate annual sick leave at varying rates based upon years of state service. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employees’ rate of pay. Upon retirement, unused annual leave in excess of 300 hours and sick leave may be converted to service credit subject to restrictions of the retirement system to which the employee belongs.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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. The local government contributors consisted of 67 school boards and 33 other agencies for the year ended June 30, 2011 and 64 school boards and 41 other agencies at June 30, 2010, contributing to the Plan.

The Plan provides retirement benefits to non-teacher school employees excluding those classified as lunch workers within the public school system of Louisiana. At June 30, 2011 and 2010, plan membership consisted of:

	2011	2010
Retirees and beneficiaries currently receiving benefits	12,717	12,450
Terminated employees entitled to benefits but not yet receiving them	351	355
Terminated vested employees who have not withdrawn contributions (DROP)	619	599
Fully vested, partially and nonvested active employees	12,854	13,166
TOTAL PARTICIPANTS	26,541	26,570

Eligibility Requirements:

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

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

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

2. PLAN DESCRIPTION: (Continued)

Benefits:

A member who joined the system on or before June 30, 2010 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, 20 years of creditable service regardless of age with an actuarially reduced benefit, or 10 years of creditable service and is at least age 60. A member who joined the system on or after July 1, 2010 is eligible for normal retirement if he has at least 10 years of creditable service and is at least age 60. A member who joined the system on or after January 1, 2011 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 60, or 20 years of creditable service regardless of age with an actuarially reduced benefit.

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).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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.

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

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

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

Contributions for plan members are established by state statute at 7.5% of their annual covered salary for the years ended June 30, 2011 and 2010. 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 actuarial required contribution rate for June 30, 2011 and June 30, 2010 was 28.6% and 24.3%, respectively. The actual employer rate for the years ended June 30, 2011 and 2010 was 24.3% and 17.6%, respectively. The difference was due to the State Statute that requires the rate to be calculated two years in advance

Administrative costs are included in aggregate normal cost.

Reserves:

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

A) Administrative:

The Administrative Fund Reserve provides for general and administrative expenses of the Plan and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the investment earnings and is made as needed. The Administrative Fund Reserve for each year ending June 30, 2011 and 2010 is $-0-. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

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

Reserves: (Continued)

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Plan. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Survivor Benefit Reserve. When a member retires, the amount of his accumulated contributions is transferred to Pension Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2011 and 2010 is $166,929,455 and $161,369,462, 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 reserves. The Pension Accumulation Fund as of June 30, 2011 and 2010 is $639,929,485 and $678,089,570, respectively. The Pension Accumulation Fund is unfunded at June 30, 2011 and 2010.

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, 2011 and 2010 is $1,250,122,795 and $1,182,538,920, respectively. The Survivors Benefit Reserve as of June 30, 2011 and 2010 is $131,634,276 and $125,368,520, respectively. The Pension Reserve is 93% funded as of June 30, 2011 and 81% funded as of June 30, 2010. The Survivors Benefit is 93% funded as of June 30, 2011 and 81% funded as of June 30, 2010.

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 account as of June 30, 2011 and 2010 is $64,581,730 and $65,325,802, respectively. The Deferred Retirement Option account is fully funded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Reserves: (Continued)

F) Initial Benefit Retirement Plan Reserve:

The Initial Benefit Retirement Plan Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Retirement Plan Reserve as of June 30, 2011 and 2010 is $1,153,715 and $669,924, respectively. The Initial Benefit Retirement Plan Reserve is fully funded.

Funded Status And Funding Progress – Pension Plan:

The funded status of the Plan as of June 30, 2011, 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)
$1,349,830	$2,254,351	$904,521	59.9%	$296,693	304.9%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2011
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	18-30 years

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

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

Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5% For the 1990-1991 plan year, the Public Retirement Systems' Actuarial Committee increased the valuation rate assumption to 7.5% from the Plan's actuary recommended rate of 7.0%, net expenses. The appropriateness of this assumption continues to be reviewed by the Plan's actuary as part of a five year experience study with the next study concluding with the July 1, 2011 – June 30, 2012 plan year.
Projected salary increases	The rate of annual salary growth is based on the members' years of service.
Cost of living adjustments	The liability for cost of living raises already granted is included in the retiree reserve. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of benefit increases.
Changes in unfunded liability	The Plan experienced an increase in the unfunded liability in the amount $40,926,076 as a result of investment losses. The Plan experienced a decrease in the unfunded liability in the amount of $20,569,686 as a result of an experience gain.

4. ACTUARIAL COST METHOD:

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's deposits, cash equivalents and investments at June 30, 2011 and 2010:

	2011	2010
Deposits (bank balance)	$ 38,811,578	$ 16,369,108
Cash equivalents	34,643,853	60,895,460
Investments	1,416,251,535	1,358,349,462
	$ 1,489,706,966	$ 1,435,614,030

Deposits:

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

Cash Equivalents:

For the years ended June 30, 2011 and 2010, cash equivalents in the amount of $29,426,894 and $39,025,966, respectively, consisted 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. At June 30, 2011 and 2010, foreign currency included in cash equivalents of $417,388 and $249,760, respectively, is not covered by federal depository insurance or pledged collateral. For the years ended June 30, 2011 and 2010, cash equivalents in the amount of $4,799,571 and $499,641, respectively, consisted of U. S. Treasury Bills managed by a separate money manager, held by the Plan's custodian in the name of the Plan. For the years ended June 30, 2011 and 2010, cash equivalents in the amount of $-0- and $21,119,063, respectively, consist of money market funds held by the Plan’s custodian in the name of the Plan.

Investments:

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Concentration of Credit Risk:

The Plan's investment policy states that no more than 5% 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, 2011 and 2010.

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, 2011 and 2010, the Plan had the following investments in long-term debt securities and maturities:

	June 30, 2011					
Investment Type	Fair Value	Less Than 1 Year	1 to 6	6 to 10	10+ Years	Maturity Not Determined
US Gov't & Gov't Agencies	$ 23,630,854	$ -	$ 8,624,507	$ 9,097,072	$ 5,909,275	$ -
Government mortgage backed securities	73,438,846	-	157,308	808,683	72,472,855	-
U.S. Gov't and Gov't Agency Obligations	$ 97,069,700	$ -	$ 8,781,815	$ 9,905,755	$ 78,382,130	$ -
U.S. Corporate Bonds	$ 109,279,201	$ 2,584,290	$ 41,349,062	$ 46,045,696	$ 19,300,153	$ -
Collateralized Mortgage Obligations	35,234,698	-	72,247	-	35,162,451	-
Other Fixed Income	8,343,317	-	493,791	275,225	7,473,297	101,004
Domestic Bonds	$ 152,857,216	$ 2,584,290	$ 41,915,100	$ 46,320,921	$ 61,935,901	$ 101,004
Foreign Bonds	$ 108,098,285	$ 913,487	$ 59,097,208	$ 38,532,736	$ 9,554,854	$ -
Collateral Held Under Securities Lending Program	$ 1,915,188	$ 1,789,169	$ 126,019	$ -	$ -	$ -

	June 30, 2010					
Investment Type	Fair Value	Less Than 1 Year	1 to 6	6 to 10	10+ Years	Maturity Not Determined
US Gov't & Gov't Agencies	$ 26,236,303	$ -	$ 6,297,384	$ 11,773,880	$ 8,165,039	$ -
Government mortgage backed securities	117,685,352	45	255,067	1,126,707	93,738,782	22,564,751
U.S. Gov't and Gov't Agency Obligations	$ 143,921,655	$ 45	$ 6,552,451	$ 12,900,587	$ 101,903,821	$ 22,564,751
U.S. Corporate Bonds	$ 116,851,541	$ 3,109,260	$ 39,772,796	$ 54,879,428	$ 19,090,057	$ -
Collateralized Mortgage Obligations	25,673,987	-	116,617	-	25,557,370	-
Other Fixed Income	9,744,678	-	-	-	8,822,611	922,067
Domestic Bonds	$ 152,270,206	$ 3,109,260	$ 39,889,413	$ 54,879,428	$ 53,470,038	$ 922,067
Foreign Bonds	$ 100,769,688	$ 4,223,808	$ 69,632,493	$ 20,618,797	$ 6,294,590	$ -
Collateral Held Under Securities Lending Program	$ 145,764,096	$ 126,785,611	$ 18,978,485	$ -	$ -	$ -

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Credit Risk:

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

2011

	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	$ -	$ 336,363	$ 2,253,483	$ 13,981,182	$ 1,080,854	$ 19,926,415
AA+	-	-	3,312,069	369,336	-	-
AA	-	-	270,055	399,223	352,934	4,990,649
AA-	-	-	688,261	-	-	557,283
A+	-	-	6,478,205	-	-	3,748,344
A	-	-	16,492,466	-	-	17,912,053
A-	-	-	15,895,760	-	141,301	4,461,265
BBB+	-	-	14,645,320	-	-	2,446,853
BBB	-	-	16,938,285	433,799	-	1,430,092
BBB-	-	-	8,094,007	-	-	4,443,963
BB+	-	-	1,217,000	226,033	-	264,375
BB	-	-	5,547,465	43,835	630,588	343,200
BB-	-	-	923,892	-	-	-
B+	-	-	576,769	-	-	348,075
B	-	-	4,623,938	303,663	361,168	100,500
B-	-	-	814,138	-	350,225	207,475
CCC+	-	-	2,281,563	-	-	537,500
CCC	-	-	1,108,875	6,892,003	3,064,781	-
CCC-	-	-	-	-	-	1,372,613
CC	-	-	1,000,000	1,169,584	283,777	-
D	-	-	1,264,000	1,135,336	-	-
Not Rated	23,630,854	73,102,483	4,853,650	10,280,704	2,077,689	45,007,630
	$ 23,630,854	$ 73,438,846	$ 109,279,201	$ 35,234,698	$ 8,343,317	$ 108,098,285

2010

	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	$ 17,738,682	$ -	$ -	$ 8,449,441	$ 1,206,480	$ 23,700,675
AA+	-	-	4,468,736	408,901	-	589,469
AA	-	-	277,609	535,111	573,762	30,678,141
AA-	-	-	667,569	-	-	2,214,356
A+	-	-	6,348,941	-	-	6,581,377
A	-	-	25,445,239	-	-	11,969,727
A-	-	-	8,883,967	-	-	6,309,225
BBB+	-	-	13,227,965	-	-	1,729,119
BBB	-	-	14,805,766	495,800	1,462,989	2,516,716
BBB-	-	-	17,509,595	-	1,082,838	3,770,116
BB+	-	-	3,909,963	266,967	-	-
BB	-	-	4,914,657	-	-	119,400
BB-	-	-	1,875,144	421,605	-	258,750
B+	-	-	1,266,694	-	-	-
B	-	-	1,859,188	196,682	282,401	-
B-	-	-	570,544	-	-	-
CCC+	-	-	3,371,649	-	-	-
CCC	-	-	2,915,804	8,354,216	2,994,385	-
CC	-	-	-	1,132,454	-	-
D	-	-	241,100	-	-	-
Not Rated	8,497,621	117,685,352	4,291,411	5,412,810	2,141,823	10,332,617
	$ 26,236,303	$ 117,685,352	$ 116,851,541	$ 25,673,987	$ 9,744,678	$ 100,769,688

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

Credit Risk: (Continued)

The Plan's investment policy limits its investments to no more than 10% of corporate debt issues rated below investment grade by Moody's Investor Services, Standard & Poor's, 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. Investments held in a trust in the name of the Plan or in external investment pools are not exposed to foreign currency risk. External investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

At June 30, 2011 and 2010, for collateral held under securities lending in the amounts of $1,915,188 and $145,764,096, respectively, and noncash collateral received under the securities lending program in the amounts of $-0- and $15,021, 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. Foreign currency risk by currency for the years ended June 30, 2011 and 2010 are as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2011:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 8,774,264	$ -	$ -	$ 18,313	$ 8,792,577
British pound	21,841,752	-	-	(145)	21,841,607
Canadian dollar	1,860,429	-	-	500,244	2,360,673
Danish krone	4,316,215	-	-	-	4,316,215
Euro	22,296,698	36,168,901	6,596,508	73	65,062,180
Hong Kong dollar	11,805,968	-	-	-	11,805,968
Japanese yen	28,970,333	14,666,054	-	128,593	43,764,980
Mexican peso	-	3,399,870	-	135,562	3,535,432
Polish zloty	-	6,566,384	-	-	6,566,384
Singapore dollar	2,492,296	-	-	-	2,492,296
Swedish krona	2,151,673	-	-	-	2,151,673
Swiss franc	11,808,432	-	-	-	11,808,432
Total	$116,318,060	$ 60,801,209	$ 6,596,508	$ 782,640	$184,498,417

Fair Value at June 30, 2010:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 6,568,690	$ 13,496,954	$ -	$ -	$ 20,065,644
British pound	15,001,188	-	-	13,228,895	28,230,083
Canadian dollar	937,556	-	-	346,973	1,284,529
Danish krone	2,794,945	-	-	-	2,794,945
Euro	14,931,000	15,867,514	3,325,488	(12,521,153)	21,602,849
Hong Kong dollar	12,459,640	-	-	7	12,459,647
Japanese yen	26,809,306	20,780,705	-	105,308	47,695,319
Polish zloty	-	3,860,772	-	-	3,860,772
Singapore dollar	2,023,437	-	-	-	2,023,437
Swedish krona	1,724,689	-	-	-	1,724,689
Swiss franc	8,719,692	-	-	-	8,719,692
Total	$ 91,970,143	$ 54,005,945	$ 3,325,488	$ 1,160,030	$150,461,606

The Plan’s investment policy has a target of 10% of total investments in foreign marketable securities and 10% of total investments in global fixed income. At June 30, 2011, the Plan’s current position in foreign marketable securities and global fixed income is 8% and 4%, respectively.

6. SECURITY LENDING TRANSACTIONS:

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

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 154 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 21 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.

The Plan has the following securities on loan:

	June 30, 2011 Market (Carrying Value)	June 30, 2010 Market (Carrying Value)
U. S. Government Securities	$ -	$ 22,953,650
U. S. Government Agency Securities	-	382,864
Corporate Bonds - Domestic	1,879,696	25,170,381
Corporate Bonds - Foreign	-	8,913,896
Marketable Securities – Domestic	-	73,719,158
Marketable Securities – Foreign	-	10,131,194
	$ 1,879,696	$ 141,271,143

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

6. SECURITY LENDING TRANSACTIONS: (Continued)

Securities on loan at June 30, 2011 and 2010 are collateralized by cash collateral in the amount of $1,915,188 and $145,764,096, respectively, and noncash collateral in the amount of $-0- and $15,021, 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, 2011 and 2010. Such matching did exist since loans may be terminated on demand.

7. FUTURES:

During the period ended June 30, 2010, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 requires investment derivatives to be recorded at fair value and requires certain disclosures.

The Plan has entered into futures contracts for the purpose of maintaining market exposure for excess cash. At June 30, 2011 and 2010, the Plan has the following derivative instruments categorized as investment derivative instruments:

Investment Derivatives at June 30, 2011:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Equity Futures	$ -	Investments Payable	$ -	Net App (Dep) in Fair Value	$ 685,682
Fixed Income Futures	(12,798,289)	N/A	-	Net App (Dep) in Fair Value	(636,367)
Fixed Income Futures – UK	-	N/A	-	Net App (Dep) in Fair Value	(76,615)
Fixed Income Futures – AUD	2,053,337	N/A	-	Net App (Dep) in Fair Value	(8,387)
Fixed Income Futures - CAN	4,329,111	N/A	-	Net App (Dep) in Fair Value	148,993
			$ -		$ 113,306

Investment Derivatives at June 30, 2010:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Equity Futures	$ 1,873,313	Investments Payable	$ (15,225)	Net App (Dep) in Fair Value	$ 425,434
Fixed Income Futures	(14,219,290)	N/A	-	Net App (Dep) in Fair Value	(139,847)
Fixed Income Futures – UK	(1,892,003)	N/A	-	Net App (Dep) in Fair Value	356,994
Fixed Income Futures - CAN	4,798,868	N/A	-	Net App (Dep) in Fair Value	(682,633)
			$ (15,225)		$ (40,052)

7. FUTURES: (Continued)

Credit Risk:

The Plan's future contracts are settled daily by the exchange via margin accounts; therefore, the exchange is the counterparty for all transactions. This ensures that no participant takes on excessive credit. The counterparties execute the trades on the Plan's behalf which results in the Plan not being exposed directly to credit risk.

Foreign Currency Risk:

The Plan is exposed to foreign currency risk on its fixed income futures contracts which are denominated in British pounds, Australia dollars and Canadian dollars. At June 30, 2011, the fair value of the fixed income futures contracts is $-0-.

Interest Rate Risk:

The Plan is exposed to interest rate risk on fixed income futures. The values of the futures are directly linked to interest rate indices which increase and decrease as interest rates change.

During the years ended June 30, 2011 and 2010, the Plan was required to pledge $500,000 and $500,000, respectively, of treasury bills as collateral for the S&P 500 trading account. At June 30, 2011 and 2010, the pledged treasury bills' fair market value was $499,895 and $499,640, respectively.

8. ALTERNATIVE INVESTMENTS:

The Plan invests in limited private equity partnerships and real estate funds. These investments are valued at market value, which is estimated by the General Partner of each partnership. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated. At the reporting deadline, March 31, 2011 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2011 and June 30, 2011. Because of the inherent uncertainty in valuing privately held securities, amounts realized on the sale of these investments will differ from the values reflected in these financial statements and the difference may be material. Fair value of all partnerships was $160,407,717 and $91,102,795 as of June 30, 2011 and 2010, respectively.

The total initial active commitment for the partnerships as of June 30, 2011 was $119,498,500. The total amount called for funding as of June 30, 2011 was $54,304,265. The total amount of distributions recallable for funding as of June 30, 2011 was $1,200,000. The remaining commitment that could be called as of June 30, 2011 was $66,394,235.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 36, was established at $75.00 per day in accordance with Louisiana Revised Statute 42:700.2.

10. PROPERTY AND EQUIPMENT:

Changes in property and equipment are as follows:

	Beginning Balance	Additions	Deletions	Transfer to Investment	Ending Balance
Building	$ 3,632,918	$ -	$ -	$ -	$ 3,632,918
Land	1,010,225	-	-	-	1,010,225
Furniture and equipment	313,198	68,118	(23,030)	-	358,286
Accumulated depreciation	(1,589,141)	(123,539)	22,317	-	(1,690,363)
	$ 3,367,200	$ (55,421)	$ (713)	$ -	$ 3,311,066

Depreciation expense for the years ended June 30, 2011 and 2010 was $123,539 and $106,428, respectively.

11. REQUIRED SUPPLEMENTAL SCHEDULE INFORMATION:

Information in the required supplemental schedules is designed to provide information about the Plan’s progress made in accumulating sufficient assets to pay benefits and is presented on pages 31 through 33.

12. TAX QUALIFICATION:

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

13. ESTIMATES:

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

14. OPERATING LEASES:

The Plan leases office space recorded as real estate held for investment under an operating lease expiring October 31, 2015. The cost and fair value of the real estate held for investments is $2,151,604 and $1,993,124, respectively, as of June 30, 2011 and 2010.

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

JUNE 30	
2012	$ 340,792
2013	340,792
2014	340,792
2015	340,792
2016	113,597
Total	$1,476,765

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

15. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Plan employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the Plan. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Plan. At June 30, 2011, sixteen 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 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.

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.

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

Funding Policy (Continued)

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 Health Maintenance Organization (HMO) plan and the Medical Home Health Maintenance Organization (MH-HMO) plan. The previously offered Exclusive Provider Organization (EPO) plan was folded into the HMO plan, effective July 1, 2010. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans which includes three HMO plans and two private fee-for-service (PFFS) plans. A Consumer Driven Health Savings Account (CD-HSA) plan is being offered beginning in the 2010-2011 plan year, for active employees only, featuring lower premium rates in exchange for higher deductibles. Depending upon the plan selected, during the year ended June 30, 2011 and 2010, employee premiums for a single member receiving benefits range from $80 to $84 and $81 to $98 per month, respectively, for employee-only coverage with Medicare or from $108 to $140 and $134 to $181 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2011 and 2010 range from $145 to $312 and $146 to $362 per month, respectively, for those with Medicare or from $352 to $453 and $435 to $527 per month, respectively, for those without Medicare.

The Plan is currently financed on a pay as you go basis, with the Agency contributing anywhere from $241 to $253 and $243 to $253 per month for retiree-only coverage with Medicare or from $698 to $900 and $864 to $900 per month for retiree-only coverage without Medicare during the years ended June 30, 2011 and 2010, respectively. Also, the Plan's contributions range from $434 to $937 and $437 to $937 per month for retiree and spouse with Medicare or $1,072 to $1,382 and $1,326 to $1,382 for retiree and spouse without Medicare during the years ended June 30, 2011 and 2010, respectively.

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

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, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities. The total ARC for the fiscal year beginning July 1, 2011 and 2010 is $564,500 and $621,000, respectively.

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

Annual OPEB Cost (Continued)

The following table presents the Plan's OPEB Obligation for the years ended June 30, 2011 and 2010, the amount actually contributed to the plan, and changes in the Plan's net OPEB Obligation:

	2011	2010
Annual required contribution	$ 564,500	$ 621,000
Interest on net OPEB obligation	75,304	55,073
ARC adjustment	(71,938)	(52,611)
Annual OPEB Cost	567,866	623,462
Contributions made	(168,843)	(117,683)
Increase in Net OPEB Obligation	399,023	505,779
Beginning Net OPEB Obligation	1,882,610	1,376,831
Ending Net OPEB Obligation	$ 2,281,633	$ 1,882,610

The Plan's percentage of annual OPEB cost contributed to the Plan utilizing the pay-as-you-go method, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation for the year ended June 30, 2011, and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 771,074	13.86%	$1,376,831
June 30, 2010	623,462	18.88%	1,882,610
June 30, 2011	567,866	29.73%	2,281,633

Funded Status and Funding Progress

Act 910 of the 2008 Regular Session established the Post Employment Benefits Trust Fund effective July 1, 2008. However, during fiscal year 2010-2011, neither the Plan nor the State of Louisiana contributed to it. Since the plan has not been funded, the entire actuarial accrued liability of $7,892,800 and $7,909,700 as of July 1, 2010 and July 1, 2009, respectively, was unfunded.

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

Funded Status and Funding Progress Continued)

The funded status of the plan, as determined by an actuary as of July 1, 2010 and 2009, was as follows:

	July 1, 2010	July 1, 2009
Actuarial accrued liability (AAL)	$ 7,892,800	$ 7,909,700
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 7,892,800	$ 7,909,700
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,599,800	$ 1,726,700
UAAL as a percentage of covered payroll	493%	458%

Actuarial Methods and Assumptions

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

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

In the July 1, 2010 and 2009, actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 9.1% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2010 valuation and initial annual healthcare cost trend rate of 8.5% and 9.6% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2009 valuation scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over an open amortization period of 30 years in developing the annual required contribution. The remaining amortization period as of June 30, 2011 and 2010 was 26 and 27 years, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)
JUNE 30, 2006 THROUGH 2011

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)
2006	$ 1,480,748	$ 1,872,594	$ 391,846	79.1%	$ 239,321	163.7%
2007	1,558,328	1,947,603	389,275	80.0	259,045	150.3
2008	1,578,991	2,060,242	481,251	76.6	289,259	166.2
2009	1,410,316	2,153,360	743,044	65.5	315,400	235.6
2010	1,350,073	2,213,362	863,289	61.0	306,333	281.8
2011	1,349,830	2,254,351	904,521	59.9	296,693	304.9

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2006 THROUGH 2011

Year Ended June 30	Actuarially Required Contribution	Percentage Contributed
2006	$ 43,526,534	99.84%
2007	45,808,043	110.22
2008	54,526,426	94.94
2009	74,305,318	74.98
2010	86,928,085	61.31
2011	90,345,490	80.71

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, 2009 THROUGH 2011

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)]
2009	$ 0	$ 6,338,800	$ 6,338,800	0%	$ 1,874,300	338%
2010	0	7,909,700	7,909,700	0	1,726,700	458
2011	0	7,892,800	7,892,800	0	1,599,800	493

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2010	$ 1,182,538,920	$ 125,368,520	$ 161,369,462	$ 65,325,802
ADDITIONS:				
Contributions:				
Members	-	-	22,153,401	-
Employers	-	-	-	-
Investment loss and other sources	-	-	-	-
Transfers from Annuity Savings	13,285,355	-	-	-
Pensions transferred from Pension Reserve	-	223,612	-	13,191,714
Operating transfers	-	-	-	-
Actuarial transfers	195,254,601	8,675,401	-	-
Total additions	208,539,956	8,899,013	22,153,401	13,191,714
DEDUCTIONS:				
Retirement allowances paid	125,779,865	2,633,257	-	13,935,786
Refunds to members	-	-	3,214,342	-
Transfers to Pension Reserve	-	-	13,285,355	-
Transfers to Survivor Benefit	223,612	-	-	-
Transfers to Pension Accumulation	(217)	-	-	-
Pensions transferred to DROP	13,191,715	-	-	-
Pensions transferred to IBRP	1,761,106	-	-	-
Transfers to other systems	-	-	93,711	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	140,956,081	2,633,257	16,593,408	13,935,786
NET INCREASE (DECREASE)	67,583,875	6,265,756	5,559,993	(744,072)
BALANCES, JUNE 30, 2011	$ 1,250,122,795	$ 131,634,276	$ 166,929,455	$ 64,581,730

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 669,924	$ 678,089,570	$ -	$ (927,510,007)	$ 1,285,852,191
-	-	-	-	22,153,401
-	72,917,767	-	-	72,917,767
-	287,634,455	-	-	287,634,455
-	-	-	-	13,285,355
1,761,107	(217)	-	-	15,176,216
-	-	4,577,657	-	4,577,657
-	-	-	189,793,141	393,723,143
1,761,107	360,552,005	4,577,657	189,793,141	809,467,994
1,277,316	-	-	-	143,626,224
-	-	-	-	3,214,342
-	-	-	-	13,285,355
-	-	-	-	223,612
-	-	-	-	(217)
-	-	-	-	13,191,715
-	-	-	-	1,761,106
-	287,751	-	-	381,462
-	123,539	-	-	123,539
-	-	4,577,657	-	4,577,657
-	4,577,657	-	-	4,577,657
-	393,723,143	-	-	393,723,143
1,277,316	398,712,090	4,577,657	-	578,685,595
483,791	(38,160,085)	-	189,793,141	230,782,399
$ 1,153,715	$ 639,929,485	$ -	$ (737,716,866)	$ 1,516,634,590

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2009	$ 1,127,330,625	$ 117,161,229	$ 154,771,928	$ 65,390,584
ADDITIONS:				
Contributions:				
Members	-	-	22,348,841	-
Employers	-	-	-	-
Investment loss and other sources	-	-	-	-
Transfers from Annuity Savings	12,933,119	-	-	-
Pensions transferred from Pension Reserve	-	260,269	-	10,811,515
Operating transfers	-	-	-	-
Actuarial transfers	175,617,410	10,591,519	-	-
Total additions	188,550,529	10,851,788	22,348,841	10,811,515
DEDUCTIONS:				
Retirement allowances paid	121,495,026	2,644,497	-	10,876,297
Refunds to members	-	-	2,783,208	-
Transfers to Pension Reserve	-	-	12,933,119	-
Transfers to Survivor Benefit	260,269	-	-	-
Transfers to Pension Accumulation	50,884	-	-	-
Pensions transferred to DROP	10,811,515	-	-	-
Pensions transferred to IBRP	724,540	-	-	-
Transfers to other systems	-	-	34,980	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	133,342,234	2,644,497	15,751,307	10,876,297
NET INCREASE (DECREASE)	55,208,295	8,207,291	6,597,534	(64,782)
BALANCES, JUNE 30, 2010	$ 1,182,538,920	$ 125,368,520	$ 161,369,462	$ 65,325,802

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 675,673	$ 688,029,472	$ -	$ (949,671,754)	$ 1,203,687,757
-	-	-	-	22,348,841
-	53,297,405	-	-	53,297,405
-	149,812,525	-	-	149,812,525
-	-	-	-	12,933,119
724,540	50,884	-	-	11,847,208
-	-	4,380,464	-	4,380,464
-	-	-	22,161,747	208,370,676
724,540	203,160,814	4,380,464	22,161,747	462,990,238
730,289	-	-	-	135,746,109
-	-	-	-	2,783,208
-	-	-	-	12,933,119
-	-	-	-	260,269
-	-	-	-	50,884
-	-	-	-	10,811,515
-	-	-	-	724,540
-	243,148	-	-	278,128
-	106,428	-	-	106,428
-	-	4,380,464	-	4,380,464
-	4,380,464	-	-	4,380,464
-	208,370,676	-	-	208,370,676
730,289	213,100,716	4,380,464	-	380,825,804
(5,749)	(9,939,902)	-	22,161,747	82,164,434
$ 669,924	$ 678,089,570	$ -	$ (927,510,007)	$ 1,285,852,191

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

JUNE 30, 2011

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Betty Crain	15	$ 1,125
Eugene Rester	13	975
Jeffrey Faulk	15	1,125
Judith McKee	13	975
Kathy Landry	15	1,125
Larry Wilmer	11	825
Phillip Walther	15	1,125
TOTALS		$ 7,275

JUNE 30, 2010

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Jeffrey Faulk	16	$ 1,200
Betty Crain	16	1,200
Phillip Walther	16	1,200
Judith McKee	16	1,200
Larry Wilmer	15	1,125
Eugene Rester	16	1,200
Kathy Landry	16	1,200
TOTALS		$ 8,325

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 ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
EXPENSES:		
Salaries	$ 2,184,382	$ 2,138,884
Overtime pay	129	10,040
Related benefits	1,314,916	1,226,297
Student labor	7,337	12,256
Compensation - board	7,275	8,325
Total expenses	3,514,039	3,395,802
OPERATING EXPENSES:		
Professional improvement - staff and board	32,244	1,676
Travel - board	23,597	29,022
Travel - staff	7,780	27,293
Total operating expenses	63,621	57,991
OPERATING SERVICES:		
Printing	16,435	5,481
Equipment maintenance	27,936	33,379
Equipment rent	41,374	17,481
Building	230,603	462,123
Dues	19,406	9,303
Postage	112,269	111,127
Telephone	38,396	38,277
Insurance	55,412	14,402
Legal	142,601	41,505
Advertising	1,210	2,005
Total operating services	685,642	735,083
SUPPLIES:		
Office	11,711	29,369
Computer	53,197	20,950
Total supplies	64,908	50,319
PROFESSIONAL SERVICES:		
Medical	14,000	12,075
Actuary	54,900	57,060
Audit	34,710	33,070
Records imaging	39,503	16,020
Total professional services	143,113	118,225
INTERAGENCY TRANSFERS:		
Civil Service	7,654	7,959
Total interagency transfers	7,654	7,959
OTHER CHARGES:		
Miscellaneous	54,548	(35,483)
Computer software	44,132	50,568
Total other charges	98,680	15,085
TOTAL EXPENSES	$ 4,577,657	$ 4,380,464

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Par Value	Original Cost	Market Value
SHORT-TERM INVESTMENTS		$ 34,638,343	$ 34,643,853
U.S. GOVERNMENT AND U.S. GOVERNMENT AGENCY OBLIGATION:			
U.S. government and government agency obligations	$ 23,270,000	$ 23,262,811	$ 23,630,854
Government mortgage-backed securities	72,748,900	70,650,542	73,438,846
	$ 96,018,900	$ 93,913,353	$ 97,069,700
BONDS - DOMESTIC:			
Corporate bonds - domestic	$ 102,366,295	$ 104,967,670	$ 109,279,201
Collateralized mortgage obligations	60,267,538	39,021,327	35,234,698
Other fixed income investments	-	101,004	101,004
Fixed income funds	12,671,660	9,626,306	8,242,313
	$ 175,305,493	$ 153,716,307	$ 152,857,216
BONDS - FOREIGN:			
Corporate bonds - foreign	$ 47,076,989	$ 46,708,160	$ 47,841,880
Government bonds - foreign	50,342,131	51,894,865	54,356,924
Government agencies - foreign	3,880,000	4,192,360	4,131,318
Municipal/provencial - foreign	1,589,000	1,715,402	1,768,163
	$ 102,888,120	$ 104,510,787	$ 108,098,285
MARKETABLE SECURITIES - DOMESTIC:			
Common stocks		$ 380,888,102	$ 481,881,588
Equity funds		150,914,377	209,227,814
		$ 531,802,479	$ 691,109,402
MARKETABLE SECURITIES - FOREIGN:			
Common stocks		$ 85,382,774	$ 123,953,566
Equity funds		60,000,000	77,037,218
Preferred stock		1,944,109	1,810,120
		$ 147,326,883	$ 202,800,904
ALTERNATIVE INVESTMENTS:			
Real estate funds		$ 117,410,481	$ 104,096,175
Private equity funds		50,247,565	56,311,542
		$ 167,658,046	$ 160,407,717
REAL ESTATE HELD FOR INVESTMENT		$ 2,151,604	$ 1,993,124

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

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, 2011

	Par Value	Fair Value
SHORT TERM INVESTMENTS:		
NTGI Collective Government Short Term In	$ 25,297,442	$ 25,297,442
United States Treas Bills Dtd 03/17/2011	2,500,000	2,499,895
United States Treas Bills Dtd 04/28/2011	1,800,000	1,799,782
United States Treas Bills Zero Cpn 17	500,000	499,894

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

	Par Value	Fair Value
DOMESTIC BONDS:		
United States Treas Nts Dtd 10/31/2010	$ 4,500,000	$ 4,462,029
United States of Amer Treas Notes 3.75%	3,500,000	3,791,484
United States Treas Nts 1.875% 31 Aug	3,700,000	3,626,000
Dominion Res Inc Va New 6.4% 15 Jun 2018	3,000,000	3,480,264
Kraft Foods Inc 6.5% 01 Nov 2031	3,000,000	3,416,313
United States Treas Nts Dtd 05/15/2011	3,415,000	3,405,404
General Elec Cap Corp Medium Term Nts	3,000,000	3,312,069
Deere & Co 4.375% 16 Oct 2019	3,000,000	3,176,259
United States of Amer Treas Notes Dtd	3,000,000	3,083,202
Boeing Co 7.95% 15 Aug 2024	2,300,000	3,071,530
FHLMC G01810 5.5%01 May 2035	2,764,122	3,005,209
Union Pac Corp 6.625% 01 Feb 2029	2,500,000	2,892,213
Halliburton Co 5.9% 15 Sep 2018	2,500,000	2,884,138
Burlington Northn Santa Fe Corp 5.65%	2,500,000	2,840,363
SBC Communications Inc 5.625%	2,500,000	2,834,020
Valero Energy Corp new 7.5% 15 Apr 2032	2,500,000	2,791,915
Oneok Inc New 5.2% 15 Jun 2015	2,500,000	2,735,405
Federal Home Ln Mtg corp Pool #A9-3485	2,550,239	2,712,792
Gnma Pool #711241 5.0% Due 15 Mar 2040	2,484,496	2,696,199
Dow Chem Co 6.0% 01 Oct 2012	2,500,000	2,650,770
Altria Group Inc 4.125% 11 Sep 2015	2,500,000	2,649,218
Allstate Corp 6.125% 15 Feb 2012	2,500,000	2,584,290

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

	Shares		Fair Value
DOMESTIC STOCKS:			
General Electric Co	201,243	$	8,022,573
Chevron Corp	38,130		8,014,527
Exxon Mobil Corp	93,443		7,604,391
AT&T Inc Com	112,332		7,074,945
Wells Fargo & Co New Com	100,239		6,449,282
Procter & Gamble Co	47,800		6,404,296
Microsoft Corp	103,600		6,353,698
JP Morgan Chase Cap Xxii	75,351		6,220,628
Apple Inc Com	17,543		5,888,659
International Business Machs Corp	22,971		3,940,675
Apache Corp	31,187		3,848,164
Marathon Oil Corp	68,422		3,604,471
Humana Inc. Common Stock	44,100		3,551,814
Johnson & Johnson	51,990		3,458,375
Freeport-McMoran Copper & Gold Inc Cl B	60,300		3,189,870
Pfizer Inc	149,902		3,087,981
Dover Corp., Common Stock	45,243		3,067,475
Amerisourcebergen Corp	73,400		3,038,760
Conocophillips Com	39,448		2,966,095
Power Integrations Inc Com	76,730		2,948,734
Intel Corp Com	132,103		2,927,402
Coca Cola Co	43,420		2,921,732
Copart Inc Com	62,195		2,898,287
Watson Pharmeceuticals Inc Common Stock	41,900		2,879,787
MSC Indl. Direct Inc. CL A Common Stock	43,035		2,853,651
Baxter Intl. Inc Com	46,900		2,799,461
Wal-Mart Stores Inc	52,000		2,763,280
United Technologies Corp	30,967		2,740,889
LKQ Corp Com	99,280		2,590,215
Berkshire Hathaway Inc-Cl B	32,838		2,541,333

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

	Shares	Fair Value	Country
FOREIGN STOCKS:			
Novo-Nordisk As Dkk1 Ser'B'	34,400	$ 4,316,215	Denmark
Cnooc Limited Hkd0.02	1,639,000	3,825,123	China
Essilor International Eur0.18	43,000	3,486,875	France
Adidas AG	40,100	3,180,203	Germany
Nestle Sa Chf0.10(Regd)	50,000	3,102,732	Switzerland
L'Oreal Eur0.20	23,500	3,051,441	France
Sgs Sa Chf1(Regd)	1,600	3,032,779	Switzerland
Fanuc Corp NPV	18,200	3,015,305	Japan
Inditex Eur0.15	32,700	2,979,250	Spain
Woodside Petroleum Ltd Com	66,401	2,914,645	Australia
Novartis Ag Chf0.50(Regd)	46,800	2,862,470	Switzerland
Synthes Inc Chf0.001	16,000	2,810,451	Switzerland
Sap Ag Ord Npv	46,000	2,784,437	Germany
BG Group Ord Gbp0.10	122,000	2,769,530	United Kingdom
Danone Eur0.25	37,056	2,764,184	France
Smith & Nephew Ord Usd0.20	246,700	2,633,829	United Kingdom
Clp Hldgs Hkd5	294,000	2,605,147	Hong Kong
Denso Corp Npv	70,000	2,584,695	Japan
Reckitt Benck Grp Ord Gbp0.10	46,500	2,568,078	United Kingdom
DBS Group Hldgs Npv	208,700	2,492,296	Singapore

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

FOREIGN BONDS:	Par Value	Fair Value	Country
Japan 1.2% Bds 20/6/2011 Jpy50000'232'	$ 370,000,000	$ 4,223,808	Japan
Landwirtschaftliche Rentenbank	3,500,000	3,817,100	Germany
Royal Bk Scotland Plc Gtd Medium Term Bk	3,720,000	3,804,768	United Kingdom
Japan 1% Bds 20/06/2013 Jpy50000 '252'	318,000,000	3,680,808	Japan
Italy Rep Nt 5.375% 12 Jun 2017	3,480,000	3,630,510	Italy
Oesterreichische Kontrollbank A G Gtd	3,200,000	3,439,840	Austria
Australia(Commonwealth Of) 5.25% Bds	3,993,000	3,417,123	Australia
Japan 1.5% Bds 20/03/14 Jpy50000 '259'	282,500,000	3,342,576	Japan
Ireland(Republic Of) 4% Tsy Bds 15/01/14	2,570,000	3,160,698	Ireland
Commonwealth Bk Australia Sr Medium Term	3,000,000	3,078,450	Australia
Japan 1.5% Bds 20/09/18 Jpy100000	245,000,000	2,922,267	Japan
Poland(Republic Of) 5.25% Bds 25/10/2017	10,100,000	2,916,070	Poland
Instituto De Credito Oficial 5.375% Gtd	2,700,000	2,813,292	Spain
Australia(Commonwealth Of) 6% Bds	2,860,000	2,560,182	Australia
Queensland Treasury Corp 6% Bds 14/8/13	2,500,000	2,178,817	Australia
Japan 2.1% Bds 20/09/24 Jpy50000'72'	172,500,000	2,101,365	Japan
Bank Nederlandse Gemeenten 4.375% Mtn	1,900,000	2,044,429	Netherlands
Depfa Acs Bank 1.650% Bds 20/12/16	210,000,000	1,923,912	Ireland
Kreditanstalt Fur Wiederaufbau 6.25% Gtd	2,200,000	1,857,143	Germany
E.On International Finance B.V. 5.8%	1,600,000	1,806,400	Germany
Hsbc Hldgs 6.25% Sub Mtn 19/03/18	1,300,000	1,792,939	United Kingdom
Australia(Commonwealth Of) 6.25% Bds	2,000,000	1,786,629	Australia
Japan 1.3% Bds 20/12/14 Jpy '267	144,000,000	1,699,620	Japan
Qatar St Bd Dtd 11/2009 144A 4.0%	1,630,000	1,674,825	Qatar
Brazil(Fed Rep Of) 6.0% 17 Jan 2017	1,500,000	1,650,000	Brazil

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2011

DOMESTIC EQUITY FUNDS:	Shares		Fair Value
Cf Rhumbline R 1000 Growth Fund	7,761,982	$	105,974,501
Cf Rhumbline S&P 400 Mid Cap Fund	1,565,924		74,219,040
Cf Analytic Core Equity Plus Fund	267,427		29,034,272
INTERNATIONAL EQUITY FUNDS:			
Thornburg International Equity Fund	60,000,000		77,037,218
ALTERNATIVE INVESTMENTS:			
Real Estate Funds:			
Cf Principal US Property Fund	1,247,791		31,237,898
Cf Prudential Prisa I Real Estate Fund	1,113		32,386,102
US Government Properties Income & Growth			12,046,430
Landmark Real Estate Partners VI			3,425,749
Private Equity Funds:			
Morgan Stanley Prime Property Fund, LLC			25,000,000
Hamilton Lane Private Equity Fund Vi, Lp			18,086,864
Pantheon USA Fund Vii, Lp			16,728,146
Pantheon Asia Fund V, Lp			10,746,768
Pantheon Europe Fund Vi, L.P.			6,596,508
FLAG Energy & Resource Partners Il			4,153,256

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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

September 16, 2011

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, 2011, and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

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

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

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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, 2011 and 2010 was unqualified.

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

Internal Control:

Material weaknesses – none noted
Significant deficiencies – none noted

Compliance:

Noncompliance material to financial statements – none noted

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR FINDINGS:

None.