R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2012 AND 2011

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

September 25, 2012

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, 2012 and 2011, 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, 2012 and 2011, 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 and the required supplementary information as listed in the table of contents 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 other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a part of the basic financial statements. Such supplemental schedules for the years ending June 30, 2012 and 2011, 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 25, 2012 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, 2012

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 $33,445,025 at June 30, 2012; this is a 88% decrease from net investment gains of $287,634,455 at June 30, 2011. This decrease in investment gains is attributed to lower performance in the equities market. At fiscal year ended 6/30/2011, the S&P 500 posted a return of 30.69% while the LSERS equity portfolio returned 32.93%. At fiscal year ended 6/30/2012, the S&P posted a gain of 5.45% with the LSERS equity portfolio returning (0.47)%. As a result, the total composite market return of the portfolio was a positive 2% for the year ended June 30, 2012 as compared to a positive 24% for the year ended June 30, 2011.

- Member contributions decreased by $581,812 or 3%. The decrease is attributable to a decline in the active member population and a corresponding decrease in aggregate member salaries.

- Employer contributions increased by $9,769,362 or 13%. 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 18% 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, 2012

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, 2012 and 2011.

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.

Consolidated Statements of Plan Net Assets
June 30, 2012 and 2011

	2012	2011
Cash	$ 40,041,958	$ 38,661,665
Receivables	60,308,986	41,408,917
Investments	1,471,606,186	1,448,980,201
Collateral held under securities lending	38,728,185	1,915,188
Property and Equipment	3,236,062	3,311,066
Total Assets	1,613,921,377	1,534,277,037
Total Liabilities	111,040,864	17,642,447
Net Assets Held in Trust for Pension Benefits	$ 1,497,109,136	$ 1,516,634,590
Noncontrolling interests	5,771,378	-
Total net assets	$ 1,502,880,513	$ 1,516,634,590

Consolidated Statements of Changes in Plan Net Assets
For the Years Ended June 30, 2012 and 2011

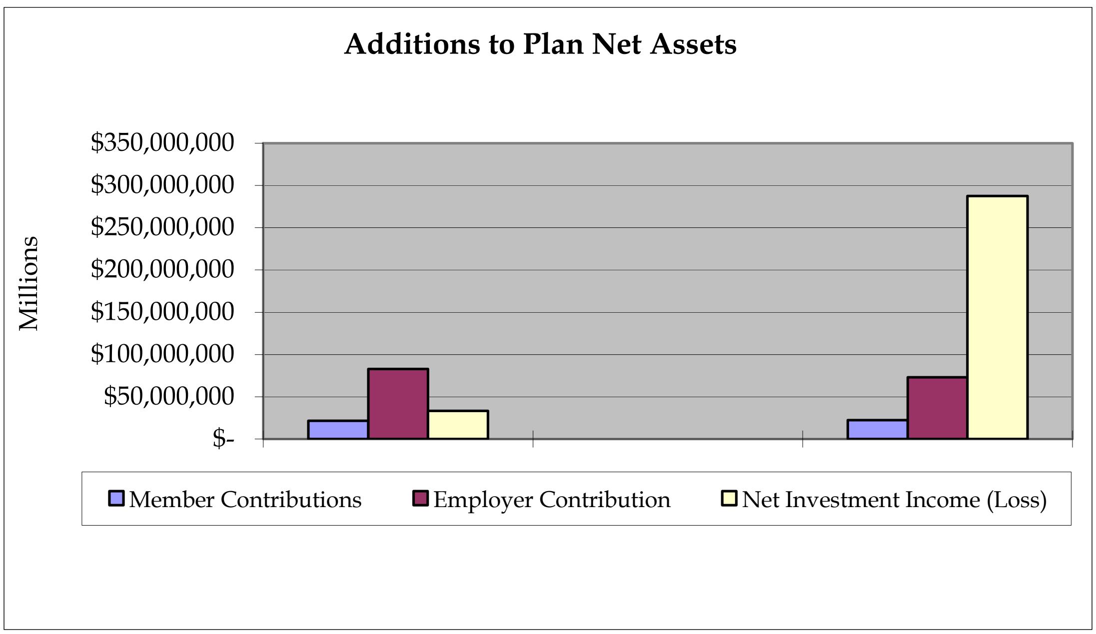
	2012	2011
Additions:		
Contributions	$ 104,258,718	$ 95,071,168
Investment Income	33,445,025	287,634,455
Total Additions	137,703,743	382,705,623
Total Deductions	157,229,197	151,923,224
Change in Plan Net Assets	$ (19,525,454)	$ 230,782,399

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012

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 $9,769,362 or 13% while member contributions decreased $581,812 or 3%. The System experienced net investment income of $33,445,025 for the fiscal year ending June 30, 2012 as compared to net investment income of $287,634,455 for fiscal year ending June 30, 2011. This decrease in net investment income was attributed to significantly lower stock market performance. At fiscal year ended June 30, 2011 the S&P 500 returned 30.69% vs. 5.45% at fiscal year ended June 30, 2012. The equity portion of the LSERS portfolio yielded a return of 32.93% for the one year period ending June 30, 2011 vs. -0.47% at fiscal year ending June 30, 2012.

Additions to Plan Net Assets	2012	2011	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 21,571,589	$ 22,153,401	$ (581,812)	(3)%
Employer Contributions	82,687,129	72,917,767	9,769,362	13%
Net Investment Income	33,445,025	287,634,455	(254,189,430)	(88)%
Total	$ 137,703,743	$ 382,705,623		



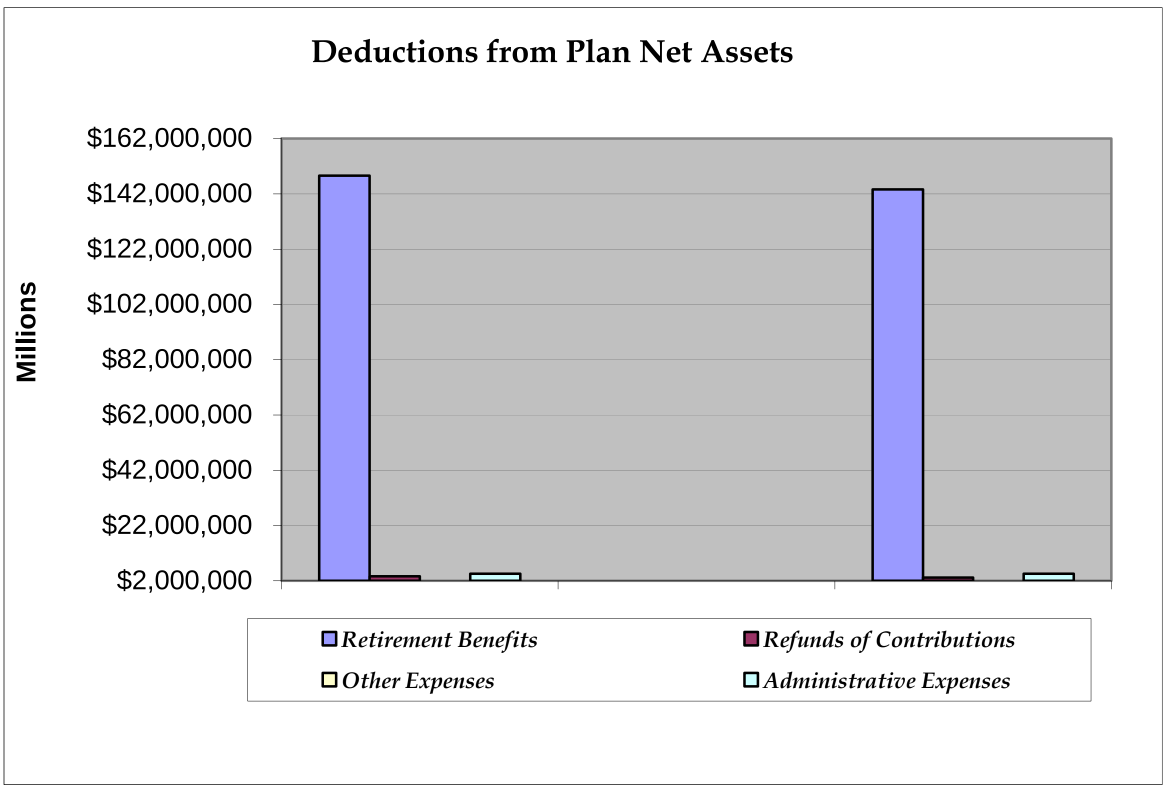
DEDUCTIONS FROM PLAN NET ASSETS

Deductions from plan net assets include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from plan net assets totaled $157,229,197 in fiscal year 2012. 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, 2012

The cost of administering LSERS benefits per member during 2012 was $173.

Deductions to Plan Net Assets	2012	2011	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 148,526,171	$ 143,626,224	$ 4,899,947	3%
Refunds of Contributions	3,606,711	3,214,342	392,369	12%
Administrative Expenses	4,551,356	4,577,657	(26,302)	(1)%
Other Expenses	544,959	505,001	39,957	8%
Total	$ 157,229,197	$ 151,923,224		



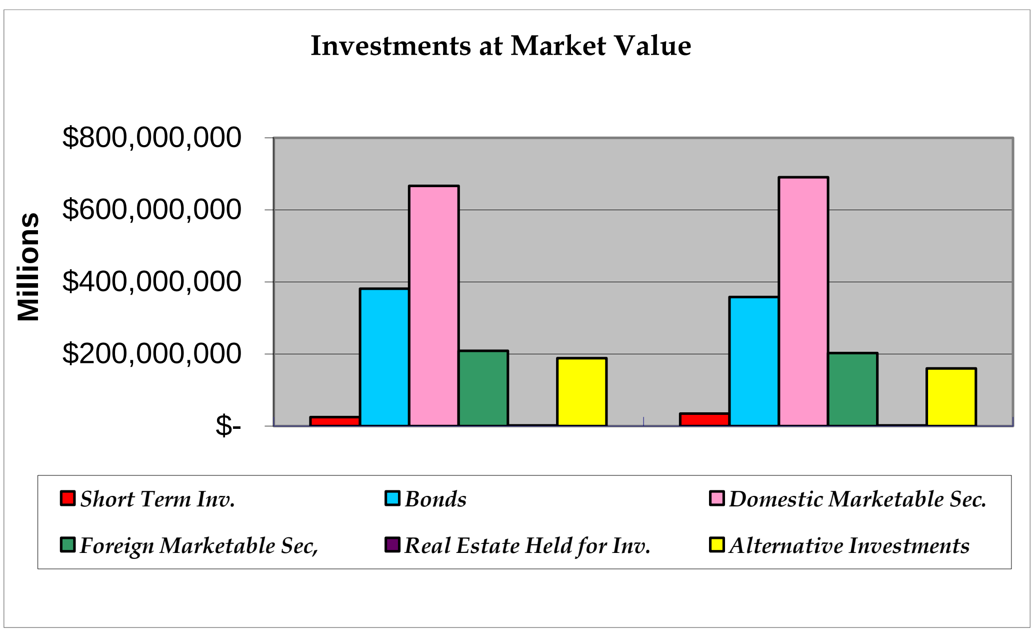
INVESTMENTS

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, 2012 were $1,471,606,186 as compared to $1,448,980,201 at June 30, 2011, an increase of $22,625,985.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012

LSERS' investments in various asset classes at the end of the 2012 and 2011 fiscal years are indicated in the following table:

Investments	2012	2011	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 24,472,358	$ 34,643,853	$ (10,171,495)	(29)%
Bonds	381,260,857	358,025,201	23,235,656	6%
Domestic Marketable Securities	666,275,694	691,109,402	(24,833,708)	(4)%
Foreign Marketable Securities	208,994,803	202,800,904	6,193,899	3%
Real Estate Held for Investment	1,993,124	1,993,124	-	- %
Alternative Investments	188,609,350	160,407,717	28,201,633	18%
Total	$1,471,606,186	$1,448,980,201		



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
CONSOLIDATED STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CASH:		
In bank	$ 40,041,958	$ 38,661,665
RECEIVABLES: (Note 1)		
Member contributions	2,922,412	3,005,451
Employer contributions	12,375,532	10,723,161
Accrued interest and dividends	4,248,221	5,004,310
Investment receivable	40,642,513	22,560,972
Other	120,308	115,023
Total receivables	60,308,986	41,408,917
INVESTMENTS, AT FAIR VALUE: (Notes 1, 5, 6, 7 and 8) (Pages 39 - 45)		
Short-term investments	24,472,358	34,643,853
U.S. Government and agency obligations	104,891,037	97,069,700
Bonds - domestic	135,892,027	152,857,216
Bonds - foreign	140,477,793	108,098,285
Marketable securities - domestic	666,275,694	691,109,402
Marketable securities - foreign	208,994,803	202,800,904
Alternative investments	188,609,350	160,407,717
Real estate held for investment	1,993,124	1,993,124
Total investments	1,471,606,186	1,448,980,201
Collateral held under securities lending program	38,728,185	1,915,188
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	332,794	358,286
	4,975,937	5,001,429
Less accumulated depreciation	1,739,875	1,690,363
Total property and equipment	3,236,062	3,311,066
Total assets	1,613,921,377	1,534,277,037

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES:		
Accounts payable	1,189,381	1,157,487
Accrued expenses and benefits	195,139	96,772
Obligations under securities lending program (Notes 5 and 6)	38,728,185	1,915,188
Investment payable	68,429,828	12,191,367
Other post employement benefits obligation (Note 15)	2,498,331	2,281,633
Total liabilities	111,040,864	17,642,447
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	1,497,109,136	1,516,634,590
NONCONTROLLING INTERESTS	5,771,377	-
TOTAL NET ASSETS	$ 1,502,880,513	$ 1,516,634,590

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
ADDITIONS:		
Contributions: (Notes 1 and 3)		
Member contributions	$ 21,571,589	$ 22,153,401
Employer contributions	82,687,129	72,917,767
Total contributions	104,258,718	95,071,168
Investment Income: (Notes 1, 6, 7 and 8)		
Net appreciation in fair value of investments	5,063,814	260,256,630
Interest	16,520,653	17,661,978
Securities lending income	441,568	485,809
Dividends	13,300,613	12,479,618
Alternative investment income	2,291,241	2,077,243
Foreign currency exchange gain (loss)	1,001,291	(866,065)
	38,619,180	292,095,213
Less Investment Expense:		
Investment advisory fee	3,894,947	3,842,179
Custodian and bank fees	322,247	618,579
	4,217,194	4,460,758
Net investment income	34,401,986	287,634,455
Less: Net investment income attributable to noncontrolling interest	(956,961)	-
Net investment income attributable to the Pension Fund	33,445,025	287,634,455
Total additions	137,703,743	382,705,623
DEDUCTIONS:		
Retirement benefits paid	148,526,171	143,626,224
Refunds of contributions	3,606,711	3,214,342
Administrative expenses (Page 38)	4,551,356	4,577,657
Depreciation expense	118,799	123,539
Transfer to other systems - employee	78,609	93,711
Transfer to other systems - employer and interest	347,551	287,751
Total deductions	157,229,197	151,923,224
NET INCREASE/(DECREASE)	(19,525,454)	230,782,399
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,516,634,590	1,285,852,191
END OF YEAR	$ 1,497,109,136	$ 1,516,634,590

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Consolidation:

The consolidated financial statements include the accounts of the State of Louisiana School Employees' Retirement System and its 94.53% owned subsidiary, the Rhumbline Equal Weighted Large Cap Pooled Index Fund. All intercompany transactions and balances have been eliminated upon consolidation.

The System is the 94.53% owner of the Rhumbline Equal Weighted Large Cap Pooled Index Fund, which was formed under a Declaration of Trust and commenced operations on March 31, 2006. The investment objective of the Fund is to match the return of the S&P 500 Equal Weighted Index through investment in substantially all of the stocks contained in that index. State Street Bank and Trust Company ("State Street Bank") is the Custodian and Recordkeeper of the Fund. RhumbLine Advisers Limited Partnership is the Fund's Investment Manager ("Investment Manager").

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, 2012 AND 2011

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 64 school boards and 41 other agencies for the year ended June 30, 2012 and 64 school boards and 43 other agencies at June 30, 2011, 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, 2012 and 2011, plan membership consisted of:

	2012	2011
Retirees and beneficiaries currently receiving benefits	12,930	12,717
Terminated employees entitled to benefits but not yet receiving them	339	351
Terminated vested employees who have not withdrawn contributions (DROP)	612	619
Fully vested, partially and nonvested active employees	12,416	12,854
TOTAL PARTICIPANTS	26,297	26,541

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, 2012 AND 2011

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 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.

For members who joined the system prior to July 1, 2006, 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, subject to the 10% salary limitation, 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 joined the system on or after July 1, 2006 through June 30, 2010, 3 1/3% of the average compensation is used to calculate benefits, however, the calculation consists of the five highest consecutive years of membership service, subject to the 10% salary limitation. For members who join the system on or after July 1, 2010, 2 1/2% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15% salary limitation. 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, a spouse is entitled to 75% of the member's benefit.

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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.

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, 2012 and 2011 and 8.0% for members beginning employment subsequent to July 1, 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, 2012 and June 30, 2011 was 30.8% and 28.6%, respectively. The actual employer rate for the years ended June 30, 2012 and 2011 was 28.6% and 24.3%, 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, 2012 and 2011 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, 2012 AND 2011

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, 2012 and 2011 is $170,062,164 and $166,929,455, 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, 2012 and 2011 is $609,755,461 and $639,929,485, respectively. The Pension Accumulation Fund is unfunded at June 30, 2012 and 2011.

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, 2012 and 2011 is $1,296,264,785 and $1,250,122,795, respectively. The Survivors Benefit Reserve as of June 30, 2012 and 2011 is $136,051,821 and $131,634,276, respectively. The Pension Reserve is 88% funded as of June 30, 2012 and 93% funded as of June 30, 2011. The Survivors Benefit is 88% funded as of June 30, 2012 and 93% funded as of June 30, 2011.

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, 2012 and 2011 is $65,521,066 and $64,581,730, respectively. The Deferred Retirement Option account is fully funded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 and 2011 is $816,830 and $1,153,715, 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, 2012, 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)
$1,403,464	$2,278,472	$873,008	61.6%	$277,191	315.7%

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, 2012
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	17-30 years

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 a decrease in the unfunded liability in the amount of $24,661,710 and $16,666,266 as a result of investment gain and experience gain, respectively.

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.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's deposits, cash equivalents and investments at June 30, 2012 and 2011:

	2012	2011
Deposits (bank balance)	$ 40,148,421	$ 38,811,578
Cash equivalents	24,472,358	34,643,853
Investments	1,447,133,828	1,414,336,348
	$ 1,511,754,607	$ 1,487,791,779

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 year ended June 30, 2012, cash equivalents in the amount of $23,628,725 consisted of commercial paper, agency discount notes, repurchase agreements, time deposits, U.S Treasury bills, certificates of deposit, bank notes, corporate obligations and agency bonds. For the year ended June 30, 2011, cash equivalents in the amount of $29,426,894 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. For the years ended June 30, 2012 and 2011, cash equivalents in the amount of $-0- and $4,799,571, 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. At June 30, 2012 and 2011, foreign currency included in cash equivalents of $843,633 and $417,388, respectively, is not covered by federal depository insurance or pledged collateral.

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, 2012 AND 2011

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, 2012 and 2011.

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, 2012 and 2011, the Plan had the following investments in long-term debt securities and maturities:

June 30, 2012

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	$ 11,073,863	$ -	$ 3,376,984	$ 4,701,740	$ 2,995,139	$ -
Government mortgage backed securities	93,817,174	-	1,662,237	351,103	91,803,834	-
U.S. Gov't and Gov't Agency Obligations	$ 104,891,037	$ -	$ 5,039,221	$ 5,052,843	$ 94,798,973	$ -
U.S. Corporate Bonds	$ 100,174,205	$ 2,024,160	$ 40,472,307	$ 33,449,157	$ 24,228,581	$ -
Collateralized Mortgage Obligations	23,185,381	-	113,913	-	23,071,468	-
Other Fixed Income	12,532,441	-	1,979,063	225,000	7,690,278	2,638,100
Domestic Bonds	$ 135,892,027	$ 2,024,160	$ 42,565,283	$ 33,674,157	$ 54,990,327	$ 2,638,100
Foreign Bonds	$ 140,477,793	$ 17,173,336	$ 68,997,567	$ 41,263,692	$ 13,043,198	$ -
Collateral Held Under Securities Lending Program	$ 38,728,185	$ 32,700,474	$ 4,069,891	$ 1,957,820	$ -	$ -

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	$ -	$ -	$ -

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, 2012 AND 2011

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:

2012

	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	$ -	$ 1,461,670	$ 860,698	$ 5,523,410	$ 3,308,567	$ 16,686,310
AA+	-	-	2,507,520	-	354,568	-
AA	-	-	164,114	-	485,676	2,420,464
AA-	-	-	-	-	204,001	616,288
A+	-	-	6,701,495	-	313,254	2,860,982
A	-	-	15,045,598	-	-	18,098,176
A-	-	-	21,307,125	-	326,562	11,149,388
BBB+	-	-	10,110,089	-	-	3,467,243
BBB	-	-	19,389,115	-	-	4,810,152
BBB-	-	-	8,999,780	-	119,674	1,651,099
BB+	-	-	1,717,272	-	-	454,771
BB	-	-	3,409,550	300,709	13,571	288,750
BB-	-	-	2,666,463	384,900	494,115	261,300
B+	-	-	-	-	327,640	332,350
B	-	-	2,472,375	-	-	-
B-	-	-	608,850	675,238	287,773	613,025
CCC+	-	-	929,400	-	-	516,250
CCC	-	-	187,288	3,630,277	2,007,267	-
CCC-	-	-	-	-	-	-
CC	-	-	-	145,900	654,821	-
D	-	-	-	3,691,256	341,448	-
Not Rated	11,073,863	92,355,504	3,097,473	8,833,691	3,293,504	76,251,245
	$ 11,073,863	$ 93,817,174	$ 100,174,205	$ 23,185,381	$ 12,532,441	$ 140,477,793

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

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, 2012 and 2011, for collateral held under securities lending in the amounts of $38,728,185 and $1,915,188, respectively, and noncash collateral received under the securities lending program in the amounts of $6,434,452 and $-0-, 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, 2012 and 2011 are as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2012:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 8,558,269	$ -	$ -	$ 205,116	$ 8,763,385
Brazil real	1,858,880	-	-	-	1,858,880
British pound	17,434,312	1,955,175	-	4,673,207	24,062,694
Canadian dollar	1,588,307	-	-	112,894	1,701,201
Czech koruna	469,696	-	-	-	469,696
Danish krone	3,997,576	-	-	-	3,997,576
Euro	19,823,058	22,851,783	6,890,198	(6,872,731)	42,692,308
Hong Kong dollar	12,047,153	-	-	-	12,047,153
Japanese yen	24,350,106	35,280,510	-	101,989	59,732,605
Mexican peso	216,875	5,914,364	-	-	6,131,239
Norwegian krone	1,530,628	-	-	-	1,530,628
Polish zloty	-	9,764,206	-	668	9,764,874
Singapore dollar	3,374,706	-	-	-	3,374,706
South Korean won	1,680,588	-	-	-	1,680,588
Swedish krona	3,225,855	-	-	-	3,225,855
Swiss franc	9,554,739	-	-	201,158	9,755,897
Total	$ 109,710,748	$ 75,766,038	$ 6,890,198	$ (1,577,699)	$ 190,789,285

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	$ 91,970,143	$ 60,801,209	$ 6,596,508	$ 782,640	$ 184,498,417

The Plan’s investment policy has a target of 15% of total investments in foreign marketable securities and 10% of total investments in global fixed income. At June 30, 2012, the Plan’s current position in foreign marketable securities and global fixed income is 7% and 5%, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 106% 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 69 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 1 day. 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, 2012 Market (Carrying Value)	June 30, 2011 Market (Carrying Value)
Corporate Bonds - Domestic	$ 4,755,104	$ 1,879,696
Corporate Bonds - Foreign	1,091,995	-
Marketable Securities – Domestic	29,153,019	-
Marketable Securities – Foreign	2,632,406	-
	$ 37,632,524	$ 1,879,696

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

6. SECURITY LENDING TRANSACTIONS: (Continued)

Securities on loan at June 30, 2012 and 2011 are collateralized by cash collateral in the amount of $38,728,185 and $1,915,188, respectively, and noncash collateral in the amount of $6,434,452 and $-0-, 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, 2012 and 2011. 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, 2012 and 2011, the Plan has the following derivative instruments categorized as investment derivative instruments:

Investment Derivatives at June 30, 2012:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Fixed Income Futures	$(18,379,108)	N/A	$ -	Net App (Dep) in Fair Value	$ (26,392)
Fixed Income Futures – EUR	(1,143,917	N/A	-	Net App (Dep) in Fair Value	31,599
Fixed Income Futures – CAN	4,263,967	N/A	-	Net App (Dep) in Fair Value	48,654
Fixed Income Futures – GBP	603,695	N/A	-	Net App (Dep) in Fair Value	8,156
Cash & Cash Equiv.	(48,726,550)	N/A	-	Net App (Dep) in Fair Value	(22,287)
			$ -		$ 39,730

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

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, 2012, 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.

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, 2012 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2012 and June 30, 2012. 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 and $188,609,350 and $160,407,717 as of June 30, 2012 and 2011, respectively.

The total initial active commitment for the partnerships as of June 30, 2012 was $132,690,500. The total amount called for funding as of June 30, 2012 was $74,514,093. The total amount of distributions recallable for funding as of June 30, 2012 was $1,200,000. The remaining commitment that could be called as of June 30, 2012 was $59,376,407.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 37, 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	358,286	44,637	(70,129)	-	332,794
Accumulated depreciation	(1,690,363)	(118,799)	69,287	-	(1,739,875)
	$ 3,311,066	$ (74,162)	$ (842)	$ -	$ 3,236,062

Depreciation expense for the years ended June 30, 2012 and 2011 was $118,799 and $123,539, 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 32 through 34.

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, 2012 AND 2011

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, 2012 and 2011.

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

JUNE 30	
2013	$ 340,792
2014	340,792
2015	340,792
2016	113,597
2017	-
Total	$ 1,135,973

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, 2012, twenty two 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home Health Maintenance Organization (HMO) Plan (Region 9 only) and the Regional Health Maintenance Organization (HMO) Plan (Regions 6, 7, 8 and 9 only). 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) is offered, for active employees only, featuring lower premium rates in exchange for higher deductibles. Depending upon the plan selected, during the year ended June 30, 2012 and 2011, employee premiums for a single member receiving benefits range from $85 to $89 and $80 to $84 per month, respectively, for employee-only coverage with Medicare or from $138 to $147 and $108 to 140 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2012 and 2011 range from $150 to $330 and $145 to $312 per month, respectively, for those with Medicare or from $441 to $479 and $352 to $453 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 $255 to $267 and $241 to $253 per month for retiree-only coverage with Medicare or from $878 to $950 and $698 to $900 per month for retiree-only coverage without Medicare during the years ended June 30, 2012 and 2011, respectively. Also, the Plan's contributions range from $450 to $989 and $434 to $937 per month for retiree and spouse with Medicare or $1,342 to $1,459 and $1,072 to $1,382 for retiree and spouse without Medicare during the years ended June 30, 2012 and 2011, 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, 2012 and 2011 is $448,000 and $564,500, respectively.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 and 2011, the amount actually contributed to the plan, and changes in the Plan's net OPEB Obligation:

	2012	2011
Annual required contribution	$ 448,000	$ 564,500
Interest on net OPEB obligation	91,265	75,304
ARC adjustment	(87,185)	(71,938)
Annual OPEB Cost	452,080	567,866
Contributions made	(235,382)	(168,843)
Increase in Net OPEB Obligation	216,697	399,023
Beginning Net OPEB Obligation	2,281,633	1,882,610
Ending Net OPEB Obligation	$ 2,498,331	$ 2,281,633

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, 2012, 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, 2010	$ 623,462	18.88%	$1,882,610
June 30, 2011	567,866	29.73%	2,281,633
June 30, 2012	452,080	52.07%	2,498,331

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 2011-2012, neither the Plan nor the State of Louisiana contributed to it. Since the plan has not been funded, the entire actuarial accrued liability of $6,590,900 and $7,892,800 as of July 1, 2011 and July 1, 2010, respectively, was unfunded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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)	$ 6,590,900	$ 7,892,800
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 6,590,900	$ 7,892,800
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,378,700	$ 1,599,800
UAAL as a percentage of covered payroll	478%	493%

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, 2011 and 2010 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 7.5% and 8.6% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2011 valuation 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 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, 2012 and 2011 was 25 and 26 years, respectively.

16. SUBSEQUENT EVENTS:

The Louisiana Legislature enacted legislation in its 2012 Regular Session which created a voluntary irrevocable participation in a Cash Balance Plan for those employed on or after July 1, 2013. Current members of the System are not allowed to transfer to the new plan. Members' accounts will be credited with 12% of their pay each month which will be the total of an employee contribution rate of 8% and an additional credit of 4%. The Cash Balance Plan member accounts will earn interest at the system's actuarial rate of return, less 1%, and will not be debited for investment losses of the System. Plan members who separate from service may withdraw from the Cash Balance Plan. Members with less than five years of service will receive employee contributions only, while members with five or more years of service will receive their entire account balance of employee contributions, the additional 4% credits, and interest. The plan also provides disability and survivor benefits. Members with five years or more of service may draw an annuity at age 60. For specific information on legislative changes that affect the System refer to Title 11 of the Louisiana Revised Statutes.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)
JUNE 30, 2007 THROUGH 2012

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)
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
2012	1,403,464	2,278,472	873,008	61.6	277,191	315.7

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2007 THROUGH 2012

Year Ended June 30	Actuarially Required Contribution	Percentage Contributed
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
2012	88,531,775	93.40

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 2012

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
2012	0	6,590,900	6,590,900	0	1,378,700	478

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, 2012

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2011	$ 1,250,122,795	$ 131,634,276	$ 166,929,455	$ 64,581,730
ADDITIONS:				
Contributions:				
Members	-	-	21,571,589	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	14,753,560	-	-	-
Pensions transferred from Pension Reserve	-	180,263	-	15,046,776
Operating transfers	-	-	-	-
Actuarial transfers	178,099,485	6,835,112	-	-
Total additions	192,853,045	7,015,375	21,571,589	15,046,776
DEDUCTIONS:				
Retirement allowances paid	130,235,475	2,597,830	-	14,107,440
Refunds to members	-	-	3,606,711	-
Transfers to Pension Reserve	-	-	14,753,560	-
Transfers to Survivor Benefit	180,263	-	-	-
Transfers to Pension Accumulation	-	-	-	-
Pensions transferred to DROP	15,046,776	-	-	-
Pensions transferred to IBRP	1,248,541	-	-	-
Transfers to other systems	-	-	78,609	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	146,711,055	2,597,830	18,438,880	14,107,440
NET INCREASE (DECREASE)	46,141,990	4,417,545	3,132,709	939,336
BALANCES, JUNE 30, 2012	$ 1,296,264,785	$ 136,051,821	$ 170,062,164	$ 65,521,066

IBRP	Pension Accumulation	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 1,153,715	$ 639,929,485	$ -	$ (737,716,866)	$ 1,516,634,590
-	-	-	-	21,571,589
-	82,687,129	-	-	82,687,129
-	33,445,025	-	-	33,445,025
-	-	-	-	14,753,560
1,248,541	-	-	-	16,475,580
-	-	4,551,356	-	4,551,356
-	-	-	-	184,934,597
1,248,541	116,132,154	4,551,356	-	358,418,836
1,585,426	-	-	-	148,526,171
-	-	-	-	3,606,711
-	-	-	-	14,753,560
-	-	-	-	180,263
-	-	-	-	-
-	-	-	-	15,046,776
-	-	-	-	1,248,541
-	347,551	-	-	426,160
-	118,799	-	-	118,799
-	-	4,551,356	-	4,551,356
-	4,551,356	-	-	4,551,356
-	141,288,472	-	43,646,125	184,934,597
1,585,426	146,306,178	4,551,356	43,646,125	377,944,290
(336,885)	(30,174,024)	-	(43,646,125)	(19,525,454)
$ 816,830	$ 609,755,461	$ -	$ (781,362,991)	$ 1,497,109,136

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
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

JUNE 30, 2012

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Betty Crain	13	$ 975
Eugene Rester	13	975
Jeffrey Faulk	13	975
Judith McKee	13	975
Kathy Landry	13	975
Linda Mathiew	9	675
Larry Wilmer	2	150
Phillip Walther	13	975
TOTALS		$ 6,675

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

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, 2012 AND 2011

	2012	2011
EXPENSES:		
Salaries	$ 2,206,658	$ 2,184,382
Overtime pay	461	129
Related benefits	1,313,048	1,314,916
Student labor	6,202	7,337
Compensation - board	6,675	7,275
Total expenses	3,533,044	3,514,039
OPERATING EXPENSES:		
Professional improvement - staff and board	22,817	32,244
Travel - board	19,478	23,597
Travel - staff	13,086	7,780
Total operating expenses	55,381	63,621
OPERATING SERVICES:		
Printing	20,478	16,435
Equipment maintenance	63,540	27,936
Equipment rent	39,765	41,374
Building	212,897	230,603
Dues	27,680	19,406
Postage	149,490	112,269
Telephone	36,191	38,396
Insurance	46,626	55,412
Legal	78,299	142,601
Advertising	3,690	1,210
Total operating services	678,656	685,642
SUPPLIES:		
Office	17,825	11,711
Computer	3,821	53,197
Total supplies	21,646	64,908
PROFESSIONAL SERVICES:		
Medical	12,950	14,000
Actuary	62,000	54,900
Audit	31,575	34,710
Records imaging	-	39,503
Total professional services	106,525	143,113
INTERAGENCY TRANSFERS:		
Civil Service	8,215	7,654
Total interagency transfers	8,215	7,654
OTHER CHARGES:		
Miscellaneous	58,967	54,548
Computer software	88,922	44,132
Total other charges	147,889	98,680
TOTAL EXPENSES	$ 4,551,356	$ 4,577,657

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Par Value	Original Cost	Market Value
SHORT-TERM INVESTMENTS		$ 24,460,336	$ 24,472,358
U.S. GOVERNMENT AND U.S. GOVERNMENT AGENCY OBLIGATION:			
U.S. government and government agency obligations	$ 9,835,000	$ 10,266,786	$ 11,073,863
Government mortgage-backed securities	109,276,150	90,896,225	93,817,174
	$ 119,111,150	$ 101,163,011	$ 104,891,037
BONDS - DOMESTIC:			
Corporate bonds - domestic	$ 103,162,672	$ 93,319,471	$ 100,174,205
Collateralized mortgage obligations	32,885,401	26,636,410	23,185,381
Other fixed income investments	-	3,319,379	3,428,084
Asset backed securities	13,618,277	11,038,711	9,104,357
	$ 149,666,350	$ 134,313,971	$ 135,892,027
BONDS - FOREIGN:			
Corporate bonds - foreign	$ 67,847,942	$ 70,087,523	$ 69,600,487
Government bonds - foreign	66,956,890	69,788,781	70,877,306
	$ 134,804,832	$ 139,876,304	$ 140,477,793
MARKETABLE SECURITIES - DOMESTIC:			
Common stocks		$ 480,649,901	$ 563,190,992
Equity funds		91,822,379	103,084,702
		$ 572,472,280	$ 666,275,694
MARKETABLE SECURITIES - FOREIGN:			
Common stocks		$ 116,470,948	$ 142,161,485
Equity funds		60,000,000	65,599,798
Preferred stock		2,101,381	1,233,520
		$ 178,572,329	$ 208,994,803
ALTERNATIVE INVESTMENTS:			
Real estate funds		$ 118,999,840	120,540,519
Private equity funds		59,712,535	68,068,831
		$ 178,712,375	$ 188,609,350
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, 2012

	Par Value	Fair Value
SHORT TERM INVESTMENTS:		
BNY Mellon EB Temporary Investment Fund	$ 21,756,778	$ 21,756,778

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

	Par Value	Fair Value
DOMESTIC FIXED INCOME:		
Commit to Pur FHLMC Gold sfm 3.000% 07/01/2027	$ 8,615,000	$ 9,006,724
Commit to Pur GNMA Sf Mtg 3.000% 07/15/2042	7,210,000	7,711,311
Commit to Pur GNMA Sf Mtg 3.000% 07/15/2042	4,680,000	4,862,099
Kraft Foods Inc 6.5% 01 Nov 2031	3,000,000	3,699,210
United States Treas Nts 3.750% 11/15/2018	3,000,000	3,513,990
Deere & Co 4.375% 16 Oct 2019	3,000,000	3,473,820
Boeing Co 7.95% 15 Aug 2024	2,300,000	3,392,569
Union Pac Corp 6.625% 01 Feb 2029	2,500,000	3,294,150
Dominion Res Inc Va New 6.4% 15 Jun 2018	2,500,000	3,055,375
Halliburton Co 5.9% 15 Sep 2018	2,500,000	3,045,600
Verizon Communications Inc 5.500% 02/15/2018	2,500,000	2,959,125
Burlington Northn Santa Fe Corp 5.65%	2,500,000	2,931,100
Valero Energy Corp new 7.5% 15 Apr 2032	2,500,000	2,896,375
AT&T Inc 5.625% 06/15/2016	2,500,000	2,894,450
Home Depot Inc/The 3.950% 09/15/2020	2,500,000	2,798,475
Target Corp 3.875% 07/15/2020	2,500,000	2,754,350
ConocoPhillips Holding Co 6.950% 04/15/2029	2,000,000	2,743,680
Oneok Inc New 5.2% 15 Jun 2015	2,500,000	2,714,600
Altria Group Inc 4.125% 11 Sep 2015	2,500,000	2,713,450
Progressive Corp/The 7.000% 10/01/2013	2,200,000	2,356,508
Marathon Oil Corp 6.00% 10/01/2017	2,000,000	2,355,500
General Elec Cap Corp 5.625% 09/15/2017	2,000,000	2,295,140
Federal Home Ln Mtg corp Pool #G0-8454	2,131,572	2,283,468
United States Treas Bond 05/15/2038	1,650,000	2,231,889
Alcoa Inc 5.550% 1 Feb 2017	2,000,000	2,183,180
Gnma Pool #711241 5.0% Due 15 Mar 2040	1,966,477	2,171,030

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

	Shares	Fair Value
DOMESTIC STOCKS:		
Apple Inc Com	22,160	$ 12,941,440
Microsoft Corp	274,503	8,397,047
General Electric Co	315,945	6,584,294
Intel Corp Com	228,737	6,095,841
Chevron Corp	56,970	6,010,335
Wal-Mart Stores Inc	86,010	5,996,617
AT&T Inc Com	161,425	5,756,416
Wells Fargo & Co New Com	172,039	5,752,984
Philip Morris International Inc	62,169	5,424,867
International Business Machs Corp	26,437	5,170,548
MSC Indl. Direct Inc. CL A Common Stock	72,789	4,771,319
Oracle Corp	153,014	4,544,516
United Technologies Corp	52,603	3,973,105
JP Morgan Chase Cap Xxii	107,745	3,849,729
Coca Cola Co	48,850	3,819,582
American Express Co.	65,408	3,807,400
Ultimate Software Group Inc.	41,222	3,665,872
Google Inc.	6,092	3,533,786
Exxon Mobil Corp	41,073	3,514,617
Procter & Gamble Co	57,224	3,504,970
EMC Corp. / Massachusetts	133,246	3,415,095
Ebay Inc.	80,408	3,377,940
Knight Transportation Inc.	208,787	3,338,504
Express Scripts Hldg. Co.	57,984	3,237,247
Watson Pharmeceuticals Inc Common Stock	43,485	3,217,455
Honeywell International Inc.	57,411	3,205,830
Freeport-McMoran Copper & Gold Inc Cl B	93,861	3,197,844
Baxter Intl. Inc Com	59,342	3,154,027
Amerisourcebergen Corp	79,353	3,122,541
Copart Inc.	129,160	3,059,800

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

	Shares		Fair Value	Country
FOREIGN STOCKS:				
Novo-Nordisk As Dkk1 Ser'B'	27,600	$	3,997,576	Denmark
Essilor International Eur0.18	34,400		3,199,935	France
Denso Corp Npv	85,600		2,889,094	Japan
Cnooc Limited Hkd0.02	1,311,000		2,602,783	China
Sgs Sa Chf1(Regd)	1,280		2,400,423	Switzerland
HSBC Hldgs. Ord Usd0.50	272,100		2,394,636	United Kingdom
Nestle Sa Chf0.10(Regd)	40,000		2,389,857	Switzerland
Fanuc Corp NPV	14,500		2,353,365	Japan
Adidas AG	32,000		2,292,818	Germany
L'Oreal Eur0.20	18,800		2,200,675	France
Sap Ag Ord Npv	36,800		2,173,700	Germany
Daito Trust Construction Y50	22,500		2,129,026	Japan
Novartis Ag Chf0.50(Regd)	37,400		2,090,291	Switzerland
CSL Ord Npv	51,400		2,076,944	Australia
Hennes & Mauritz AB	57,100		2,046,613	Sweden
Industria De Diseno Textil SA Eur0.15	19,700		2,038,273	Spain
Coca-Cola Amatil Npv	147,200		2,018,873	Australia
BG Group Ord Gbp0.10	97,700		1,992,088	United Kingdom
Clp Hldgs Hkd5	235,000		1,991,949	Hong Kong
Smith & Nephew Ord Usd0.20	197,500		1,974,777	United Kingdom
Reckitt Benck Grp Ord Gbp0.10	37,200		1,963,354	United Kingdom
DBS Group Hldgs Npv	178,176		1,950,822	Singapore
Shin-Etsu Chemicals Co. Npv	35,600		1,945,306	Japan
Woolworths Limited Ord A0.25	70,400		1,933,982	Australia
China Mobile Ltd	171,500		1,873,779	Hong Kong
Taiwan Semiconductor Manufactu Adr	132,200		1,845,512	Taiwan
Centrica Ord Gbp 0.061728395	369,900		1,844,940	United Kingdom
Syngenta AG Chf0.1	5,400		1,844,501	Switzerland
Danone Eur0.25	29,600		1,841,194	France
Honda Motor Co Npv	53,200		1,832,896	Japan

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

	Par Value	Fair Value	Country
FOREIGN FIXED INCOME:			
Japan 0.800% Bds 09/20/2020	$ 400,000,000	$ 5,087,700	Japan
Japan 1.5% Bds 20/03/14	382,000,000	4,901,693	Japan
Poland(Republic Of) 5.25% Bds 25/10/2020	14,200,000	4,309,400	Poland
Japan Govt Ten Year Bond 0.500% 06/20/13	340,000,000	4,277,276	Japan
Japan 2.1% Bds 20/09/2024	295,000,000	4,128,444	Japan
Bundesrepublik Deutschland 2.250% 09/04/2020	2,997,000	4,080,112	Germany
Japan 1.5% Bds 20/09/18	300,000,000	4,020,707	Japan
Bank Nederlandse Gemeenten 4.375% Mtn	3,600,000	3,980,653	Netherlands
Japan-91 0.400% Bds 20/09/15	300,000,000	3,793,509	Japan
Mexican Bonos 8.500% 12/13/2018	42,500,000	3,760,012	Mexico
Bundesobligation 2.250% 04/10/2015	2,700,000	3,617,767	Germany
Landwirtschaftliche Rentenbank	3,500,000	3,596,600	Germany
Oesterreichische Kontrollbank A G Gtd	3,200,000	3,237,674	Austria
Commonwealth Bk Australia Sr Medium Term	3,000,000	3,024,990	Australia
Canadian Imperial Bank of 144A 2.750% Bds	2,525,000	2,679,858	Canada
Japan(Govt of) 1.000% Bds 06/20/2013	210,000,000	2,654,509	Japan
Japan Govt Ten Year Bond 1.400%09/20/2015	200,000,000	2,609,380	Japan
National Bank of Canada 2.200% Bds 10/19/2016	2,485,000	2,591,607	Canada
Toronto-Dominion Bank/The 144A 1.500%	2,530,000	2,551,758	Canada
Bundesrepublik Deutschland 3.500% 07/04/2019	1,700,000	2,506,040	Germany
Poland Govt Bond 6.250% 10/24/2015	7,900,000	2,483,648	Poland
Dexia Municipal Agency 5.250% 02/16/2017	2,290,000	2,397,813	France
Kommunalbanken As 2.375% 01/19/16	2,200,000	2,294,600	Norway
Bank of Nova Scotia 144A 1.950% 01/30/17	2,165,000	2,228,435	Canada

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

DOMESTIC EQUITY FUNDS:	Shares		Fair Value
Cf Rhumbline S&P 500 Equal Weighted Large Cap Fund	6,042,300	$	99,733,472
Cf Rhumbline S&P 400 Mid Cap Fund	1,565,924		72,571,265
Cf Analytic Core Equity Plus Fund	267,427		30,513,438
INTERNATIONAL EQUITY FUNDS:			
Thornburg International Equity Fund	65,599,798		65,599,798
ALTERNATIVE INVESTMENTS:			
Real Estate Funds:			
Cf Principal US Property Fund	1,247,791		35,155,724
Cf Prudential Prisa I Real Estate Fund	1,070		35,382,417
US Government Properties Income & Growth	13,971,151		13,971,151
Landmark Real Estate Partners VI	7,845,531		7,485,531
Private Equity Funds:			
Morgan Stanley Prime Property Fund, LLC	28,545,696		28,545,696
Hamilton Lane Private Equity Fund Vi, Lp	21,108,634		21,108,634
Pantheon USA Fund Vii, Lp	21,988,309		21,988,309
Pantheon Asia Fund V, Lp	10,778,997		10,778,997
Pantheon Europe Fund Vi, L.P.	5,429,414		6,890,198
FLAG Energy & Resource Partners II	7,120,810		7,120,810

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2012

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.

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

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

September 25, 2012

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, 2012, and have issued our report thereon dated September 25, 2012. 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

Management of the State of Louisiana School Employees' Retirement System is responsible for establishing and maintaining effective 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. However, we identified certain deficiencies in internal control over financial reporting, noted as 12-01 and 12-02, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, 2012 AND 2011

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, 2012 and 2011 was unqualified.

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

2. Internal Control

Material weaknesses – none noted
Significant deficiencies – 12-01 through 12-02

12-01 INVESTMENT RECONCILIATION DOCUMENTATION:

During the audit of the investment values it was determined that a reconciliation between the custodian statement and the general ledger by investment category did not exist. LSERS reconciled the activity reported in the custodian statement; however, did not provide a clear trail on the reconciliation of the investment values. A reconciliation of investment values per the custodian statement to the general ledger should include all investment categories to ensure the investments are properly recorded on the general ledger. The reconciliation should also be documented to provide an audit trail to support the investment values. Not documenting the reconciliation of the custodian statement to the general ledger by investment category could result in the misstatement of the financial statements. We recommend LSERS perform and document a reconciliation of the custodian statement to the general ledger which includes all investment categories.

12-02 INVESTMENT MANAGER RECONCILIATION DOCUMENTATION:

During the audit it was noted that the reconciliations, between the money manager statements and the custodian statements, were not adequately completed through the end of the fiscal year. To ensure all investment transactions are properly recorded, the statements provided by the custodian should be reconciled to the money manager statements. Not adequately reconciling the custodian statement to the money manager statement through the end of the fiscal year could result in the misstatement of investment values. We recommend reconciliations are completed through fiscal year end, between the manager statements and the custodian statements, to ensure investments are properly reported.

3. Compliance

Noncompliance material to financial statements – none noted

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

MANAGEMENT LETTER COMMENTS:

None.

SUMMARY OF PRIOR FINDINGS:

None.

L S E R S
LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
8660 United Plaza Blvd. (70809) • P.O. Box 44516 • Baton Rouge, La 70804-4516
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September 28, 2012

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Response to June 30, 2012 Audit Findings on Internal Controls

Dear Mr. Purpera:

In response to the Independent Auditor's Report as of June 30, 2012 issued by Duplantier, Hrapmann, Hogan & Maher in which two deficiencies were noted for internal controls, we offer the following responses:

12-01 - INVESTMENT RECONCILIATION DOCUMENTATION

During the audit of the investment values, it was determined that a reconciliation between the custodian statement and the general ledger by investment category did not exist. LSERS reconciled the activity reported in the custodian statement, however, did not provide a clear trail on the reconciliation of the investment values. A reconciliation of investment values per the custodian statement to the general ledger should include all investment categories to ensure the investments are properly recorded on the general ledger. The reconciliation should also be documented to provide an audit trail to support the investment values. Not documenting the reconciliation of the custodian statement to the general ledger by investment category could result in the misstatement of the financial statements. We recommend LSERS perform and document a reconciliation of the custodian statement to the general ledger which includes all investment categories.

RESPONSE: LSERS concurs with the auditor's recommendation. Shortly before this audit period began, LSERS changed from Northern Trust to BNY Mellon as the Custodian. New procedures are under development to conform to the new processes and to strengthen the internal controls for investment reconciliation.

12-02 - INVESTMENT MANAGER RECONCILIATION DOCUMENTATION

During the audit, it was noted that the reconciliations between the money manager statements and the custodian statements, were not adequately completed through the end of the fiscal year. To ensure all investment transactions are properly recorded, the statements provided by the custodian should be reconciled to the money manager statements. Not adequately reconciling the custodian statements to the money manager statements through the end of the fiscal year could result in the misstatement of investment values. We recommend reconciliations are completed through fiscal year end between the manager statements and the custodian statements, to ensure investments are properly reported.

RESPONSE: LSERS concurs with the auditor's recommendation. Procedures are under development to strengthen the internal controls for investment manager reconciliation.

We appreciate the feedback and recommendations provide by the auditors. We also appreciate the opportunity to strengthen internal controls. If you have any questions, please contact Carolyn Forbes, Assistant Director, at 225.925.6490 or via email at cforbes@lsers.net.

Sincerely,

Charles P. Bujol

Charles P. Bujol
Executive Director

CPB/CNF