R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2013 AND 2012

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2013 AND 2012

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

September 24, 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Louisiana School Employees' Retirement System (Plan), a component unit of the State of Louisiana, which comprise the statement of plan net position as of June 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013 and 2012, and the results of its operations and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

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 is presented for purposes of additional analysis and is not a part of the basic financial statements. The supplemental information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 24, 2013 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, 2013

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 $198,338,138 at June 30, 2013; this is a 493% increase from net investment gains of $33,445,025 at June 30, 2012. This increase in investment gains is attributed to positive performance in each segment of the portfolio. In fiscal year 2013, the plan achieved an annual return of 14.11%, as compared to 2.46% for fiscal year 2012. The largest and most notable portion of the gain came from domestic equities. The overall domestic equity performance at 22.60%.

- Member contributions decreased by $741,440 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 $5,477,489 or 7%. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statements of plan net position provide the pension fund's assets, liabilities, and results in the net position restricted for pension benefits. They disclosed the financial position of the System as of June 30, 2013 and 2012.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

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

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 Position
June 30, 2013 and 2012

	2013	2012
Cash	$ 44,385,913	$ 40,041,958
Receivables	43,300,939	39,995,045
Investments	1,660,562,783	1,471,606,186
Collateral held under securities lending	122,505,705	38,728,185
Property and Equipment	3,181,708	3,236,062
Other assets	300,000	-
Total Assets	1,874,237,048	1,593,607,436
Total Liabilities	155,894,688	90,726,923
Net Position - Restricted for Pension Benefits	1,641,164,883	1,497,109,136
Noncontrolling interests	77,177,477	5,771,377
Total Net Position	$ 1,718,342,360	$ 1,502,880,513

Consolidated Statements of Changes in Plan Net Position
For the Years Ended June 30, 2013 and 2012

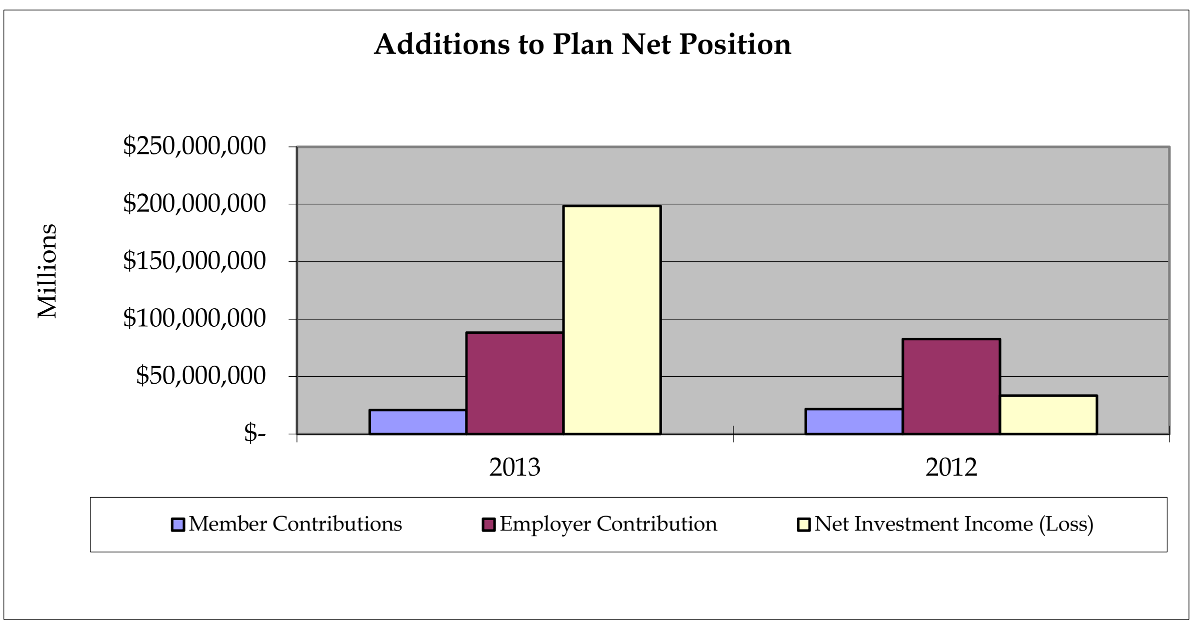
	2013	2012
Additions:		
Contributions	$ 108,994,767	$ 104,258,718
Investment Income	198,338,138	33,445,025
Total Additions	307,332,905	137,703,743
Total Deductions	163,277,158	157,229,197
Change in Plan Net Position	$ 144,055,747	$ (19,525,454)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

ADDITIONS TO PLAN NET POSITION

Additions to LSERS plan net position were derived from member and employer contributions and net investment income. Employer contributions increased $5,477,489 or 7% while member contributions decreased $741,440 or 3%. The System experienced net investment income of $198,338,138 for the fiscal year ending June 30, 2013 as compared to net investment income of $33,445,025 for fiscal year ending June 30, 2012. This increase in net investment income was attributed to fiscal year 2013 performance of 14.11% as compared to performance of 2.46% in fiscal year 2012. On June 30, 2013, the market value of plan assets was $1.584 billion. On June 30, 2012, plan assets were $1.466 billion. The difference in market value reflects a price change of $118 million.

Additions to Plan Net Position	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 20,830,149	$ 21,571,589	$ (741,440)	(3)%
Employer Contributions	88,164,618	82,687,129	5,477,489	7%
Net Investment Income	198,338,138	33,445,025	164,893,113	493%
Total	$ 307,332,905	$ 137,703,743		



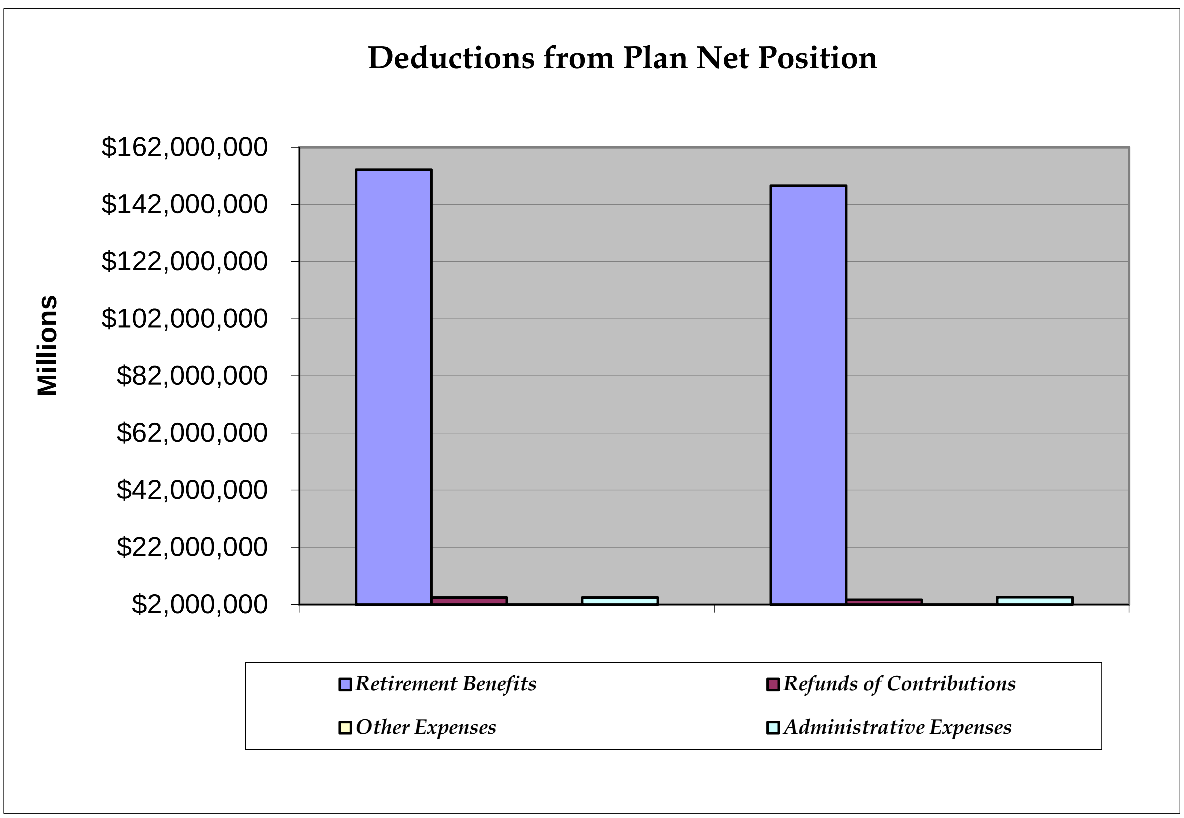
DEDUCTIONS FROM PLAN NET POSITION

Deductions from plan net position include mainly retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from plan net position totaled $163,277,158 in fiscal year 2013. The deductions increased 4% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable. No cost-of-living adjustments were paid during the year.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

The cost of administering LSERS benefits per member during 2013 was $166.

Deductions to Plan Net Position	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 154,135,219	$ 148,526,171	$ 5,609,048	4%
Refunds of Contributions	4,371,042	3,606,711	764,331	21%
Administrative Expenses	4,405,327	4,551,356	(146,029)	(3)%
Other Expenses	365,570	544,959	(179,389)	(33)%
Total	$ 163,277,158	$ 157,229,197		



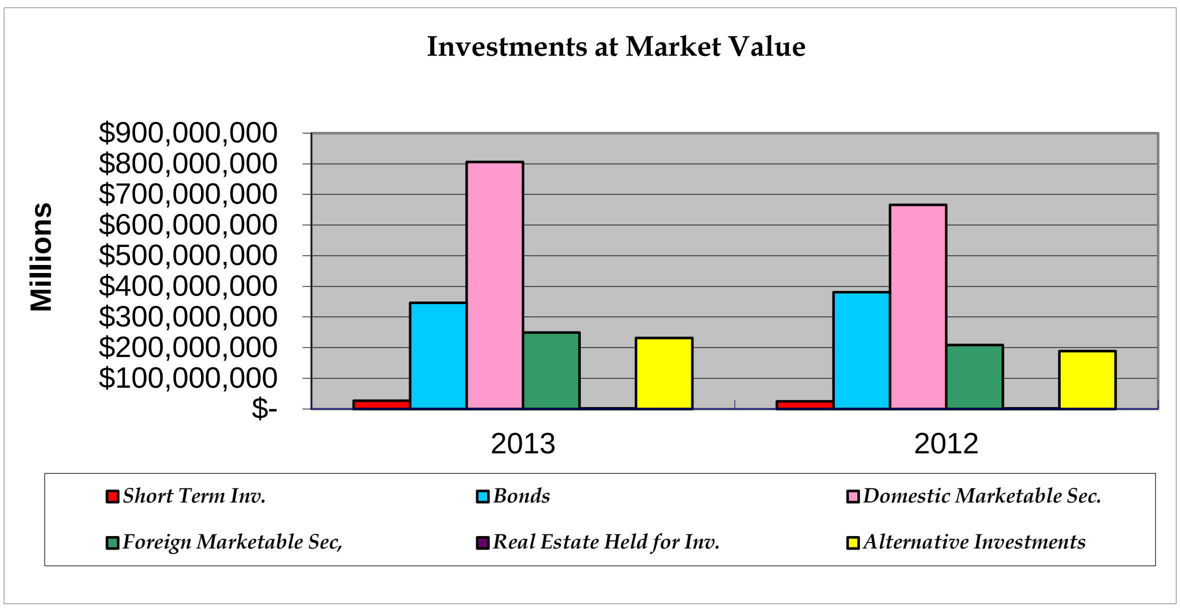
INVESTMENTS

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, less non-controlling interest, at June 30, 2013 were $1,583,835,373 as compared to $1,466,174,004 at June 30, 2012, an increase of $117,661,369.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2013

LSERS' investments in various asset classes at the end of the 2013 and 2012 fiscal years are indicated in the following table:

Investments	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 26,571,526	$ 24,472,358	$ 2,099,168	9%
Bonds	346,073,275	381,260,857	(35,187,582)	(9)%
Domestic Marketable Securities	805,464,135	666,275,694	139,188,441	21%
Foreign Marketable Securities	249,364,185	208,994,803	40,369,382	19%
Real Estate Held for Investment	1,993,124	1,993,124	-	-%
Alternative Investments	231,096,538	188,609,350	42,487,188	23%
Total	$ 1,660,562,783	$1,471,606,186		



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 POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CASH:		
In bank	$ 44,385,913	$ 40,041,958
RECEIVABLES: (Note 1)		
Member contributions	2,745,098	2,922,412
Employer contributions	13,375,727	12,375,532
Accrued interest and dividends	4,314,973	4,248,221
Investment receivable	22,728,230	20,328,572
Other	136,911	120,308
Total receivables	43,300,939	39,995,045
INVESTMENTS, AT FAIR VALUE:		
(Notes 1, 5, 6, 7 and 8) (Pages 40 - 46)		
Short-term investments	26,571,526	24,472,358
U.S. Government and agency obligations	97,706,157	104,891,037
Bonds - domestic	136,120,762	135,892,027
Bonds - foreign	112,246,356	140,477,793
Marketable securities - domestic	805,464,135	666,275,694
Marketable securities - foreign	249,364,185	208,994,803
Alternative investments	231,096,538	188,609,350
Real estate held for investment	1,993,124	1,993,124
Total investments	1,660,562,783	1,471,606,186
Collateral held under securities lending program	122,505,705	38,728,185
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	359,188	332,794
	5,002,331	4,975,937
Less accumulated depreciation	1,820,623	1,739,875
Total property and equipment	3,181,708	3,236,062
OTHER ASSETS:		
Intangible assets	300,000	-
Total other assets	300,000	-
Total assets	1,874,237,048	1,593,607,436

LIABILITIES AND NET POSITION

	2013	2012
LIABILITIES:		
Accounts payable	1,150,154	1,189,381
Accrued expenses and benefits	164,962	195,139
Obligations under securities lending program	122,505,705	38,728,185
Investment payable	29,343,563	48,115,887
Other post employement benefits obligation (Note 15)	2,730,304	2,498,331
Total liabilities	155,894,688	90,726,923
NET POSITION - RESTRICTED FOR PENSION BENEFITS	1,641,164,883	1,497,109,136
NONCONTROLLING INTERESTS	77,177,477	5,771,377
TOTAL NET POSITION	$ 1,718,342,360	$ 1,502,880,513

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
ADDITIONS:		
Contributions: (Notes 1 and 3)		
Member contributions	$ 20,830,149	$ 21,571,589
Employer contributions	88,164,618	82,687,129
Total contributions	108,994,767	104,258,718
Investment Income: (Notes 1, 6, 7 and 8)		
Net appreciation in fair value of investments	175,993,303	5,063,814
Interest	15,399,480	16,520,653
Securities lending income	747,153	441,568
Dividends	15,475,051	13,300,613
Alternative investment income	3,823,770	2,291,241
Foreign currency exchange gain (loss)	(4,366,947)	1,001,291
	207,071,810	38,619,180
Less Investment Expense:		
Investment advisory fee	4,251,013	3,894,947
Custodian and bank fees	445,839	322,247
	4,696,852	4,217,194
Net investment income	202,374,958	34,401,986
Less: Net investment income attributable to noncontrolling interest	(4,036,820)	(956,961)
Net investment income attributable to the Pension Fund	198,338,138	33,445,025
Total additions	307,332,905	137,703,743
DEDUCTIONS:		
Retirement benefits paid	154,135,219	148,526,171
Refunds of contributions	4,371,042	3,606,711
Administrative expenses (Page 39)	4,405,327	4,551,356
Depreciation expense	120,854	118,799
Transfer to other systems - employee	35,434	78,609
Transfer to other systems - employer and interest	209,282	347,551
Total deductions	163,277,158	157,229,197
NET INCREASE/(DECREASE)	144,055,747	(19,525,454)
NET POSITION - RESTRICTED FOR PENSION BENEFITS		
Beginning of year	1,497,109,136	1,516,634,590
END OF YEAR	$ 1,641,164,883	$ 1,497,109,136

See accompanying notes.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 twelve members composed of the President of the Louisiana School Bus Operators' Association, the chairman of the House Retirement Committee, the Commissioner of the Division of Administration, 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. During the year ended December 31, 2012, the System adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources and also redefined the residual of all other elements presented in a statement of financial position as net position.

Financial Reporting Entity:

Governmental Accounting Standards Board (GASB) issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which amends Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability.

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

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

Basis of Accounting:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

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

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

Expenditures are recognized in the period incurred.

Consolidation:

6

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

For the years ended June 30, 2013 and 2012, the Plan was the 62.01% and 94.53% owner of the Rhumbline Equal Weighted Large Cap Pooled Index Fund, respectively, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 and 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.

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 38 other agencies for the year ended June 30, 2013 and 64 school boards and 41 other agencies at June 30, 2012, 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, 2013 and 2012, plan membership consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits	13,369	12,930
Terminated employees entitled to benefits but not yet receiving them	355	339
Terminated vested employees who have not withdrawn contributions (DROP)	559	612
Fully vested, partially and nonvested active employees	12,184	12,416
TOTAL PARTICIPANTS	26,467	26,297

Eligibility Requirements:

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements: (Continued)

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 or 5 years if enrolled after June 30, 2010.

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 who are not vested will be refunded their contributions.

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.

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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.

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).

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. The cash balance plan was ruled unconstitutional on June 28, 2013 by the Louisiana Supreme Court.

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, 2013 and 2012 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, 2013 and June 30, 2012 was 32.3% and 31.6%, respectively. The actual employer rate for the years ended June 30, 2013 and 2012 was 32.3% and 30.8%, 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, 2013 and 2012 is $-0-. Any excess funds at year end are closed out to the Pension Accumulation Fund per Louisiana Statute.

B) Experience Account Fund:
The Experience Account was created as a reserve to provide for cost-of-living adjustments. It is credited with an amount not to exceed 50% of the prior year's excess net investment experience gain attributable to Tier 1 assets and debited with the prior year's net investment loss attributable to the balance in the employee experience account or by an amount sufficient to fund a cost-of-living adjustment. Balances in the experience account accrue interest at the average actuarial yield for the System portfolio. Once the balance of the Experience Account accumulates to a sum sufficient to grant retirees a cost-of-living adjustment, the board may grant retirees a cost-of-living adjustment. The Experience Account Fund as of June 30, 2013 and 2012 is $31,668,697 and $11,641,275, respectively.

C) 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, 2013 and 2012 is $172,045,061 and $170,062,164, respectively. The Annuity Savings is fully funded.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Reserves: (Continued)

D) 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, 2013 and 2012 is $635,026,097 and $609,755,461, respectively. The Pension Accumulation Fund is unfunded at June 30, 2013 and 2012

E) 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, 2013 and 2012 is $1,376,402,571 and $1,296,264,785, respectively. The Survivors Benefit Reserve as of June 30, 2013 and 2012 is $152,877,030 and $136,051,821, respectively. The Pension Reserve is 90% funded as of June 30, 2013 and 88% funded as of June 30, 2012. The Survivors Benefit is 90% funded as of June 30, 2013 and 88% funded as of June 30, 2012.

F) 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, 2013 and 2012 is $66,389,744 and $65,521,066, respectively. The Deferred Retirement Option account is fully funded.

G) 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, 2013 and 2012 is $1,273,747 and $816,830, respectively. The Initial Benefit Retirement Plan Reserve is fully funded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Funded Status And Funding Progress – Pension Plan:

The funded status of the Plan as of June 30, 2013, 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)
$1,492,915	$2,404,014	$911,100	62.1%	290,014	314.2%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2013
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	16-30 years
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets. The value is subject to Corridor Limits of 80% to 120% of the Market Value of Assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	The rate of annual salary growth is based on the members' years of service.
Cost of living adjustments	Cost-of-living raises may be granted from the Experience Account provided there are sufficient funds needed to offset the increase in liability of the COLA.
Changes in unfunded liability	The Plan experienced an increase in the unfunded liability in the amount of $30,226,741 as a result of experience account allocation and $64,046,911 as a result of a combination of experience loss and a 5 year experience loss study. The Plan experienced a decrease in the unfunded liability in the amount of $59,292,453 and $11,601,334 as a result of investment gain and experience account distribution, respectively.

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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, 2013 and 2012:

	2013	2012
Deposits (bank balance)	$ 44,655,493	$ 40,148,421
Cash equivalents	26,571,526	24,472,358
Investments	1,633,991,257	1,447,133,828
	$ 1,705,218,276	$ 1,511,754,607

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, 2013, cash equivalents in the amount of $25,611,691 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, 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. The funds are managed and held by a separate money manager and are in the name of the Plan. At June 30, 2013 and 2012, foreign currency included in cash equivalents of $959,835 and $843,633, 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, 2013 AND 2012

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, 2013 and 2012.

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, 2013 and 2012, the Plan had the following investments in long-term debt securities and maturities:

	June 30, 2013					
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	$ 22,934,330	$ -	$ 15,807,933	$ 4,156,733	$ 2,969,664	$ -
Government mortgage backed securities	74,771,827	6,669	3,854,408	961,198	69,949,552	-
U.S. Gov't and Gov't Agency Obligations	$ 97,706,157	$ 6,669	$ 19,662,341	$ 5,117,931	$ 72,919,216	$ -
U.S. Corporate Bonds	$ 102,187,110	$ 2,736,655	$ 38,393,441	$ 32,371,709	$ 28,685,305	$ -
Collateralized Mortgage Obligations	16,373,941	-	186,058	-	16,187,883	-
Other Fixed Income	17,559,711	-	2,518,448	1,311,264	13,688,340	41,659
Domestic Bonds	$ 136,120,762	$ 2,736,655	$ 41,097,947	$ 33,682,973	$ 58,561,528	$ 41,659
Foreign Bonds	$ 112,246,356	$ 8,877,332	$ 57,957,657	$ 28,922,948	$ 15,768,492	$ 719,927
Collateral Held Under Securities Lending Program	$ 122,505,705	$ 103,717,759	$ 9,017,731	$ 8,795,965	$ 974,250	$ -

	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	$ -	$ -

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, 2013 AND 2012

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:

2013	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	$ -	$ -	$ 509,385	$ 1,144,063	$ 34,643	$ 18,018,914
AA+	-	3,577,189	3,379,331	1,375,846	1,777,875	-
AA	-	-	668,833	-	259,896	282,841
AA-	-	-	1,103,048	-	1,002,633	2,647,666
A+	-	-	5,626,204	1,234,981	2,889,572	2,536,558
A	-	-	15,860,581	-	4,081,568	11,553,035
A-	-	-	23,360,790	-	917,316	9,923,533
BBB+	-	-	8,175,492	293,812	277,888	3,509,225
BBB	-	-	16,352,168	-	1,198,740	7,797,634
BBB-	-	-	8,648,119	89,473	-	495,053
BB+	-	-	959,954	-	-	1,085,163
BB	-	-	2,080,444	272,345	13,511	-
BB-	-	-	3,151,518	-	660,868	786,263
B+	-	-	1,407,313	177,587	-	-
B	-	-	1,565,862	-	-	736,613
B-	-	-	767,400	-	-	-
CCC+	-	-	1,315,388	-	-	180,687
CCC	-	-	-	3,545,442	2,509,210	1,101,972
CCC-	-	-	-	-	-	-
CC	-	-	-	-	693,119	-
D	-	-	-	5,447,978	587,095	-
Not Rated	22,934,330	71,194,638	7,255,280	2,792,414	655,777	51,591,199
	$ 22,934,330	$ 74,771,827	$ 102,187,110	$ 16,373,941	$ 17,559,711	$ 112,246,356

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	$ 860,638	$ 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	$ 100,174,145	$ 23,185,381	$ 12,532,441	$ 140,477,793

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, for collateral held under securities lending in the amounts of $122,505,705 and $38,728,185, respectively, and noncash collateral received under the securities lending program in the amounts of $13,926,477 and $6,434,452, 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:

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, 2013, the Plan's current position in foreign marketable securities and global fixed income is 7% and 4%, respectively.

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, 2013 and 2012 are as follows:

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Foreign Currency Risk: (Continued)

Fair Value at June 30, 2013:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 8,374,090	$10,656,712	$ -	$ (10,343,697)	$ 8,687,105
Brazil real	724,293	-	-	7,844	732,137
British pound sterling	20,014,990	3,659,124	-	(3,695,531)	19,978,583
Canadian dollar	1,616,190	-	-	(38,259)	1,577,931
Columbian peso	-	-	-	257,673	257,673
Czech koruna	545,090	-	-	6,215	551,305
Danish krone	2,567,814	-	-	13,975	2,581,789
Euro	27,090,294	10,354,857	8,225,670	(423,072)	45,247,749
Hong Kong dollar	13,210,396	-	-	-	13,210,396
Japanese yen	27,704,164	18,282,018	-	(1,019,319)	44,966,863
Malaysian ringgit	-	3,302,932	-	-	3,302,932
Mexican new peso	-	5,415,845	-	512,067	5,927,912
New Turkish lira	607,816	-	-	-	607,816
Norwegian krone	2,763,109	-	-	-	2,763,109
Peruvian nuevo sol	-	-	-	257,701	257,701
Polish zloty	-	8,543,684	-	69,364	8,613,048
South African comm rand	-	-	-	34,847	34,847
Singapore dollar	2,212,432	-	-	-	2,212,432
South Korean won	1,777,450	-	-	-	1,777,450
Swedish krona	3,460,804	10,535,325	-	62,746	14,058,875
Swiss franc	13,280,405	-	-	140,237	13,420,642
Total	$ 125,949,337	$ 70,750,497	$ 8,225,670	$ (14,157,209)	$ 190,768,295

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 sterling	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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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 103% of the market value of the securities plus any accrued interest. Non U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. At year-end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The contract with the Plan's agent requires it to provide borrower indemnification. The custodian's responsibility includes performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 48 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of 43 days. Cash collateral may also be invested separately in "term loans", in which the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses are known to the securities lending agent.

The Plan has the following securities on loan:

	June 30, 2013 Market (Carrying Value)	June 30, 2012 Market (Carrying Value)
Corporate Bonds - Domestic	$ 16,234,270	$ 4,755,104
Corporate Bonds - Foreign	1,937,212	1,091,995
Government Bonds – Foreign	276,692	-
Marketable Securities – Domestic	98,006,871	29,153,019
Marketable Securities – Foreign	2,770,792	2,632,406
	$ 119,225,837	$ 37,632,524

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

6. SECURITY LENDING TRANSACTIONS: (Continued)

Securities on loan at June 30, 2013 and 2012 are collateralized by cash collateral in the amount of $122,505,705 and $38,728,185, respectively, and noncash collateral in the amount of $13,926,477 and $6,434,452, 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, 2013 and 2012. 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, 2013 and 2012, the Plan has the following derivative instruments categorized as investment derivative instruments:

Investment Derivatives at June 30, 2013:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Fixed Income Futures	$ (3,346,139)	N/A	$ -	Net App (Dep) in Fair Value	$ 110,373
Fixed Income Futures – EUR	(877,995)	N/A	-	Net App (Dep) in Fair Value	22,045
Fixed Income Futures – CAN	3,707,925	N/A	-	Net App (Dep) in Fair Value	(140,139)
Fixed Income Futures – GBP	613,769	N/A	-	Net App (Dep) in Fair Value	(49,869)
Cash & Cash Equiv.	(29,814,783)	N/A	-	Net App (Dep) in Fair Value	(9,342)
			$ -		$ (66,932)

Investment Derivatives at June 30, 2012:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Fixed Income Futures	$(18,379,108)	Investments Payable	$ -	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

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, 2013, 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, 2013 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2013 and June 30, 2013. 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 $231,096,538 and $188,609,350 as of June 30, 2013 and 2012, respectively.

The total initial active commitment for the partnerships as of June 30, 2013 was $172,690,500. The total amount called for funding as of June 30, 2013 was $94,733,283. The total amount of distributions recallable for funding as of June 30, 2013 was $1,200,000. The remaining commitment that could be called as of June 30, 2013 was $79,157,217.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 38, 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	332,794	67,740	(41,346)	-	359,188
Accumulated depreciation	(1,739,875)	(120,666)	39,918	-	(1,820,623)
	$ 3,236,062	$ (52,926)	$ (1,428)	$ -	$ 3,181,708

Depreciation expense for the years ended June 30, 2013 and 2012 was $120,666 and $118,799, 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 33 through 35.

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, 2013 AND 2012

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, 2013 and 2012.

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

JUNE 30	
2014	$ 340,792
2015	340,792
2016	113,597
2017	-
2018	-
Total	$ 795,181

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, 2013, 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.

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

Funding Policy (Continued)

Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan and the Medical Home Health Maintenance Organization (HMO) Plan. The previously offered Regional Health Maintenance Organization (HMO) Plan was folded into the Medical Home HMO plan, effective January 1, 2013. 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 preferred provider organization (PPO) 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, 2013 and 2012, employee premiums for a single member receiving benefits range from $79 to $87 and $85 to $89 per month, respectively, for employee-only coverage with Medicare or from $129 to $144 and $138 to 147 per month, respectively, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2013 and 2012 range from $140 to $322 and $150 to $330 per month, respectively, for those with Medicare or from $410 to $468 and $441 to $479 per month, respectively, for those without Medicare.

The Plan is currently financed on a pay as you go basis, with the Plan contributing anywhere from $252 to $283 and $255 to $267 per month for retiree-only coverage with Medicare or from $879 to $991 and $878 to $950 per month for retiree-only coverage without Medicare during the years ended June 30, 2013 and 2012, respectively. Also, the Plan's contributions range from $452 to $1,045 and $450 to $989 per month for retiree and spouse with Medicare or $1,351 to $1,541 and $1,342 to $1,459 for retiree and spouse without Medicare during the years ended June 30, 2013 and 2012, 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 termination of employment or 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 is $448,000 for the fiscal year beginning July 1, 2013 and 2012.

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, 2013 and 2012, the amount actually contributed to the plan, and changes in the Plan's net OPEB Obligation:

	2013	2012
Annual required contribution	$ 448,000	$ 448,000
Interest on net OPEB obligation	99,933	91,265
ARC adjustment	(95,465)	(87,185)
Annual OPEB Cost	452,468	452,080
Contributions made	(220,495)	(235,382)
Increase in Net OPEB Obligation	231,973	216,698
Beginning Net OPEB Obligation	2,498,331	2,281,633
Ending Net OPEB Obligation	$ 2,730,304	$ 2,498,331

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, 2013, 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
June 30, 2013	452,468	48.73%	2,730,304

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 2012-2013, neither the Plan nor the State of Louisiana contributed to it. Since the plan has not been funded, the entire actuarial accrued liability of $6,953,500 and $6,590,900 as of July 1, 2012 and July 1, 2011, respectively, was unfunded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2011 and 2010, was as follows:

	July 1, 2011	July 1, 2010
Actuarial accrued liability (AAL)	$ 6,953,500	$ 6,590,900
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 6,953,500	$ 6,590,900
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,309,700	$ 1,378,700
UAAL as a percentage of covered payroll	531%	478%

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, 2012 and 2011 actuarial valuations, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2012 valuation 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 scaling down to ultimate rates of 4.5% 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, 2013 and 2012 was 24 and 25 years, respectively.

16. RECLASSIFICATIONS:

Certain reclassifications have been made to the prior year comparative information to conform to the current year presentation. Such reclassifications had no effect on the change in net position.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)
JUNE 30, 2008 THROUGH 2013

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)
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	875,008	61.6	277,191	315.7
2013	1,492,915	2,404,014	911,100	62.1	290,014	314.2

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2008 THROUGH 2013

Year Ended June 30	Actuarially Required Contribution	Percentage Contributed
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
2013	95,596,813	92.23

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 2013

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
2013	0	6,953,500	6,953,500	0	1,309,700	531

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, 2013

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2012	$ 1,296,264,785	$ 136,051,821	$ 170,062,164	$ 65,521,066
Beginning balance adjustment	-	-	-	-
	1,296,264,785	136,051,821	170,062,164	65,521,066
ADDITIONS:				
Contributions:				
Members	-	-	20,830,149	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	14,440,776	-	-	-
Transfers from Pension Accumulation				
Pensions transferred from Pension Reserve	-	334,109	-	14,324,812
Operating transfers	-	-	-	-
Actuarial transfers	218,700,357	19,282,676	-	-
Total additions	233,141,133	19,616,785	20,830,149	14,324,812
DEDUCTIONS:				
Retirement allowances paid	136,746,773	2,791,576	-	13,456,134
Refunds to members	-	-	4,371,042	-
Transfers to Pension Reserve	-	-	14,440,776	-
Transfers to Survivor Benefit	334,109	-	-	-
Transfers to Experience Account				
Pensions transferred to DROP	14,324,812	-	-	-
Pensions transferred to IBRP	1,597,653	-	-	-
Transfers to other systems	-	-	35,434	-
Depreciation	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	-	-	-
Total deductions	153,003,347	2,791,576	18,847,252	13,456,134
NET INCREASE (DECREASE)	80,137,786	16,825,209	1,982,897	868,678
BALANCES, JUNE 30, 2013	$ 1,376,402,571	$ 152,877,030	$ 172,045,061	$ 66,389,744

IBRP	Pension Accumulation	Experience Account Fund	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 816,830	$ 609,755,461	$ -	$ -	$ (781,362,991)	$ 1,497,109,136
-	-	11,641,275	-	(11,641,275)	-
816,830	609,755,461	11,641,275	-	(793,004,266)	1,497,109,136
-	-	-	-	-	20,830,149
-	88,164,618	-	-	-	88,164,618
-	196,936,123	1,402,015	-	-	198,338,138
-	-	-	-	-	14,440,776
		30,226,741			30,226,741
1,597,653	-	-	-	-	16,256,574
-	-	-	4,405,327	-	4,405,327
-	-	-	-	-	237,983,033
1,597,653	285,100,741	31,628,756	4,405,327	-	610,645,356
1,140,736	-	-	-	-	154,135,219
-	-	-	-	-	4,371,042
-	-	-	-	-	14,440,776
-	-	-	-	-	334,109
	30,226,741				30,226,741
-	-	-	-	-	14,324,812
-	-	-	-	-	1,597,653
-	209,282	-	-	-	244,716
-	120,854	-	-	-	120,854
-	-	-	4,405,327	-	4,405,327
-	4,405,327	-	-	-	4,405,327
-	224,867,901	11,601,334	-	1,513,798	237,983,033
1,140,736	259,830,105	11,601,334	4,405,327	1,513,798	466,589,609
456,917	25,270,636	20,027,422	-	(1,513,798)	144,055,747
$ 1,273,747	$ 635,026,097	$ 31,668,697	$ -	$ (794,518,064)	$ 1,641,164,883

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 loss 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
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

JUNE 30, 2013

TRUSTEE	NUMBER OF MEETINGS	AMOUNT
Betty Crain	15	$ 1,125
Eugene Rester	14	1,050
Jeffrey Faulk	15	1,125
Judith McKee	15	1,125
Kathy Landry	15	1,125
Linda Mathiew	5	375
Phillip Walther	15	1,125
Yearby Henry	8	600
TOTALS		$ 7,650

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

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, 2013 AND 2012

	2013	2012
EXPENSES:		
Salaries	$ 2,106,264	$ 2,206,658
Overtime pay	-	461
Related benefits	1,280,243	1,313,048
Student labor	6,218	6,202
Compensation - board	7,650	6,675
Total expenses	3,400,375	3,533,044
OPERATING EXPENSES:		
Professional improvement - staff and board	23,496	22,817
Travel - board	23,899	19,478
Travel - staff	12,184	13,086
Total operating expenses	59,579	55,381
OPERATING SERVICES:		
Equipment maintenance	69,939	63,540
Equipment rent	37,530	39,765
Building	204,494	212,897
Dues	31,028	27,680
Postage & Printing	176,591	169,968
Telephone	37,829	36,191
Insurance	48,792	46,626
Legal	136,189	78,299
Advertising	199	3,690
Total operating services	742,591	678,656
SUPPLIES:		
Office	15,650	17,825
Computer	3,218	3,821
Total supplies	18,868	21,646
PROFESSIONAL SERVICES:		
Medical	11,950	12,950
Actuary	74,900	62,000
Audit	31,575	31,575
Total professional services	118,425	106,525
INTERAGENCY TRANSFERS:		
Civil Service	8,333	8,215
Total interagency transfers	8,333	8,215
OTHER CHARGES:		
Miscellaneous	49,527	58,967
Computer software	7,629	88,922
Total other charges	57,156	147,889
TOTAL EXPENSES	$ 4,405,327	$ 4,551,356

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2013

	Par Value	Original Cost	Market Value
SHORT-TERM INVESTMENTS		$ 26,607,698	$ 26,571,526
U.S. GOVERNMENT AND U.S. GOVERNMENT AGENCY OBLIGATION:			
U.S. government and government agency obligations	$ 22,963,000	$ 23,062,336	$ 22,934,330
Government mortgage-backed securities	150,903,049	75,565,284	74,771,827
	$ 173,866,049	$ 98,627,620	$ 97,706,157
BONDS - DOMESTIC:			
Corporate bonds - domestic	$ 106,394,245	$ 99,051,639	$ 102,187,110
Collateralized mortgage obligations	23,125,608	17,414,365	16,373,941
Other fixed income investments	-	3,417,322	3,165,330
Asset backed securities	17,748,420	14,917,750	14,394,381
	$ 147,268,273	$ 134,801,076	$ 136,120,762
BONDS - FOREIGN:			
Corporate bonds - foreign	$ 46,643,470	$ 47,763,125	$ 48,176,212
Government bonds - foreign	59,649,555	69,523,577	64,070,143
	$ 106,293,025	$ 117,286,702	$ 112,246,355
MARKETABLE SECURITIES - DOMESTIC:			
Common stocks		$ 518,928,619	$ 682,692,196
Equity funds		87,599,326	122,771,939
		$ 606,527,945	$ 805,464,135
MARKETABLE SECURITIES - FOREIGN:			
Common stocks		$ 126,475,090	$ 169,178,983
Equity funds		65,637,442	79,188,322
Preferred stock		2,101,381	996,880
		$ 194,213,913	$ 249,364,185
ALTERNATIVE INVESTMENTS:			
Real estate funds		$ 119,485,298	$ 135,706,438
Private equity funds		85,736,044	95,390,100
		$ 205,221,342	$ 231,096,538
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, 2013

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

	Par Value	Fair Value
SHORT TERM INVESTMENTS:		
BNY Mellon EB Temporary Investment Fund	$ 24,598,880	$ 24,598,880

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

	Par Value	Fair Value
DOMESTIC FIXED INCOME:		
Federal Natl Mtg. Assn. 2.630% 10/10/2024	$ 5,350,000	$ 4,918,469
U.S. Treasury Note 0.625% 05/31/2017	3,850,000	3,788,631
U.S. Treasury Note 0.375% 03/15/2015	3,770,000	3,774,411
Federal Home Ln Mtg Corp 1.140% 10/15/2018	3,720,000	3,577,189
U.S. Treasury Note 1.625% 08/15/2022	3,597,000	3,374,705
Deere & Co. 4.375% 10/16/2019	3,000,000	3,341,370
Boeing Co./The 7.950% 08/15/2024	2,300,000	3,136,556
Union Pacific Corp 6.625% 02/01/2029	2,500,000	3,133,025
Valero Energy Corp 7.500% 04/15/2032	2,500,000	3,051,600
Dominion Resources Inc./VA 6.400% 06/15/2018	2,500,000	2,968,875
Halliburton Co. 5.900% 09/15/2018	2,500,000	2,949,025
U.S. Treasury Note 0.250% 01/15/2015	2,860,000	2,859,428
Verizon Communications Inc 5.500% 02/15/2018	2,500,000	2,846,950
Burlington Northern Santa Fe L 5.650% 05/01/2017	2,500,000	2,836,275
General Electric Capital Corp 5.625% 09/15/2017	2,500,000	2,831,675
AT&T Inc. 5.625% 06/15/2016	2,500,000	2,796,925
Duke Energy Corp 3.550% 09/15/2021	2,500,000	2,496,700
Oneok Inc New 5.2% 15 Jun 2015	2,500,000	2,689,025
Altria Group Inc 4.125% 11 Sep 2015	2,500,000	2,664,075
Progressive Corp/The 7.000% 10/01/2013	2,200,000	2,233,374
American Express Credit Corp 2.375% 03/24/2017	2,500,000	2,552,200
Pride International Inc 6.875% 08/15/2020	2,000,000	2,373,620
Federal Home Ln Mtg corp Pool #Q0-2675 4.000% 08/01/2041	1,784,981	1,861,271
United States Treas Bond 4.500% 05/15/2038	1,650,000	1,968,665
Target Corp 3.875% 07/15/2020	2,500,000	2,672,425
Home Depot Inc/The 3.950% 09/15/2020	2,500,000	2,710,275
ConocoPhillips Holding Co. 6.950% 04/15/2029	2,000,000	2,547,400
Renaissance Home Equity 3 AF2 VAR RT 09/25/2037	3,250,000	1,860,333
Alcoa Inc. 5.550% 02/01/2017	2,000,000	2,125,440
Mondelez International Inc. 6.500% 11/01/2031	2,500,000	2,904,525
Commit to Pur FNMA SF Mtg 3.500% 07/01/2043	2,045,000	2,076,002

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

	Shares		Fair Value
DOMESTIC STOCKS:			
Apple Inc Com	21,881	$	8,676,473
Microsoft Corp	219,113		7,569,259
General Electric Co	259,585		6,019,776
Wells Fargo & Co New Com	137,679		5,682,012
Chevron Corp	47,197		5,585,293
Google Inc.	5,556		4,891,336
Wal-Mart Stores Inc	65,560		4,883,564
JP Morgan Chase & Co.	89,435		4,721,274
MSC Indl. Direct Inc. CL A Common Stock	60,740		4,704,920
AT&T Inc Com	130,405		4,616,337
Philip Morris International Inc	51,789		4,485,963
International Business Machs Corp	21,589		4,125,874
American Express Co.	55,178		4,125,107
Ultimate Software Group Inc.	32,705		3,835,969
Copart Inc.	124,459		3,833,337
United Technologies Corp	40,433		3,757,843
Oracle Corp	121,354		3,726,781
Honeywell International Inc.	45,731		3,628,298
Procter & Gamble Co	46,564		3,584,962
Knight Transportation Inc.	209,906		3,530,619
Exxon Mobil Corp	38,913		3,515,790
Ebay Inc.	66,118		3,419,623
Amerisourcebergen Corp	60,383		3,371,183
Baxter Intl. Inc Com	47,672		3,302,239
Coca Cola Co.	79,010		3,169,091
Occidental Petroleum Corp	33,591		2,997,325
Verizon Communications Inc.	59,205		2,980,380
Dover Corp	38,952		2,947,352
Time Warner Cable Inc.	25,208		2,835,396
Express Scripts Holding Co.	45,084		2,783,486

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

	Shares	Fair Value	Country
FOREIGN STOCKS:			
Denso Corp Npv	97,200	$ 4,564,735	Japan
Roche Hldg Ag Genusscheine NPV	15,723	3,905,200	Switzerland
Essilor International Eur0.18	34,400	3,654,991	France
Adidas AG	32,000	3,458,225	Germany
L'Oreal Eur0.20	18,800	3,085,194	France
HSBC Hldgs. Ord Usd0.50	279,459	2,890,694	United Kingdom
Sap Ag Ord Npv	36,800	2,691,168	Germany
Novartis Ag Chf0.50(Regd)	37,400	2,652,370	Switzerland
Reckitt Benck Grp Ord Gbp0.10	37,200	2,622,459	United Kingdom
Nestle Sa Chf0.10(Regd)	40,000	2,619,035	Switzerland
Novo-Nordisk As Dkk1 Ser'B'	16,500	2,567,814	Denmark
Industria De Diseno Textil SA Eur0.15	19,700	2,428,572	Spain
Taiwan Semiconductor Manufactu Adr	132,200	2,421,904	Taiwan
Core Laboratories N V	15,718	2,383,792	Netherlands
Shin-Etsu Chemicals Co. Npv	35,600	2,358,162	Japan
Keyence Corp NPV	7,229	2,303,295	Japan
Cnooc Limited Hkd0.02	1,311,000	2,224,340	China
Danone Eur0.25	29,600	2,218,501	France
DBS Group Hldgs Npv	181,034	2,212,432	Singapore
Smith & Nephew Ord Usd0.20	197,500	2,201,680	United Kingdom
CSL Ord Npv	38,000	2,141,956	Australia
BG Group Ord Gbp0.10	126,100	2,139,197	United Kingdom
Daito Trust Construction Y50	22,500	2,117,834	Japan
Woolworths Limited Ord A0.25	70,400	2,114,297	Australia
Syngenta AG Chf0.1	5,400	2,109,433	Switzerland
Fanuc Corp NPV	14,500	2,099,059	Japan
Komatsu T50	89,200	2,059,049	Japan
ARM Holdings PLC ADR	56,330	2,040,836	United Kingdom
Centrica Ord Gbp 0.061728395	369,900	2,020,820	United Kingdom
Standard Chartered Ord Usd1.50	93,033	2,013,542	United Kingdom

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

	Par Value	Fair Value	Country
FOREIGN FIXED INCOME:			
Australia Government Bond 5.250% 03/15/2019	4,350,000	4,398,545	Australia
Japan Govt Twenty Year Bond 2.100% 09/20/24	360,000,000	4,060,514	Japan
Poland(Republic Of) 5.25% Bds 25/10/2020	12,500,000	4,030,461	Poland
Bank Nederlandse Gemeenten 4.375% 02/16/2021	3,600,000	3,991,320	Netherlands
Japan Govt Ten Year Bond 1.500% 03/20/24	382,000,000	3,884,409	Japan
Mexican Bonos 8.500% 12/13/2018	38,500,000	3,383,153	Mexico
HSBC Holdings PLC 6.250% 03/19/2018	1,300,000	1,947,639	United Kingdom
Sweden Government Bond 3.500% 06/01/2022	12,100,000	1,995,146	Sweden
Japan Govt Five Year Bond 0.400% 09/20/15	200,000,000	2,025,071	Japan
Australia Government Bond 4.500% 10/21/2014	2,400,000	2,253,650	Australia
Kommunalbanken AS 2.375% 01/19/2016	2,200,000	2,284,907	Norway
Global SC Finance 2.980% 04/17/2028	2,468,167	2,379,930	Barbados
Rio Tinto Finance USA PLC 1.625% 08/21/2017	2,500,000	2,451,975	United Kingdom
Australia Government Bond 5.750% 05/15/2021	2,350,000	2,467,990	Australia
Japan Govt Five Year Bond 0.300% 09/20/15	250,000,000	2,525,769	Japan
Sweden Government Bond 4.250% 03/12/2019	15,265,000	2,568,605	Sweden
Sweden Government Bond 4.500% 08/12/2015	17,850,000	2,828,199	Sweden
Brazillian Government Intl. 6.000% 01/17/2017	2,500,000	2,812,500	Brazil

(Continued)

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF TOP INVESTMENT HOLDINGS
JUNE 30, 2013

DOMESTIC EQUITY FUNDS:	Shares		Fair Value
Cf Rhumbline S&P 500 Equal Weighted Large Cap Fund	6,042,300	$	125,958,427
Cf Rhumbline S&P 400 Mid Cap Fund	1,565,924		90,712,000
Cf Analytic Core Equity Plus Fund	225,417		31,438,311
INTERNATIONAL EQUITY FUNDS:			
Thornburg International Equity Fund	74,087,923		74,087,923
ALTERNATIVE INVESTMENTS:			
Real Estate Funds:			
Principal US Property Fund	1,247,791		39,661,022
CF Prudential Prisa I Real Estate Fund	1,027		37,625,149
US Government Properties Income & Growth Fund I, LP	13,629,200		13,629,200
Landmark Real Estate Partners VI	8,780,786		8,780,786
US Government Properties Income & Growth Fund II, LP	2,096,107		2,096,107
Private Equity Funds:			
Morgan Stanley Prime Property Fund, LLC	31,002,651		31,002,651
Hamilton Lane Private Equity Fund VI, LP	20,221,710		20,221,710
Pantheon USA Fund VII, LP	23,617,527		23,617,527
Summit Partners Credit Fund, LP	13,422,534		13,422,534
Pantheon Asia Fund V, LP	11,253,796		11,253,796
Pantheon Europe Fund VI, L.P.	6,328,169		8,225,670
FLAG Energy & Resource Partners II, LF	15,095,187		15,095,187
Hamilton Lane Private Equity Fund VIII, LP	2,134,822		2,134,822

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

HEATHER M. JOVANOVICH, C.P.A.
TERRI L. KITTO, C.P.A.

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

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A.J. DUPLANTIER JR, C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR, C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

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

September 24, 2013

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statements of plan net position and the related statements of changes in plan net position of 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, 2013 and the related notes to the financial statements, which collectively comprise the State of Louisiana School Employees' Retirement System's basic financial statements and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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, 2013 AND 2012

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, 2013 and 2012 was unqualified.

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

2. Internal Control

   Material weaknesses – none noted
   Significant deficiencies – none noted

3. Compliance

   Noncompliance material to financial statements – none noted

MANAGEMENT LETTER COMMENTS:

None.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

SUMMARY OF PRIOR FINDINGS:

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 recommended LSERS perform and document a reconciliation of the custodian statement to the general ledger which includes all investment categories. This finding was resolved in the current year audit.

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 recommended reconciliations were to be completed through fiscal year end, between the manager statements and the custodian statements, to ensure investments are properly reported. This finding was resolved in the current year audit.