R E P O R T

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2014

STATE OF LOUISIANA

SCHOOL EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

September 25, 2014

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 (System), a component unit of the State of Louisiana, which comprise the statement of fiduciary net position as of June 30, 2014, and the related statement of changes in fiduciary net position for the year 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.

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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, 2014, 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.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for State of Louisiana School Employees' Retirement System was $2,438,251,413 at June 30, 2014. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2014 could be understated or overstated.

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information on pages 40 - 44 is presented for purposes of additional analysis and is not a part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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.

The statement of fiduciary net position and the related statements of changes in fiduciary net position for the year ended June 30, 2013 on pages 38 – 39 were previously audited, in accordance with auditing standards generally accepted in the United States of America. The financial statements are not presented with the accompanying financial statements and we expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of fiduciary net position and the related statements of changes in fiduciary net position the year ended June 30, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 *Government Auditing Standards* and auditing standards generally accepted in the United States of America. In our opinion, the 2013 information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the State of Louisiana School Employees' Retirement System's internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations and contracts. 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* in considering the internal control over financial reporting of the State of Louisiana School Employees' Retirement System.

Duplantier, Hrapmann, Hogan & Maher, LLP

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

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 $268,947,156 at June 30, 2014; this is a 36% increase from net investment gains of $198,338,138 at June 30, 2013. This increase in investment gains is attributed to positive performance in each segment of the portfolio. In fiscal year 2014, the plan achieved an annual return of 17.16%, as compared to 14.11% for fiscal year 2013. The largest and most notable portion of the gain came from domestic equities. The overall domestic equity performance at 25.49%.

- Member contributions increased by $1,346,819 or 6%. The increase is attributable to an increase in aggregate member salaries.

- Employer contributions increased by $8,536,646 or 10%. The employer contribution rate established by the system's actuary and approved by the Public Employees' Retirement Systems Actuarial Committee (PERSAC) is projected 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 Fiduciary Net Position
- Statement of Changes in Fiduciary 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 fiduciary 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, 2014 and 2013.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

The statements of changes in fiduciary net position report the results of the pension fund operations during the year, disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's total net position on the statement of fiduciary 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 Fiduciary Net Position
June 30, 2014 and 2013

	2014	2013
Cash	$ 46,565,272	$ 44,385,913
Receivables	29,623,918	43,300,939
Investments	1,791,250,561	1,660,562,783
Collateral held under securities lending	177,754,861	122,505,705
Property and Equipment	3,158,978	3,181,708
Other assets	507,730	300,000
Total Assets	2,048,861,320	1,874,237,048
Total Liabilities	191,494,264	155,894,688
Net Position - Restricted for Pension Benefits	1,857,367,056	1,641,164,883
Noncontrolling interests	-	77,177,477
Total Net Position	$ 1,857,367,056	$ 1,718,342,360

Consolidated Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2014 and 2013

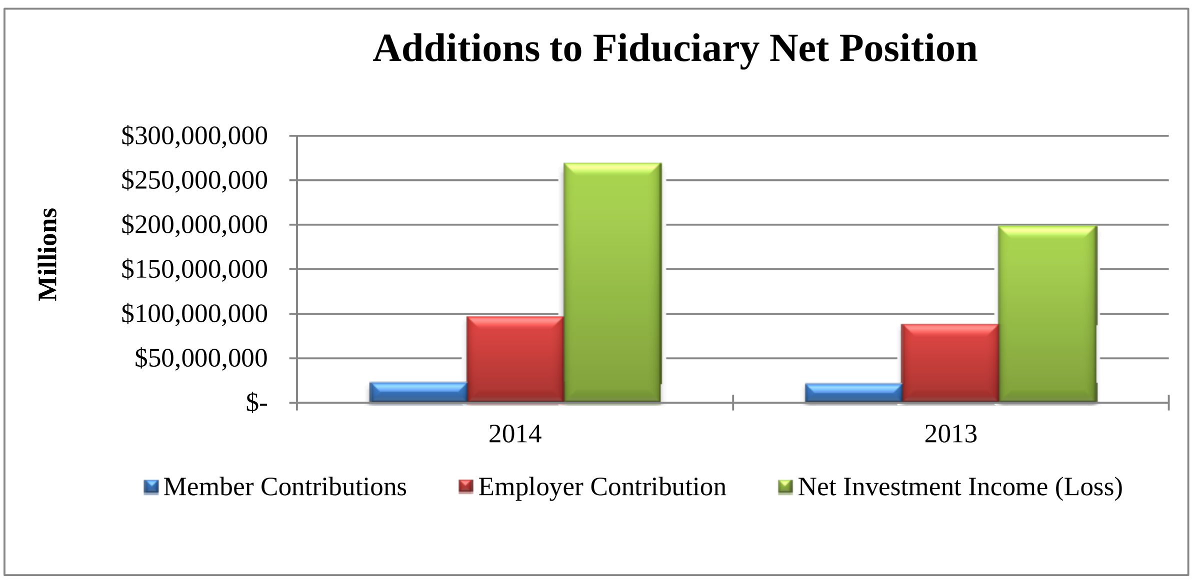
	2014	2013
Additions:		
Contributions	$ 118,878,229	$ 108,994,767
Investment Income	268,947,156	198,338,138
Total Additions	387,825,385	307,332,905
Total Deductions	171,623,212	163,277,158
Change in Net Position	$ 216,202,173	$ 144,055,747

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

ADDITIONS TO FIDUCIARY NET POSITION

Additions to LSERS fiduciary net position were derived from member and employer contributions and net investment income. Employer contributions increased $8,536,646 or 10% while member contributions increased $1,346,816 or 6%. The System experienced net investment income of $268,947,156 for the fiscal year ending June 30, 2014 as compared to net investment income of $198,338,138 for fiscal year ending June 30, 2013. This increase in net investment income was attributed to fiscal year 2014 performance of 17.16% as compared to performance of 14.11% in fiscal year 2013. On June 30, 2014, the market value of plan assets was $1.791 billion. On June 30, 2013, the market value of plan assets, net of non-controlling interest, was $1.584 billion. The difference in market value reflects a price change of $207 million.

Additions to Fiduciary Net Position	2014	2013	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	$ 22,176,965	$ 20,830,149	$ 1,346,816	6%
Employer Contributions	96,701,264	88,164,618	8,536,646	10%
Net Investment Income	268,947,156	198,338,138	70,609,018	36%
Total	$ 387,825,385	$ 307,332,905		



DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions from fiduciary net position consist mainly of retirement, death and survivor benefits, refunds of contributions and administrative expenses. Deductions from fiduciary net position totaled $171,623,212 in fiscal year 2014. The deductions increased 5% due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits payable. A cost-of-living adjustment (COLA) of 3.15% to eligible retirees and beneficiaries was effective July 1, 2013, resulting from Act 297 of the 2013 Regular Legislative Session.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
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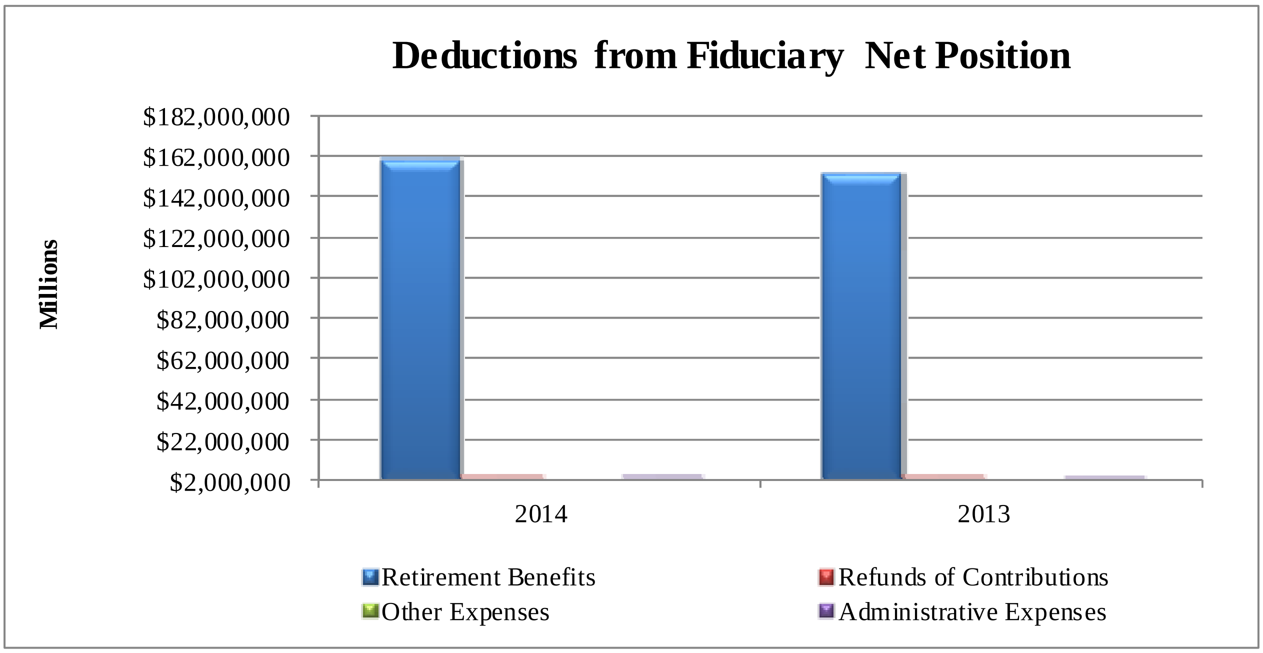
The cost of administering LSERS benefits per member during 2014 was $173.

Deductions from Fiduciary Net Position	2014	2013	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	$ 162,219,637	$ 154,135,219	$ 8,084,418	5%
Refunds of Contributions	4,389,704	4,371,042	18,662	0%
Administrative Expenses	4,444,879	4,405,327	39,552	1%
Other Expenses	568,992	365,570	203,422	56%
Total	$ 171,623,212	$ 163,277,158		



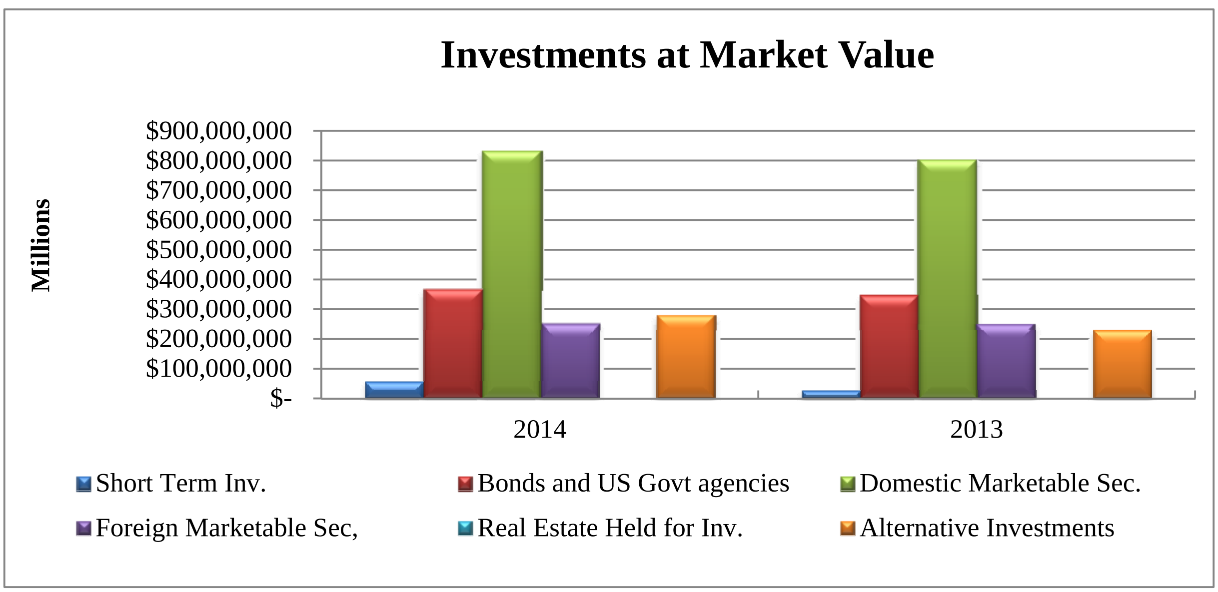
INVESTMENTS

LSERS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments, at June 30, 2014 were $1,791,250,561 as compared to total investments, less controlling interest, of $1,583,385,306 at June 30, 2013, an increase of $207,865,255.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2014

LSERS' investments in various asset classes at the end of the 2014 and 2013 fiscal years are indicated in the following table:

Investments	2014	2013	Increase (Decrease) Amount	Increase (Decrease) Percentage
Short Term Investments	$ 57,593,896	$ 26,571,526	$ 31,022,370	117%
Bonds and U.S. Government and Agency Obligations	367,048,112	346,073,275	20,974,837	6%
Domestic Marketable Securities	834,388,634	805,464,135	28,924,499	4%
Foreign Marketable Securities	250,445,612	249,364,185	1,081,427	0%
Real Estate Held for Investment	2,101,377	1,993,124	108,253	5%
Alternative Investments	279,672,930	231,096,538	48,576,392	21%
Total	1,791,250,561	1,660,562,783	48,576,392	21%
Less: Non-controlling interest	-	77,177,477	48,576,392	21%
Total	$ 1,791,250,561	$ 1,583,385,306		



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
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS

CASH:	
In bank	$ 46,565,272
RECEIVABLES:	
Member contributions	3,470,144
Employer contributions	15,762,061
Accrued interest and dividends	3,625,641
Investment receivable	6,606,033
Other	160,039
Total receivables	29,623,918
INVESTMENTS, AT FAIR VALUE:	
Short-term investments	57,593,896
U.S. Government and agency obligations	100,345,476
Bonds - domestic	162,601,393
Bonds - foreign	104,101,243
Marketable securities - domestic	834,388,634
Marketable securities - foreign	250,445,612
Alternative investments	279,672,930
Real estate held for investment	2,101,377
Total investments	1,791,250,561
Collateral held under securities lending program	177,754,861
PROPERTY AND EQUIPMENT, AT COST:	
Building	3,649,788
Land	1,010,225
Furniture and equipment	438,648
Intangible assets	564,396
	5,663,057
Less accumulated depreciation and amortization	1,996,349
Total property and equipment	3,666,708
Total assets	2,048,861,320

LIABILITIES AND NET POSITION

LIABILITIES:	
Accounts payable	1,119,557
Accrued expenses and benefits	225,449
Obligations under securities lending program	177,754,861
Investment payable	9,442,278
Other post employment benefits obligation	2,952,119
Total liabilities	191,494,264
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 1,857,367,056

The accompanying notes are an integral part of these financial statements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS:	
Contributions:	
Member contributions	$ 22,176,965
Employer contributions	96,701,264
Total contributions	118,878,229
Investment Income:	
Net appreciation in fair value of investments	245,197,947
Interest	15,485,961
Securities lending income	459,293
Dividends	8,597,874
Alternative investment income	5,831,565
Foreign currency exchange gain (loss)	(1,980,157)
	273,592,483
Less Investment Expense:	
Investment advisory fee	3,825,205
Custodian and bank fees	820,122
	4,645,327
Net investment income	268,947,156
Total additions	387,825,385
DEDUCTIONS:	
Retirement benefits paid	162,219,637
Refunds of contributions	4,389,704
Administrative expenses	4,444,879
Depreciation and amortization expense	180,701
Transfer to (from) other systems - employee	(65,312)
Transfer to (from) other systems - employer and interest	453,603
Total deductions	171,623,212
NET INCREASE	216,202,173
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	1,641,164,883
END OF YEAR	$ 1,857,367,056

The accompanying notes are an integral part of these financial statements.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The State of Louisiana School Employees' Retirement System (the Plan) was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes (LRS) as a cost-sharing multiple employer defined benefit pension plan. 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).

In addition, these financial statements include the provisions of GASB Statement No. 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 June 30, 2014, the Plan adopted the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Reporting Entity: (Continued)

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

Basis of Accounting:

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

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

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

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

Expenditures are recognized in the period incurred.

Investments:

Investments are reported at fair value. Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in partnerships is calculated as the Fund’s percentage of ownership of the partner’s capital reported by the partnership.

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, furniture and computer software (reported as intangible assets), are carried at historical cost. Depreciation or amortization is computed by the straight-line method based upon useful lives of 40 years for the building and 3 to 10 years for software, 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 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 40 other agencies for the year ended June 30, 2014, 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, 2014, plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	12,711
Terminated employees entitled to benefits but not yet receiving them	413
Terminated vested employees who have not withdrawn contributions (DROP)	537
Fully vested, partially and nonvested active employees	12,054
TOTAL PARTICIPANTS	25,715

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

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:

Benefit provisions are authorized and amended under Louisiana Revised Statutes. Benefit provisions are dictated by LRS 11:1141 – 11:1153. 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. PLAN DESCRIPTION: (Continued)

Benefits: (Continued)

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

Upon the death of a member with five or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

Members of the Plan may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the system terminates. Average compensation and creditable service remain as they existed on the effective date of commencement of participation in the Plan. The monthly retirement benefits, that would have been payable had the person elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan Fund Account.

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).

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for members are established by state statute at 7.5% of their annual covered salary for members employed prior to July 1, 2010 and 8.0% for members employed 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, 2014 was 32.6%. The actual employer rate for the year ended June 30, 2014 was 32.3%. A difference may exist due to the State Statute that requires the rate to be calculated in advance.

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 the year ending June 30, 2014 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 by HB 658 of 2007, to be used to fund cost-of-living adjustments (COLA) /permanent benefit increases (PBI). It is credited with an amount not to exceed 50% of the prior year’s excess net investment experience gain in excess of $15 million (indexed) and debited any COLA/PBI granted. The balance in the experience account accrues interest at the average actuarial yield on the System’s portfolio and is capped at the amount necessary to grant one PBI, until the System is 80% funded. The balance remaining in the experience account on June 30, 2013, after payment of a permanent benefit increase pursuant to ACT 103, was credited to establish the Amortization Conversion Account. The Experience Account Fund as of June 30, 2014 is $20,787,326.

C) Amortization Conversion Account:

The Amortization Conversion Account was created to supplement employer contributions for the fiscal years ending June 30, 2015, through June 30, 2019. The initial funding of the account was the result of a transfer from the Experience Account Fund, in the amount of $19,640,033. The shortfall in supplemental contributions, during the respective years, is to be funded from the Amortization Conversion Account. All funds remaining in the Amortization Conversion Account, as of June 30, 2019, shall be amortized as a gain. The Amortization Conversion Account balance as of June 30, 2014 is $19,640,033.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Annuity Savings:

The Annuity Savings was created by state law and 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, 2014 is $170,558,261.

E) Pension Accumulation Fund:

The Pension Accumulation Fund was created by state law and 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, 2014 is $569,642,770.

F) Pension Reserve and Survivors Benefit Reserve:

The Pension Reserve was created by state law 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, 2014 is $1,470,255,173. The Survivors Benefit Reserve as of June 30, 2014 is $117,882,975.

G) Deferred Retirement Option Account:

The Deferred Retirement Option account was created by state law and 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, 2014 is $68,155,611.

H) Initial Benefit Retirement Plan Reserve:

The Initial Benefit Retirement Plan Reserve was created by state law and 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, 2014 is $1,329,264.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the Plan's employers determined in accordance with GASB No. 67 as of June 30, 2014 is a follows:

Total Pension Liability	$	2,438,251,413
Plan Fiduciary Net Position		1,857,367,056
Employers' Net Pension Liability	$	580,884,357
Plan Fiduciary Net Position as a % of the Total Pension Liability		76.18%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2014 valuation was based on the results of an experience study performed in 2013, for the period July 1, 2008 through June 30, 2012. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2014 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.25%
Inflation Rate	2.75%
Mortality	Mortality rates based on the RP-2000 Sex Distinct Mortality Table.
Salary increases	Salary increases were projected based on a 2008-2012 experience study of the Plan's members. The annual salary growth rates are based upon 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 the actuarial liability and the plan has met the criteria and eligibility requirements outline by ACT 399 of 2014.

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	30%	0.99%
Equity	51%	2.76%
Alternatives	13%	0.71%
Real Assets	6%	0.32%
Totals	100%	4.78%
Inflation		2.75%
Expected Arithmetic Nominal Return		7.53%

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.25% or one percentage point higher 8.25% than the current rate.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Changes in Discount Rate

	2014		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 801,657,934	$ 580,884,357	$ 358,168,548

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Plan's deposits, cash equivalents and investments at June 30, 2014:

Deposits (bank balance)	$ 46,809,234
Cash equivalents	57,593,896
Investments	1,733,656,665
	$ 1,838,059,795

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, 2014, cash equivalents in the amount of $57,053,994 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, 2014, foreign currency included in cash equivalents of $539,902, 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, 2014

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

Investments: (Continued)

The Plan's policy regarding the allocation of invested assets is established and amended by the Plan's Board. The Plan shall be managed at all times in accordance with Louisiana statues and any other applicable law. The policy states that the investment of the Plan's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying the Plan's administrative expenses. The Plan's investment shall be prudently selected and properly diversified so as to minimize the risk of large losses.

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, 2014.

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, 2014 the Plan had the following investments in long-term debt securities and maturities:

Investment Type	Fair Value	Less Than 1 Year	1 to 6	6 to 10	10+ Years
US Gov't & Gov't Agencies	$ 30,856,879	$ 3,546,223	$ 14,229,415	$ 7,736,880	$ 5,344,361
Government mortgage backed securities	69,488,597	-	167,147	4,238,190	65,083,260
U.S. Gov't and Gov't Agency Obligations	$ 100,345,476	$ 3,546,223	$ 14,396,562	$ 11,975,070	$ 70,427,621
U.S. Corporate Bonds	$ 113,723,919	$ 1,471,451	$ 29,903,227	$ 44,859,401	$ 37,489,840
Collateralized Mortgage Obligations	15,200,133	-	278,187	464,564	14,457,382
Other Fixed Income	33,677,341	-	8,207,391	3,868,734	21,601,216
Domestic Bonds	$ 162,601,393	$ 1,471,451	$ 38,388,805	$ 49,192,699	$ 73,548,438
Foreign Bonds	$ 104,101,243	$ 6,929,908	$ 47,246,486	$ 31,036,529	$ 18,888,320
Collateral Held Under Securities Lending Program	$ 177,754,861	$ 144,348,015	$ 12,758,219	$ 16,974,571	$ 3,674,056

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Interest Rate Risk: (Continued)

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.

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:

2014	U.S. Gov't and Gov't Agency Obligations	Government Mortgage Backed Securities	Corporate Bonds	Collateralized Mortgage Obligations	Other Fixed Income	Foreign Bonds
AAA	$ -	$ -	$ 3,318,940	$ 109,981	$ 47,272	$ 8,258,219
AA+	-	975,544	3,231,222	941,707	368,566	4,920,754
AA	-	-	342,866	-	2,634,873	270,123
AA-	-	-	442,229	-	1,217,865	1,938,439
A+	-	-	5,794,818	1,733,372	3,050,063	3,905,762
A	-	-	29,069,902	-	15,480,368	22,157,136
A-	-	-	13,911,188	-	233,284	8,527,066
BBB+	-	-	16,579,005	471,307	-	4,212,566
BBB	-	-	14,349,344	-	131,231	4,892,006
BBB-	-	-	9,774,687	-	-	5,877,501
BB+	-	-	1,189,119	-	-	1,094,813
BB	-	-	507,350	244,111	11,177	165,375
BB-	-	-	3,356,212	-	643,465	571,063
B+	-	-	515,872	80,017	6,151	-
B	-	-	1,010,068	-	-	202,300
B-	-	-	475,250	-	-	97,312
CCC+	-	-	478,257	-	-	206,000
CCC	-	-	-	2,198,430	2,575,279	-
D	-	-	-	3,238,192	897,908	-
Not Rated	30,856,879	68,513,053	9,377,590	6,183,016	6,379,839	36,804,808
	$ 30,856,879	$ 69,488,597	$ 113,723,919	$ 15,200,133	$ 33,677,341	$ 104,101,243

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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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, 2014, for collateral held under securities lending in the amount of $177,754,861, and noncash collateral received under the securities lending program in the amount of $8,590,505, the Plan is exposed to custodial credit risk since these investments are not in the name of the Plan. The Plan has no formal investment policy regarding custodial credit risk.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. Foreign currency risk, by currency, for the year ended June 30, 2014 is as follows:

Currency	Marketable Securities	Bonds	Alternative Investments	Cash and Other	Total
Australian dollar	$ 6,587,578	$ 11,719,268	$ -	$ (11,048,943)	$ 7,257,903
Brazil real	815,142	-	-	8,953	824,095
British pound sterling	19,652,163	7,917,893	-	(3,290,293)	24,279,763
Canadian dollar	2,349,434	-	-	19,434	2,368,868
Czech koruna	675,096	-	-	-	675,096
Danish krone	2,554,231	-	-	-	2,554,231
Euro	25,785,737	9,341,414	9,395,780	(182,557)	44,340,374
Hong Kong dollar	13,723,429	-	-	-	13,723,429
Indonesian rupiah	560,361	-	-	-	560,361
Japanese yen	26,924,988	4,557,633	-	131,936	31,614,557
Mexican new peso	-	7,031,997	-	39,843	7,071,840
New Turkish lira	1,842,792	-	-	-	1,842,792
Norwegian krone	3,715,588	-	-	-	3,715,588
Polish zloty	-	9,241,206	-	14,172	9,255,378
South African comm rand	-	-	-	3,210,881	3,210,881
Singapore dollar	2,092,993	-	-	36,827	2,129,820
South Korean won	2,038,912	-	-	-	2,038,912
Swedish krona	3,371,509	11,218,592	-	79,184	14,669,285
Swiss franc	12,904,577	-	-	130,983	13,035,560
Total	$ 125,594,530	$ 61,028,003	$ 9,395,780	$ (10,849,580)	$ 185,168,733

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Foreign Currency Risk: (Continued)

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, 2014, the Plan's current position in foreign marketable securities and global fixed income is 6% and 3%, respectively.

Money-Weighted Rate of Return:

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.66%. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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 104% 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 87 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.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6. SECURITY LENDING TRANSACTIONS: (Continued)

The Plan has the following securities on loan:

	Market (Carrying Value)
U.S. Government and Agency Securities	$ 7,525,583
Corporate Bonds - Domestic	22,193,552
Corporate Bonds - Foreign	3,561,079
Government Bonds – Foreign	793,402
Marketable Securities – Domestic	134,418,639
Marketable Securities – Foreign	4,686,223
	$ 173,178,478

Securities on loan at June 30, 2014 are collateralized by cash collateral in the amount of $177,754,861, and noncash collateral in the amount of $8,590,505.

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, 2014. Such matching did exist since loans may be terminated on demand.

7. FUTURES:

Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires investment derivatives to be recorded at fair value and also requires certain disclosures.

The Plan has entered into futures contracts for the purpose of maintaining market exposure for excess cash. At June 30, 2014, the Plan has the following derivative instruments categorized as investment derivative instruments:

Investment Derivatives at June 30, 2014:

		Fair Value		Changes In Fair Value	
	Notional Amount	Classification	Amount	Classification	Amount
Fixed Income Futures	$ (14,572,615)	N/A	$ -	Net App (Dep) in Fair Value	$ (3,426)
Fixed Income Futures – CAN	3,037,486	N/A	-	Net App (Dep) in Fair Value	19,434
Cash & Cash Equiv.	(1,968,824)	N/A	-	Net App (Dep) in Fair Value	(13,376)
			$ -		$ 2,632

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 exchange’s clearing house is the counterparty in each transaction. The counterparty for S&P futures is Chicago Mercantile Exchange (CME), the counterparty for US Fixed Income Futures is Chicago Board of Trade (CBOT), the counter party for UK fixed income futures is London International Financial Futures Exchange (LIFFE), and the counterparty for Canadian Fixed Income Futures is Montreal Exchange (ME). 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 Canadian dollars. At June 30, 2014, the fair value of the fixed income futures contracts is $19,433.88, representing a MV% of 0.02%.

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, 2014 was the most recent market valuation available. Fair value was approximated by adding or subtracting activity between April 1, 2014 and June 30, 2014. 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 private equity partnerships and real estate funds was $279,672,930 as of June 30, 2014.

The total initial active commitment for the partnerships as of June 30, 2014 was $302,690,500. The total amount called for funding as of June 30, 2014 was $236,743,049. The total amount of distributions recallable for funding as of June 30, 2014 was $3,531,284. The remaining commitment that could be called as of June 30, 2014 was $69,478,735.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9. PER DIEM PAID TO BOARD MEMBERS:

Per diem paid to board members, as presented on Page 42, 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	$ 16,870	$ -	$ -	$ 3,649,788
Land	1,010,225	-	-	-	1,010,225
Furniture and equipment	359,188	84,435	(4,975)	-	438,648
Intangibles	300,000	264,396	-	-	564,396
Less: Accumulated depreciation/amortization	(1,820,623)	(180,701)	4,975	-	(1,996,349)
	$ 3,481,708	$ 185,000	$ -	$ -	$ 3,666,708

Depreciation and amortization expense for the year ended June 30, 2014 was $180,701.

11. TAX QUALIFICATION:

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

12. ESTIMATES:

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

13. 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 $2,159,484 and $2,101,377, respectively, as of June 30, 2014.

13. OPERATING LEASES: (Continued)

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

JUNE 30	
2015	$ 340,792
2016	113,597
2017	-
2018	-
2019	-
Total	$ 454,389

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

14. 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, 2014, twenty six retirees were receiving post-employment benefits.

Plan Description

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

Funding Policy

The contribution requirements of plan members and the Plan are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Funding Policy (Continued)

Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers four standard plans for both active and non-Medicare retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home Health Maintenance Organization (HMO) Plan and a Consumer Driven Health Plan with Health Savings Account Option (CDHP-HSA), featuring lower premium rates in exchange for higher deductibles. Retired employees who have Medicare Part A and Part B coverage also have access to an additional four OGB Medicare Advantage plans which includes three HMO-POS plans and one Towers Watson OneExchange option for purchasing private health insurance on an exchange. Depending upon the plan selected, during the year ended June 30, 2014, employee premiums for a single member receiving benefits range from $81 to $85 per month, for employee-only coverage with Medicare or from $131 to $141 per month, for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2014 range from $143 to $316 per month, for those with Medicare or from $419 to $459 per month, for those without Medicare.

The Plan is currently financed on a pay as you go basis, with the Plan contributing anywhere from $249 to $257 per month for retiree-only coverage with Medicare or from $853 to $911 per month for retiree-only coverage without Medicare during the year ended June 30, 2014. Also, the Plan’s contributions range from $439 to $948 per month for retiree and spouse with Medicare or $1,308 to $1,399 for retiree and spouse without Medicare during the year ended June 30, 2014.

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 $455,600 for the fiscal year beginning July 1, 2013.

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

Annual OPEB Cost (Continued)

The following table presents the Plan's OPEB Obligation for the year ended June 30, 2014, the amount actually contributed to the plan, and changes in the Plan's net OPEB Obligation:

Annual required contribution	$ 455,600
Interest on net OPEB obligation	109,212
ARC adjustment	(104,329)
Annual OPEB Cost	460,483
Contributions made	(238,668)
Increase in Net OPEB Obligation	221,815
Beginning Net OPEB Obligation	2,730,304
Ending Net OPEB Obligation	$ 2,952,119

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, 2014, 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, 2012	$ 452,080	52.07%	$ 2,498,331
June 30, 2013	452,468	48.73%	2,730,304
June 30, 2014	460,483	51.83%	2,952,119

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 2013-2014, neither the Plan nor the State of Louisiana contributed to it. Since the plan has not been funded, the entire actuarial accrued liability of $6,894,800 as of July 1, 2013, was unfunded.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. 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, 2013, was as follows:

	July 1, 2013
Actuarial accrued liability (AAL)	$ 6,894,800
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 6,894,800
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employee covered by the plan)	$ 1,206,609
UAAL as a percentage of covered payroll	571%

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.0% and 6.0% for pre-Medicare and Medicare eligible, respectively, for the July 1, 2013 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, 2014 was 23 years.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2014

Total Pension Liability		
Service cost	$	48,156,347
Interest		174,148,302
Changes of benefit terms		-
Differences between expected and actual experience		87,792,317
Changes of assumptions		28,788,536
Benefit payments		(166,997,632)
Change in investment experience		(137,650,706)
Net change in total pension liability		34,237,164
Total pension liability - beginning		2,404,014,249
Total pension liability - ending (a)	$	2,438,251,413
Plan Fiduciary Net Position		
Contributions - employer	$	96,701,264
Contributions - member		22,176,965
Net investment income		268,947,156
Benefit payments		(166,997,632)
Administrative expenses		(4,444,879)
Other		(180,701)
Net change in plan fiduciary net position		216,202,173
Plan fiduciary net position - beginning		1,641,164,883
Plan fiduciary net position - ending (b)	$	1,857,367,056
Net pension liability - ending (a) - (b)	$	580,884,357
Plan fiduciary net position as a percentage of total pension liability		76.18%
Covered employee payroll	$	277,481,437
Net pension liability as a percentage of covered employee payroll		209.34%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2014

	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2014	$ 2,438,251,413	$ 1,857,367,056	$ 580,884,357	76.18%	$ 277,481,437	209.34%

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
FOR THE TEN YEARS ENDED JUNE 30, 2014

Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2005	$ 43,956,277	$ 37,753,893	$ (6,202,384)	$ 252,622,280	14.9%
2006	45,118,685	43,458,220	(1,660,465)	236,223,480	18.4%
2007	46,220,683	50,489,918	4,269,235	256,781,573	19.7%
2008	49,930,365	51,765,697	1,835,332	285,316,373	18.1%
2009	57,084,533	55,340,199	(1,744,334)	306,906,093	18.0%
2010	69,430,399	53,004,055	(16,426,344)	297,984,547	17.8%
2011	82,506,147	72,151,524	(10,354,623)	294,644,809	24.5%
2012	85,437,337	82,551,706	(2,885,631)	283,844,974	29.1%
2013	86,557,611	85,873,201	(684,410)	273,916,492	31.4%
2014	90,701,264	92,515,106	1,813,842	277,481,437	33.3%

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2014

Fiscal Year End	Annual Money-Weighted Rate of Return*
2014	16.66%

* Annual money-weighted rates of return are presented net of investment expense.

Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE
AND LIFE INSURANCE BENEFITS
JUNE 30, 2009 THROUGH 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$ -	$ 6,338,800	$ 6,338,800	- %	$ 1,874,300	338.00 %
2010	-	7,909,700	7,909,700	-	1,726,700	458.00
2011	-	7,892,800	7,892,800	-	1,599,800	493.00
2012	-	6,590,900	6,590,900	-	1,378,700	478.00
2013	-	6,953,500	6,953,500	-	1,309,700	531.00
2014	-	6,894,800	6,894,800	-	1,206,609	571.00

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

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the Plan's actuary, Charles G. Hall. The net pension liability is measured as the total pension liability less the amount of the fiduciary new position of the Fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the Plan's employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the Plan. Covered employee payroll is the payroll of all employees that are provided with benefits through the Plan.

3. SCHEDULE OF EMPLOYER CONTRIBUTIONS:

The difference between the actuarially determined employer contributions and the employer contributions received, and the percentage of employer contributions received to covered employee payroll is presented in this schedule.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements footnote 4, Net Pension Liability of Employers.

6. SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN:

This schedule shows the School Employees' Retirement System actuarial accrued liability (AAL) to its retired employees participating in the Office of Group Benefits (OGB) postemployment healthcare plan. The Plan is funded on a "pay-as-you-go" basis. Therefore, the ratio of AAL to unfunded AAL (UAAL) is 0.0%. The schedule also represents the percentage of UAAL to covered payroll.

OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
CASH:		
In bank	$ 46,565,272	$ 44,385,913
RECEIVABLES:		
Member contributions	3,470,144	2,745,098
Employer contributions	15,762,061	13,375,727
Accrued interest and dividends	3,625,641	4,314,973
Investment receivable	6,606,033	22,728,230
Other	160,039	136,911
Total receivables	29,623,918	43,300,939
INVESTMENTS, AT FAIR VALUE:		
Short-term investments	57,593,896	26,571,526
U.S. Government and agency obligations	100,345,476	97,706,157
Bonds - domestic	162,601,393	136,120,762
Bonds - foreign	104,101,243	112,246,356
Marketable securities - domestic	834,388,634	805,464,135
Marketable securities - foreign	250,445,612	249,364,185
Alternative investments	279,672,930	231,096,538
Real estate held for investment	2,101,377	1,993,124
Total investments	1,791,250,561	1,660,562,783
Collateral held under securities lending program	177,754,861	122,505,705
PROPERTY AND EQUIPMENT, AT COST:		
Building	3,649,788	3,632,918
Land	1,010,225	1,010,225
Furniture and equipment	438,648	359,188
Intangible assets	564,396	300,000
	5,663,057	5,302,331
Less accumulated depreciation	1,996,349	1,820,623
Total property and equipment	3,666,708	3,481,708
Total assets	2,048,861,320	1,874,237,048

LIABILITIES AND NET POSITION

	2014	2013
LIABILITIES:		
Accounts payable	1,119,557	1,150,154
Accrued expenses and benefits	225,449	164,962
Obligations under securities lending program	177,754,861	122,505,705
Investment payable	9,442,278	29,343,563
Other post employment benefits obligation	2,952,119	2,730,304
Total liabilities	191,494,264	155,894,688
NET POSITION - RESTRICTED FOR PENSION BENEFITS	1,857,367,056	1,641,164,883
NONCONTROLLING INTERESTS	-	77,177,477
TOTAL NET POSITION	$ 1,857,367,056	$ 1,718,342,360

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ADDITIONS:		
Contributions:		
Member contributions	$ 22,176,965	$ 20,830,149
Employer contributions	96,701,264	88,164,618
Total contributions	118,878,229	108,994,767
Investment Income:		
Net appreciation in fair value of investments	245,197,947	175,993,303
Interest	15,485,961	15,399,480
Securities lending income	459,293	747,153
Dividends	8,597,874	15,475,051
Alternative investment income	5,831,565	3,823,770
Foreign currency exchange gain (loss)	(1,980,157)	(4,366,947)
	273,592,483	207,071,810
Less Investment Expense:		
Investment advisory fee	3,825,205	4,251,013
Custodian and bank fees	820,122	445,839
	4,645,327	4,696,852
Net investment income	268,947,156	202,374,958
Less: Net investment income attributable to noncontrolling interest	-	(4,036,820)
Net investment income attributable to the Pension Fund	268,947,156	198,338,138
Total additions	387,825,385	307,332,905
DEDUCTIONS:		
Retirement benefits paid	162,219,637	154,135,219
Refunds of contributions	4,389,704	4,371,042
Administrative expenses	4,444,879	4,405,327
Depreciation and amortization expense	180,701	120,854
Transfer to (from) other systems - employee	(65,312)	35,434
Transfer to (from) other systems - employer and interest	453,603	209,282
Total deductions	171,623,212	163,277,158
NET INCREASE	216,202,173	144,055,747
NET POSITION - RESTRICTED FOR PENSION BENEFITS		
Beginning of year	1,641,164,883	1,497,109,136
END OF YEAR	$ 1,857,367,056	$ 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, 2014

	Pension Reserve	Survivor Benefit	Annuity Savings	DROP
BALANCES, JULY 1, 2013	$ 1,376,402,571	$ 152,877,030	$ 172,045,061	$ 66,389,744
Beginning balance adjustment	-	-	-	-
	1,376,402,571	152,877,030	172,045,061	66,389,744
ADDITIONS:				
Contributions:				
Members	-	-	22,176,965	-
Employers	-	-	-	-
Investment income and other sources	-	-	-	-
Transfers from Annuity Savings	19,342,811	-	-	-
Transfers from Pension Accumulation	-	-	3,438	-
Transfers from Experience Account	16,346,105	-	-	-
Pensions transferred from Pension Reserve	-	2,001,534	-	15,007,654
Operating transfers	-	-	-	-
Actuarial transfers	221,488,753	-	-	-
Total additions	257,177,669	2,001,534	22,180,403	15,007,654
DEDUCTIONS:				
Retirement allowances paid	144,304,943	2,717,488	-	13,241,787
Refunds to members	-	-	4,389,704	-
Transfers to Annuity Savings	-	-	-	-
Transfers to Pension Reserve	-	-	19,342,811	-
Transfers to Survivor Benefit	2,001,534	-	-	-
Transfers to Experience Account	-	-	-	-
Transfers to Amortization Conversion	-	-	-	-
Pensions transferred to DROP	15,007,654	-	-	-
Pensions transferred to IBRP	2,010,936	-	-	-
Transfers to (from) other systems	-	-	(65,312)	-
Depreciation and amortization	-	-	-	-
Administrative expenses	-	-	-	-
Operating transfers	-	-	-	-
Actuarial transfer	-	34,278,101	-	-
Total deductions	163,325,067	36,995,589	23,667,203	13,241,787
NET INCREASE (DECREASE)	93,852,602	(34,994,055)	(1,486,800)	1,765,867
BALANCES, JUNE 30, 2014	$ 1,470,255,173	$ 117,882,975	$ 170,558,261	$ 68,155,611

IBRP	Pension Accumulation	Experience Account Fund	Amortization Conversion Account	Administrative Fund	Surplus (Unfunded) Actuarial Liability	Total
$ 1,273,747	$ 635,026,097	$ 31,668,697	$ -	$ -	$ (794,518,064)	$ 1,641,164,883
-	(31,668,697)	-	-	-	31,668,697	-
1,273,747	603,357,400	31,668,697	-	-	(762,849,367)	1,641,164,883
-	-	-	-	-	-	22,176,965
-	96,701,264	-	-	-	-	96,701,264
-	264,629,715	4,317,441	-	-	-	268,947,156
-	-	-	-	-	-	19,342,811
-	-	20,787,326	-	-	-	20,790,764
-	-	-	19,640,033	-	-	35,986,138
2,010,936	-	-	-	-	-	19,020,124
-	-	-	-	4,444,879	-	4,444,879
-	-	-	-	-	181,965,010	403,453,763
2,010,936	361,330,979	25,104,767	19,640,033	4,444,879	181,965,010	890,863,864
1,955,419	-	-	-	-	-	162,219,637
-	-	-	-	-	-	4,389,704
-	3,438	-	-	-	-	3,438
-	-	16,346,105	-	-	-	35,688,916
-	-	-	-	-	-	2,001,534
-	20,787,326	-	-	-	-	20,787,326
-		19,640,033	-	-	-	19,640,033
-	-	-	-	-	-	15,007,654
-	-	-	-	-	-	2,010,936
-	453,603	-	-	-	-	388,291
-	180,701	-	-	-	-	180,701
-	-	-	-	4,444,879	-	4,444,879
-	4,444,879	-	-	-	-	4,444,879
-	369,175,662		-	-	-	403,453,763
1,955,419	395,045,609	35,986,138	-	4,444,879	-	674,661,691
55,517	(33,714,630)	(10,881,371)	19,640,033	-	181,965,010	216,202,173
$ 1,329,264	$ 569,642,770	$ 20,787,326	$ 19,640,033	$ -	$ (580,884,357)	$ 1,857,367,056

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 and amortization	-	-	-	-
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
SCHEDULE OF PER DIEM PAID TO TRUSTEES
FOR THE YEAR ENDED JUNE 30, 2014

TRUSTEE	NUMBER OF MEETINGS		AMOUNT
Betty Crain	15	$	1,125
Eugene Rester	15		1,125
Jeffrey Faulk	15		1,125
Judith McKee	14		1,050
Kathy Landry	15		1,125
Phillip Walther	13		975
Yearby Henry	15		1,125
Totals		$	7,650

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
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
EXPENSES:		
Salaries	$ 2,064,834	$ 2,106,264
Related benefits	1,323,256	1,280,243
Student labor	5,192	6,218
Compensation - board	7,650	7,650
Total expenses	3,400,932	3,400,375
OPERATING EXPENSES:		
Professional improvement - staff and board	40,176	23,496
Travel - board	23,926	23,899
Travel - staff	6,581	12,184
Total operating expenses	70,683	59,579
OPERATING SERVICES:		
Equipment maintenance	94,909	69,939
Equipment rent	39,148	37,530
Building	227,063	204,494
Dues	27,172	31,028
Postage and printing	182,031	176,591
Telephone	35,559	37,829
Insurance	44,630	48,792
Legal	131,315	136,189
Advertising	40	199
Total operating services	781,867	742,591
SUPPLIES:		
Office	18,368	15,650
Computer	1,159	3,218
Total supplies	19,527	18,868
PROFESSIONAL SERVICES:		
Medical	10,750	11,950
Actuary	73,160	74,900
Audit	46,220	31,575
Records imaging	7,561	-
Total professional services	137,691	118,425
INTERAGENCY TRANSFERS:		
Civil Service	8,282	8,333
Total interagency transfers	8,282	8,333
OTHER CHARGES:		
Miscellaneous	20,560	49,527
Computer software	5,337	7,629
Total other charges	25,897	57,156
TOTAL EXPENSES	$ 4,444,879	$ 4,405,327

STATE OF LOUISIANA
SCHOOL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Par Value	Original Cost	Market Value
SHORT-TERM INVESTMENTS		$ 57,590,549	$ 57,593,896
U.S. GOVERNMENT AND			
U.S. GOVERNMENT AGENCY OBLIGATION:			
U.S. government and government agency obligations	$ 30,485,804	$ 30,421,858	$ 30,856,879
Government mortgage-backed securities	151,418,281	68,607,774	69,488,597
	$ 181,904,085	$ 99,029,632	$ 100,345,476
BONDS - DOMESTIC:			
Corporate bonds - domestic	$ 112,572,742	$ 107,290,882	$ 113,723,919
Collateralized mortgage obligations	19,513,820	15,472,581	15,200,133
Other fixed income investments	8,870,091	9,346,191	9,661,690
Asset backed securities	26,274,256	23,832,295	24,015,651
	$ 167,230,909	$ 155,941,949	$ 162,601,393
BONDS - FOREIGN:			
Corporate bonds - foreign	$ 47,809,384	47,727,182	$ 50,175,890
Government bonds - foreign	48,718,252	54,872,733	53,925,353
	$ 96,527,636	$ 102,599,915	$ 104,101,243
MARKETABLE SECURITIES - DOMESTIC:			
Common stocks		$ 131,248,017	$ 196,623,611
Equity funds		573,070,172	637,765,023
		$ 704,318,189	$ 834,388,634
MARKETABLE SECURITIES - FOREIGN:			
Common stocks		$ 109,555,021	$ 162,718,218
Equity funds		63,911,995	87,015,988
Preferred stock		653,750	711,406
		$ 174,120,766	$ 250,445,612
ALTERNATIVE INVESTMENTS:			
Real estate funds		$ 128,713,148	$ 167,395,867
Private equity funds		95,054,096	112,277,063
		$ 223,767,244	$ 279,672,930
REAL ESTATE HELD FOR INVESTMENT		$ 2,159,484	$ 2,101,377

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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.
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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 25, 2014

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 fiduciary net position and the related statements of changes in fiduciary net position of the State of Louisiana School Employees' Retirement System (System), a component unit of the State of Louisiana, as of and for the year ended June 30, 2014 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 25, 2014.

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.

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 System'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 and contracts, 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 YEAR ENDED JUNE 30, 2014

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, 2014 was unmodified.

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 and Other Matters

   Noncompliance material to financial statements – none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

None.

SUMMARY OF PRIOR YEAR FINDINGS:

None.