R E P O R T

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
BATON ROUGE, LOUISIANA

DECEMBER 31, 2002 AND 2001

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

INDEX TO REPORT

DECEMBER 31, 2002 AND 2001

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INDEPENDENT AUDITOR'S REPORT

March 28, 2003

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying statements of plan net assets of the Parochial Employees' Retirement System of Louisiana as of December 31, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parochial Employees' Retirement System of Louisiana as of December 31, 2002 and 2001, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Parochial Employees' Retirement System of Louisiana adopted the provisions of the Government Accounting Standards Board Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of January 1, 2002.

Management's discussion and analysis on pages 3 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the System for the years ended December 31, 2002 and 2001, and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information and the supplemental schedules on pages 23 – 33 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending December 31, 2000 through 2002 and supplemental schedules for the years ending December 31, 2002 and 2001, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. We have not examined the financial statements of the System for any period prior to the year ended December 31, 2000. Accordingly, we do not express an opinion or any other form of assurances on the required statistical information relating to any period prior to December 31, 2000. The financial statements of the System prior to December 31, 2000 were audited by other auditors whose reports expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2003 on our consideration of Parochial Employees' Retirement System of Louisiana's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

The Management's Discussion and Analysis of the Parochial Employees' Retirement System financial performance presents a narrative overview and analysis of the Parochial Employees' Retirement System's financial activities for the year ended December 31, 2002. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Parochial Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Parochial Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2002 by $1,305,000,836 which represents a decrease from last fiscal year. The net assets held in trust for pension benefits decreased by $27,882,472 or 2.1%. The decrease was due primarily due to the downturn in the markets.

- Contributions to the plan by members and employers totaled $67,398,336 an increase of $3,669,730 or 5.76% over the prior year.

- Net change in the fair value of investments reflected a net decline of $5,387,296. The decrease was due primarily due to the downturn in the equity markets.

- The rate of return on the System's investments was a -2.53% for Plan A and -.28% for Plan B based on the market value. This is less than last year -.8% for Plan A and 2.7% for Plan B rate of return due. The decrease in the rates of return for both Plans is due to a downturn in the equity markets.

- Pension benefits paid to retirees and beneficiaries increased by $3,449,923 or 6.6%. This increase is due to an increase in the number of retirees and their benefit amounts.

- Administrative expenses totaled $721,858, an increase of $87,690 or 13.8%. The cost of administering the System per member during 2002 was $26 per individual compared to $23 per individual in 2001.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of plan net assets,
- Statement of changes in plan net assets, and
- Notes to the financial statements.

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

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statements of plan net assets report the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of December 31, 2002 and 2001.

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

FINANCIAL ANALYSIS OF THE FUND

Parochial Employees' Retirement System provides benefits to all eligible parish employees in 61 of the 64 parishes in the State of Louisiana. Employee contributions, employer contributions and earnings on investments fund these benefits.

Statement of Plan Net Assets
December 31, 2002 and 2001

	2002	2001
Cash and investments	$1,447,497,913	$1,452,786,708
Receivables	24,214,068	25,099,635
Other	2,515	2,515
Property and equipment	64,325	32,553
Total assets	1,471,778,821	1,477,921,411
Total liabilities	166,777,985	145,038,103
Net Assets Held in Trust For Pension Benefits	$1,305,000,836	$1,332,883,308

Plan net assets decreased by 2.1% ($1,305,000,836 compared to $1,332,883,308). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The decrease in plan net assets was a result of the decline in the value of investments due to unfavorable equity markets.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

FINANCIAL ANALYSIS OF THE FUND (Continued)

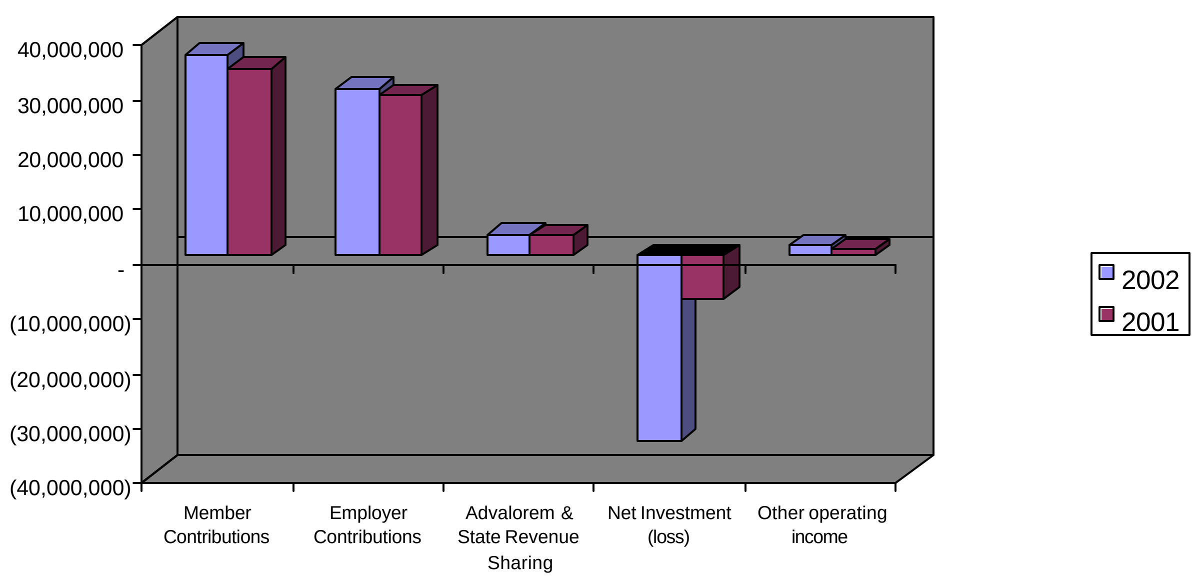
Statement of Changes in Plan Net Assets
December 31, 2002 and 2001

	2002	2001
Additions:		
Contributions	$ 71,425,280	$ 67,514,500
Investment loss (net)	(33,755,309)	(7,680,153)
Other	1,903,716	1,255,294
Total additions	39,573,687	61,089,641
Total Deductions	67,456,159	67,571,037
Decrease in Plan Net Assets	$ (27,882,472)	$ (6,481,396)

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased $2,525,858 or 7.36% while employer contributions increased $1,143,872 or 3.89%. The System experienced a net investment loss of $33,755,309 as compared to a net investment loss of $7,680,153 in the previous year. The decrease in investment income was mainly due to the downturn in world equity markets.

	2002	2001	Increase (Decrease) Percentage
Member Contributions	$ 36,832,317	$ 34,306,459	7.36%
Employer Contributions	30,566,019	29,422,147	3.89%
Advalorem & State Revenue Sharing	4,026,944	3,785,894	6.37%
Net Investment Income (Loss)	(33,755,309)	(7,680,153)	339.51%
Other Operating Revenues	1,903,716	1,255,294	(5.17)%
Total	$ 39,573,687	$ 61,089,641)	



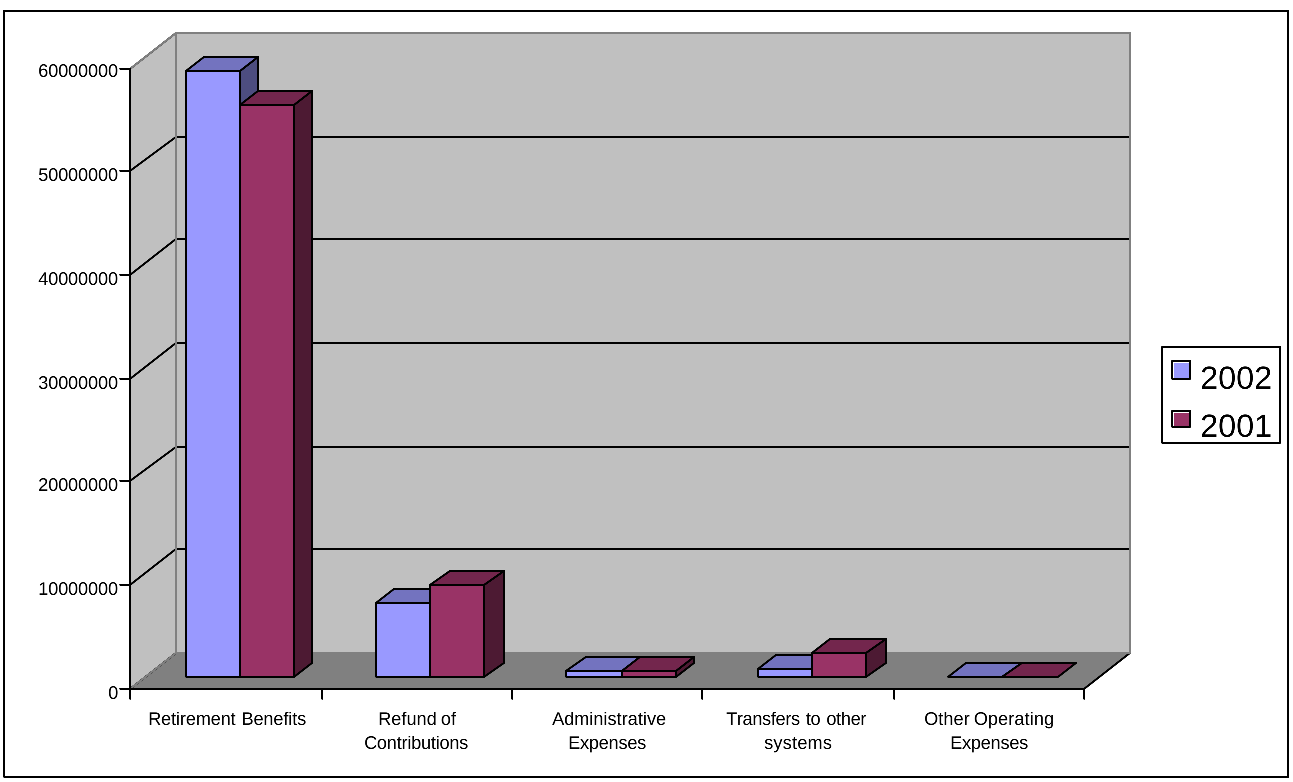
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefit and administrative expenses. Deductions from plan net assets totaled $67,456,159 in fiscal year 2002. This decrease of $114,878 was negligible. The increase in retirement benefit payments from $52,100,094 to $55,550,017 is due largely to an increase in the number of retirees and that newer retirees earn higher benefit amounts than older retirees.

	2002	2001	Increase (Decrease) Percentage
Retirement Benefits	$ 58,679,169	$ 55,516,489	5.70%
Refunds of Contributions	7,181,192	9,066,034	(20.79)%
Administrative Expenses	721,858	634,168	13.83%
Transfers to other systems	855,660	2,349,926	(63.59)%
Other Operating Expenses	18,280	4,420	313.57%
Total	$ 67,456,159	$ 67,571,037	



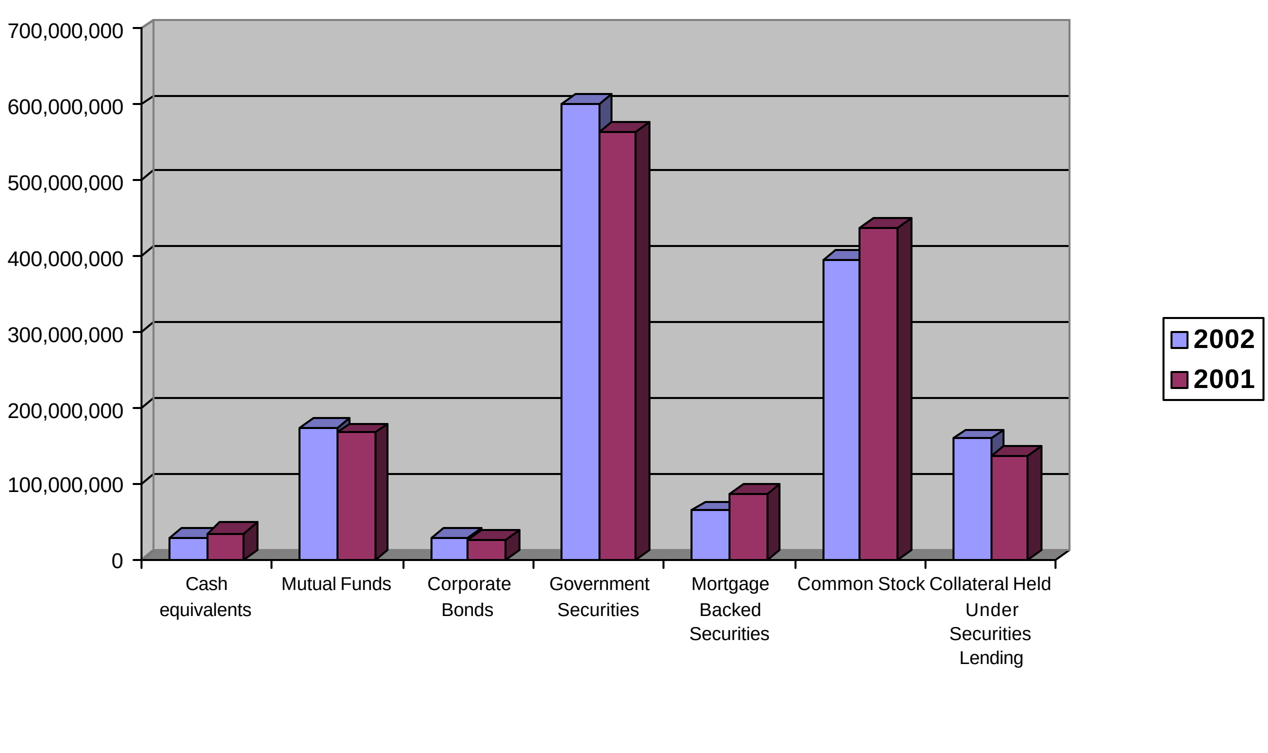
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

FINANCIAL ANALYSIS OF THE FUND (Continued)

Investments

Parochial Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2002 amounted to $1,446,992,587 as compared to $1,452,379,883 at December 31, 2001 which is a decrease of $5,387,296 or .37%. The major contributing factor to this decrease is the decline in the equity markets. The System's investments in various markets at the end of the 2002 and 2001 fiscal years are indicated in the following table:

	2002	2001	Increase (Decrease) Percentage
Cash Equivalents	$ 27,354,652	$ 34,901,217	(21.62)%
Mutual Funds	172,636,414	166,669,593	3.58%
Corporate Bonds	29,088,485	25,499,708	14.07%
Government Securities	600,757,182	563,671,833	6.58%
Mortgage Backed Securities	63,795,001	86,465,866	(26.22)%
Common Stock	394,260,613	438,126,739	(10.01)%
Collateral Held Under Securities Lending	159,100,240	137,044,927	16.09%
Total	$1,446,992,587	$1,452,379,883	



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PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2002

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Tom Sims, Administrative Director of Parochial Employees' Retirement System, 5420 Corporate Boulevard, Suite 103, Baton Rouge, Louisiana 70808, (225) 928-1361.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS:		
Cash	$ 505,326	$ 406,825
Receivables:		
Contributions receivable -Member	8,855,532	8,150,311
Contributions receivable - Employer	7,232,207	6,750,452
Ad valorem taxes & state revenue sharing receivable	3,997,307	3,309,841
Miscellaneous receivable	37,880	18,513
Investment receivable	782,552	3,768,569
Accrued interest and dividends	3,308,590	3,101,949
	24,214,068	25,099,635
Investments (at fair value):		
Cash equivalents	27,354,652	34,901,217
Mutual Fund	172,636,414	166,669,593
Corporate bonds	29,088,485	25,499,708
Government securities	600,757,182	563,671,833
Mortgage backed securities	63,795,001	86,465,866
Common stock	394,260,613	438,126,739
Collateral under securities lending	159,100,240	137,044,927
Total	1,446,992,587	1,452,379,883
Deposits	2,515	2,515
Property, plant and equipment:		
Net of accumulated depreciation	64,325	32,553
Total assets	1,471,778,821	1,477,921,411
LIABILITIES:		
Accounts payable	655,103	698,000
Accrued leave payable	3,956	3,749
Withholding taxes payable	16,114	16,328
Refunds payable	718,251	629,666
Investment payable	1,562,755	2,159,765
Retirement payable	4,721,566	4,485,668
Obligations under securities lending	159,100,240	137,044,927
Total liabilities	166,777,985	145,038,103
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,305,000,836	$ 1,332,883,308

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
ADDITIONS:		
Contributions:		
Member	$ 36,832,317	$ 34,306,459
Employer	30,566,019	29,422,147
Ad valorem tax	3,868,218	3,623,052
Revenue sharing	158,726	162,842
Total contributions	71,425,280	67,514,500
Investment income:		
Interest income	27,879,960	27,083,642
Dividend income	6,185,021	6,664,753
Securities lending income	2,103,222	4,684,626
	36,168,203	38,433,021
Less: Investment expense:		
Net depreciation in fair value of investments	65,355,339	38,830,884
Custodial fee	201,312	194,842
Money manager fees	2,375,557	2,540,320
Securities lending	1,970,964	4,492,128
Investment counseling	20,340	55,000
	69,923,512	46,113,174
Net investment income/expenses	(33,755,309)	(7,680,153)
Other additions:		
Interest - transfers, refund payback	1,466,331	1,246,558
Transfers in - employer	427,780	-
Miscellaneous income	9,605	8,736
Total other additions	1,903,716	1,255,294
Total additions	39,573,687	61,089,641
DEDUCTIONS:		
Annuity benefits	55,550,017	52,100,094
Refunds to terminated employees	7,181,192	9,066,034
DROP benefits	3,129,152	3,416,395
Transfer to other systems - employee	310,973	557,029
Transfer to other systems - employer/interest	544,687	1,792,897
Administrative expenses	721,858	634,168
Depreciation	18,280	4,420
Total deductions	67,456,159	67,571,037
NET INCREASE (DECREASE)	(27,882,472)	(6,481,396)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -		
Beginning of the year	1,332,883,308	1,339,364,704
END OF YEAR	$ 1,305,000,836	$ 1,332,883,308

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

DESCRIPTION OF ORGANIZATION:

The Parochial Employees' Retirement System of Louisiana (System) was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

The System is operated by a Board of Trustees, an Administrative Director, an Actuary and Legal Counsel. The Board consists of seven trustees, four of whom are active or retired members of the System with at least ten years of creditable service, elected by the members of the System; one of whom shall be appointed by the Executive Board of the Police Jury Association of Louisiana who shall serve as an ex-officio member during his tenure; one who shall be the Chairman of the Senate Retirement Committee; and one who shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana or their appointees.

Act #765 of the year 1979 established by the Legislature of the State of Louisiana revised the System to created Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Act # 867 of the year 1997 revised the System to create Plan C. This plan was established for a larger employer that remained in Social Security on the revision date. As of December 31, 2002, there were no participants in this plan.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards. The new standard did not change the financial reporting or note disclosures required by GASB 25; it did require the inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Interest income is recognized when earned. Ad valorem taxes are recognized when assessed by the taxing body. Revenue sharing monies are recognized in the year they are appropriated by the Legislature.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property, Plant and Equipment:

Fixed assets of the Parochial Employees' Retirement System of Louisiana are carried at historical cost. Depreciation is recognized on the straight- line method over the useful lives of the assets.

2. PLAN DESCRIPTION:

The Parochial Employees' Retirement System of Louisiana is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS).

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. For the year ended December 31, 2002, there were 217 contributing employers in Plan A and 48 in Plan B.

Statewide retirement membership consisted of:

2002	PLAN A	PLAN B	TOTAL
Active members	13,259	2,090	15,349
Retirees and survivors	4,507	404	4,911
"DROP plan participants	311	32	343
Terminated employees due deferred benefits	323	64	387
Terminated due refunds	5,528	1,199	6,727
TOTAL PARTICIPATING AS OF THE VALUATION DATE	23,928	3,789	27,717

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

2. PLAN DESCRIPTION: (Continued)

2001	PLAN A	PLAN B	TOTAL
Active members	13,232	2,035	15,267
Retirees and survivors	4,412	401	4,813
"DROP plan participants	265	11	276
Terminated employees due deferred benefits	289	44	333
Terminated due refunds	5,272	1,099	6,371
TOTAL PARTICIPATING AS OF THE VALUATION DATE	23,470	3,590	27,060

Eligibility Requirements:

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners and justices of the peace, may no longer join the Retirement System.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Beginning January 1, 2002, age 65 with a minimum of seven (7) years of creditable service.

Any member of Plan B can retire providing he /she meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service.
2. Age 62 with a minimum of ten (10) years of creditable service.
3. Beginning January 1, 2002, age 60 with a minimum of ten (10) years of creditable service or 65 with only seven (7) years of creditable service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

Beginning January 1, 2002, Plan B members may need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when she reaches age 50.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

DROP Benefits:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

2. PLAN DESCRIPTION: (Continued)

DROP Benefits: (Continued)

Beginning January 1, 2002, interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

Beginning January 1, 2002, for Plan B, a member shall be eligible to retire and receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later).

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.5% of compensation for Plan A members and 2% of compensation for Plan B. (Plan B contributions exclude the first $1,200 of earnings). The contributions are deducted from the member's salary and remitted by the participating employer. Beginning January 1, 2002, Plan B contributions are 3% and the $1,200 exclusion is eliminated.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2002, the actuarially determined contribution rate was 7.32% of member's compensation for Plan A and 3.62% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2002 was 7.75% for Plan A and 2.75% for Plan B. Under the provisions of RS 11:105, the Board of Trustees elected to freeze the employer contributions at higher rates. The additional revenue generated will be used to reduce the frozen unfunded liability in Plan A while maintaining the original amortization schedule. As a result of the freeze in the employer direct contribution rate, the current frozen unfunded accrued liability will be fully amortized by December 31, 2017.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions.

Administrative costs of the Retirement System are financed through employer contributions.

Reserves:

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

a. Expense Fund:

The Expense Fund Reserve provides for general and administrative expenses of the System. Funding consists of transfers from Plan A and Plan B. The balance in the expense fund as of December 31, 2002 and 2001 was $959,831 and $897,814, respectively. The expense fund is fully funded.

b. Annuity Savings Reserve:

The Annuity Savings Reserve is credited with contributions made by the member of the System. 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 Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to fund part of the benefits. Plan A's Annuity Savings balance was $247,757,144 and $232,038,582 for December 31, 2002 and 2001, respectively. The balance for Plan B was $8,192,413 for 2002 and $7,298,330 for 2001. The Annuity Saving is fully funded for both plans for the years ending December 31, 2002 and 2001.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

c. Pension Accumulation Reserve:

The Pension Accumulation Reserve 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 Annuity Reserve to fund retirement benefits for existing recipients. It is also relived when expenditures are not covered by the other accounts. The Pension Accumulation Reserve for Plan A as of December 31, 2002 and 2001 was $587,376,357 and $643,422,845, respectively. The balance for Plan B for December 31, 2002 and 2001 was $52,631,377 and $54,164,574, respectively.

The Pension Accumulation Reserve is 84% funded for Plan A and 100% funded for Plan B for the year ended December 31, 2002. The Pension Accumulation Reserve is 88% funded for Plan A and 100% funded for Plan B for the year ended December 31, 2001.

d. Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost of living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of December 31, 2002 and 2001 was $466,377,088 and $441,747,903 for Plan A and $23,336,360 for 2002 and $21,670,069 for 2001 for Plan B. The Annuity Reserve is 100% funded for both plans for the years ending December 31, 2002 and 2001.

e. Deferred Retirement Option Account:

The Deferred Retirement Option account consist 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/she 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 a true annuity. The Deferred Retirement Option balance for Plan A as of December 31, 2002 and 2001 was $12,389,847 and $9,531,017, respectively. The balance for Plan B as of December 31, 2002 and 2001 was $412,713 and $ 274,695, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2002 and 2001.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method is used to calculate the funding requirements for Plan A with the unfunded accrued liability frozen as of December 31, 1989, and originally amortized over 40 years with payments increasing at 4% per year. The Aggregate Actuarial Cost Method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 31 - 33.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2002 and 2001:

	2002	2001
Deposits (bank balance)	$ 598,450	$ 681,519
Cash equivalents	27,354,652	34,901,217
Investments	1,419,637,935	1,417,478,666
	$ 1,447,591,037	$ 1,453,061,402

Deposits:

The Retirement System's bank deposits were fully covered by federal depository insurance.

Cash Equivalents:

Cash equivalents in the amount of $27,354,652 and $34,901,217 for December 31, 2002 and 2001, respectively, consists of a money market account. The funds are managed and held by a separate money manager, and are in the name of the System.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of a retirement system and each board of trustees act collectively on behalf of the System and to 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 System shall not invest more than fifty-five percent of the total portfolio in common stock.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

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

The System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name.

	2002	
	Market Value	Category
U.S. Treasury Zeros	$ 44,275,835	1
U.S. Agency Bonds	407,308,625	1
Government Guaranteed Bonds	3,736,435	1
Corporate Bonds	28,981,484	1
Government National Mortgage Corporation	63,795,001	1
Common Stock – domestic	385,342,843	1
Mutual Funds – International	107,264,386	N/A
Mutual Funds – Domestic	65,372,028	N/A
Investments held by brokers – in which collateral may be reinvested:		
U. S. Government and Government Agency Obligations	145,436,287	N/A
Common Stock	8,917,770	N/A
Corporate bonds	107,001	N/A
Collateral held under securities lending program:		
Tri Party Repurchase Agreement	159,100,240	2
TOTAL	$ 1,419,637,935	

	2001	
	Market Value	Category
U.S. Treasury Notes	$ 981,921	1
U.S. Treasury Zeros	48,884,417	1
U.S. Agency Bonds	399,583,793	1
Government Guaranteed Bonds	3,918,272	1
Corporate Bonds	25,499,708	1
Government National Mortgage Corporation	86,465,866	1
Common Stock – domestic	406,153,975	1
Mutual Funds – International	112,613,566	N/A
Mutual Funds – Domestic	54,056,027	N/A

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

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

	2001	
	Market Value	Category
Investments held by brokers – in which collateral may be reinvested:		
U. S. Government and Government Agency Obligations	98,545,678	N/A
Common Stock	31,972,764	N/A
Investments held by banker/dealers in which collateral may not be reinvested:		
U. S. Government and Government Agency Bonds	11,757,752	N/A
Collateral held under securities lending program:		
Tri Party Repurchase Agreement	137,044,927	2
TOTAL	$ 1,417,478,666	

There were no investments in any one organization, which represented 5% of plan net assets at December 31, 2002 and 2001.

7. SECURITIES LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System 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 System has entered into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio of available assets, such as U.S. and non U.S. equities, corporate bonds, government bonds and government agency bonds. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest if the loaned securities are securities other than foreign securities. Collateralization of loans will be at 105% of the market value of the loaned securities if the loaned securities are foreign securities. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the System) in approved investments, such as commercial paper, certificates of deposit and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements varies depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper and other investments stipulated in the lender agent contract.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

7. SECURITIES LENDING AGREEMENTS: (Continued)

The System has the following securities on loan:

	December 31, 2002 Market (Carrying Value)	December 31, 2001 Market (Carrying Value)
U. S. Government Agency Obligations	$ 145,436,287	$ 110,303,430
Corporate Bonds	107,001	--
Common Stock	8,917,770	31,972,764
Totals	$ 154,461,058	$ 142,276,194

Securities on loan at December 31, 2002 and 2001 for which cash collateral was received are presented as unclassified under footnote 6. Securities on loan at December 31, 2002 and 2001 for which noncash collateral was received are classified under footnote 6. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at December 31, 2002 and 2001.

8. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures at cost less accumulated depreciation:

2002	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 232,178	$ 50,052	$ --	$ 282,230
Less: accumulated depreciation	(199,625)	(18,280)	--	(217,905)
	$ 32,553	$ 31,772	$ --	$ 64,325

2001	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 218,877	$13,301	$ --	$ 232,178
Less: accumulated depreciation	(195,204)	(4,421)	--	(199,625)
	$ 23,673	$ 8,880	$ --	$ 32,553

Depreciation expense for the years ended December 31, 2002 and 2001 was $18,280 and $4,421, respectively.

9. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a).

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

10. OPERATING LEASES:

The System entered into a five-year operating lease for office space beginning August 1, 2001 and ending July 31, 2006. Lease expense for the years ended December 31, 2002 and 2001 was $50,493 and $47,268, respectively. The minimum lease payments for the remaining term of the lease are as follows:

2003	$49,213
2004	50,910
2005	52,607
2006	30,687

11. 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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
ASSETS:	2002	2001	2002	2001	2002	2001	2002	2001
Cash	$ 339,603	$ 283,145	$ 61,757	$ 28,072	$ 103,966	$ 95,608	$ 505,326	$ 406,825
Receivables:								
Due from (to) other funds	47,630	7,045	(47,630)	(7,045)	-	-	-	-
Contributions receivable -Member	8,510,267	7,986,478	345,265	163,833	-	-	8,855,532	8,150,311
Contributions receivable - Employer	6,915,206	6,513,566	317,001	236,886	-	-	7,232,207	6,750,452
Ad valorem taxes & state revenue sharing receivable	3,549,209	2,962,308	448,098	347,533	-	-	3,997,307	3,309,841
Miscellaneous receivable	6,942	17,611	17,523	902	13,415	-	37,880	18,513
Investment receivable	782,552	3,768,569	-	-	-	-	782,552	3,768,569
Accrued interest and dividends	3,118,017	2,887,292	188,916	213,228	1,657	1,429	3,308,590	3,101,949
	22,929,823	24,142,869	1,269,173	955,337	15,072	1,429	24,214,068	25,099,635
Investments (at fair value)								
Cash equivalents	25,821,750	32,814,452	685,263	1,255,913	847,639	830,852	27,354,652	34,901,217
Mutual fund	141,104,781	136,715,142	31,531,633	29,954,451	-	-	172,636,414	166,669,593
Corporate bonds	25,898,741	22,448,348	3,189,744	3,051,360	-	-	29,088,485	25,499,708
Government securities	553,518,756	517,129,824	47,238,426	46,542,009	-	-	600,757,182	563,671,833
Mortgage backed securities	62,303,921	83,549,990	1,491,080	2,915,876	-	-	63,795,001	86,465,866
Common stock	394,260,613	438,126,739	-	-	-	-	394,260,613	438,126,739
Collateral under securities lending	142,380,473	129,666,302	16,719,767	7,378,625	-	-	159,100,240	137,044,927
	1,345,289,035	1,360,450,797	100,855,913	91,098,234	847,639	830,852	1,446,992,587	1,452,379,883
Deposits	-	-	-	-	2,515	2,515	2,515	2,515
Property, plant and equipment: Net of accumulated depreciation	-	-	-	-	64,325	32,553	64,325	32,553
Total assets	1,368,558,461	1,384,876,811	102,186,843	92,081,643	1,033,517	962,957	1,471,778,821	1,477,921,411
LIABILITIES:								
Accounts payable	601,487	645,921	-	6,697	53,616	45,382	655,103	698,000
Accrued leave payable	-	-	-	-	3,956	3,749	3,956	3,749
Withholding taxes payable	-	316	-	-	16,114	16,012	16,114	16,328
Refunds payable	694,524	619,914	23,727	9,752	-	-	718,251	629,666
Investment payable	1,558,498	2,159,765	4,257	-	-	-	1,562,755	2,159,765
Retirement payable	4,496,559	4,273,961	225,007	211,707	-	-	4,721,566	4,485,668
Obligations under securities lending	142,380,473	129,666,302	16,719,767	7,378,625	-	-	159,100,240	137,044,927
Total liabilities	149,731,541	137,366,179	16,972,758	7,606,781	73,686	65,143	166,777,985	145,038,103
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,218,826,920	$ 1,247,510,632	$ 85,214,085	$ 84,474,862	$ 959,831	$ 897,814	$ 1,305,000,836	$ 1,332,883,308

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	PLAN "A" 2002	PLAN "A" 2001	PLAN "B" 2002	PLAN "B" 2001	EXPENSE FUND 2002	EXPENSE FUND 2001	TOTAL 2002	TOTAL 2001
ADDITIONS:								
Contributions:								
Member	$ 35,205,710	$ 33,381,795	$ 1,626,607	$ 924,664	$ -	$ -	$ 36,832,317	$ 34,306,459
Employer	29,074,277	28,122,936	1,491,742	1,299,211	-	-	30,566,019	29,422,147
Ad valorem tax	3,409,018	3,239,481	459,200	383,571	-	-	3,868,218	3,623,052
Revenue sharing	144,515	145,539	14,211	17,303	-	-	158,726	162,842
Total contributions	67,833,520	64,889,751	3,591,760	2,624,749	-	-	71,425,280	67,514,500
Investment income:								
Net appreciation in fair value of investments	-	-	-	79,494	-	-	-	79,494
Interest income	25,751,404	24,849,246	2,110,517	2,184,360	18,039	50,036	27,879,960	27,083,642
Dividend income	6,185,021	6,664,753	-	-	-	-	6,185,021	6,664,753
Securities lending income	1,905,007	4,340,505	198,215	344,121	-	-	2,103,222	4,684,626
	33,841,432	35,854,504	2,308,732	2,607,975	18,039	50,036	36,168,203	38,512,515
Less: Investment expense:								
Net depreciation in fair value of investments	63,274,577	38,910,378	2,080,762	-	-	-	65,355,339	38,910,378
Custodial fees	-	-	-	-	201,312	194,842	201,312	194,842
Money manager fees	2,348,927	2,512,590	26,630	27,730	-	-	2,375,557	2,540,320
Securities lending	1,785,471	4,161,923	185,493	330,205	-	-	1,970,964	4,492,128
Investment consultant	-	-	-	-	20,340	55,000	20,340	55,000
	67,408,975	45,584,891	2,292,885	357,935	221,652	249,842	69,923,512	46,192,668
Net investment income (expense)	(33,567,543)	(9,730,387)	15,847	2,250,040	(203,613)	(199,806)	(33,755,309)	(7,680,153)
Other additions:								
Interest - transfers, refund payback	1,248,674	1,086,848	217,657	159,710	-	-	1,466,331	1,246,558
Transers in - employer	415,880	-	11,900	-	-	-	427,780	-
Miscellaneous income	3,638	7,884	199	852	5,768	-	9,605	8,736
Total other additions	1,668,192	1,094,732	229,756	160,562	5,768	-	1,903,716	1,255,294
Total additions (reductions)	35,934,169	56,254,096	3,837,363	5,035,351	(197,845)	(199,806)	39,573,687	61,089,641
DEDUCTIONS:								
Retirement and disability benefits	52,921,419	49,649,716	2,628,598	2,450,378	-	-	55,550,017	52,100,094
Refunds to terminated employees	6,969,197	8,784,659	211,995	281,375	-	-	7,181,192	9,066,034
DROP benefits	3,056,075	3,359,243	73,077	57,152	-	-	3,129,152	3,416,395
Transfers to/from funds	888,630	805,680	111,370	94,320	(1,000,000)	(900,000)	-	-
Transfer to other systems - employee	298,940	498,752	12,033	58,277	-	-	310,973	557,029
Transfer to other systems - employer and interest	483,620	1,388,838	61,067	404,059	-	-	544,687	1,792,897
Administrative expenses	-	-	-	-	721,858	634,168	721,858	634,168
Depreciation	-	-	-	-	18,280	4,420	18,280	4,420
Total deductions	64,617,881	64,486,888	3,098,140	3,345,561	(259,862)	(261,412)	67,456,159	67,571,037
NET INCREASE (DECREASE)	(28,683,712)	(8,232,792)	739,223	1,689,790	62,017	61,606	(27,882,472)	(6,481,396)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -								
Net assets - beginning of year	1,247,510,632	1,255,743,424	84,474,862	82,785,072	897,814	836,208	1,332,883,308	1,339,364,704
END OF YEAR	$ 1,218,826,920	$ 1,247,510,632	$ 85,214,085	$ 84,474,862	$ 959,831	$ 897,814	$ 1,305,000,836	$ 1,332,883,308

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

PLAN "A"	DECEMBER 31, 2002			DECEMBER 31, 2001		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 6,000,000	$ 6,297,555	$ 8,443,140	$ 6,000,000	$ 6,297,555	$ 7,659,360
U.S. Treasury Zeros	181,259,250	50,860,144	123,082,769	181,259,250	50,860,144	104,186,724
U.S. Treasury Agency Bonds	586,602,747	274,518,069	418,842,631	675,162,523	286,248,993	401,840,690
Government Guaranteed Bonds	3,033,391	2,993,726	3,150,216	3,260,642	3,216,887	3,443,050
Corporate Bonds	25,807,049	25,121,898	25,898,741	23,371,095	22,559,335	22,448,348
Government National Mortgage Corporation Bonds	59,113,196	57,113,273	62,303,921	81,090,086	78,681,837	83,549,990
TOTAL BONDS	$ 861,815,633	$ 416,904,665	$ 641,721,418	$ 970,143,596	$ 447,864,751	$ 623,128,162

	COST	MARKET	COST	MARKET
STOCKS:				
Common stocks	$ 366,415,077	$ 394,260,613	$ 350,345,986	$ 438,126,739
MUTUAL FUND:				
Domestic	$ 43,261,039	$ 33,840,395	$ 27,085,157	$ 24,101,576
International	122,827,596	107,264,386	105,427,580	112,613,566
TOTAL MUTUAL FUND	$ 166,088,635	$ 141,104,781	$ 132,512,737	$ 136,715,142
CASH EQUIVALENTS	$ 25,821,750	$ 25,821,750	$ 32,814,452	$ 32,814,452

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

PLAN "B"	DECEMBER 31, 2002			DECEMBER 31, 2001		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 2,320,000	$ 2,360,911	$ 3,072,313	$ 2,320,000	$ 2,360,911	$ 2,856,078
U.S. Treasury Zeros	33,560,750	11,369,941	26,527,644	33,560,750	11,369,941	23,566,110
U.S. Agency Bonds	18,924,617	14,614,907	17,052,250	27,513,331	17,575,118	19,644,599
Government Guaranteed Bonds	1,192,039	1,192,039	586,219	1,094,127	1,094,127	475,222
Corporate bonds	4,800,000	3,278,799	3,189,744	4,800,000	3,278,800	3,051,360
Government National Mortgage Corporation Bonds	1,388,948	1,319,320	1,491,080	2,769,795	2,666,629	2,915,876
TOTAL BONDS	$ 62,186,354	$ 34,135,917	$ 51,919,250	$ 72,058,003	$ 38,345,526	$ 52,509,245

	COST	MARKET	COST	MARKET
MUTUAL FUND	$ 31,870,240	$ 31,531,633	$ 24,297,599	$ 29,954,451
CASH EQUIVALENTS	$ 685,263	$ 685,263	$ 1,255,913	$ 1,255,913

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

	2002 Budget	2002 Actual	Variance over (under)
ADMINISTRATIVE EXPENSES:			
SALARIES AND RELATED EXPENSES:			
Salaries	$ 358,259	$ 357,418	$ (841)
Retirement	27,765	27,700	(65)
Group hospitalization	13,814	14,027	213
Medicare and payroll taxes	4,522	4,472	(50)
Total salaries and related expenses	404,360	403,617	(743)
PROFESSIONAL SERVICES:			
Actuarial consultant	71,820	72,564	744
Auditor	32,000	20,000	(12,000)
Legal counsel	19,706	20,656	950
Computer programming	5,000	5,000	-
Medical board	6,647	4,818	(1,829)
Investigation	2,369	1,522	(847)
Professional services	-	24,817	24,817
Total professional services	137,542	149,377	11,835
COMMUNICATIONS:			
Printing	18,350	10,649	(7,701)
Telephone	10,500	11,626	1,126
Postage	18,975	18,835	(140)
Travel	17,600	14,778	(2,822)
Per diem	2,625	1,725	(900)
Total communications	68,050	57,613	(10,437)
GENERAL OFFICE:			
Rent	50,212	50,493	281
Supplies	7,170	5,653	(1,517)
Dues and subscriptions	6,380	7,601	1,221
Equipment rental	22,650	21,810	(840)
Equipment maintenance	17,950	16,448	(1,502)
Insurance	3,350	2,873	(477)
Microfilm	9,800	5,679	(4,121)
Miscellaneous	-	-	-
Training	4,575	694	(3,881)
Total general office	122,087	111,251	(10,836)
TOTAL ADMINISTRATIVE EXPENSES	$ 732,039	$ 721,858	$ (10,181)
INVESTMENT EXPENSES:			
Custodial Bank	$ 188,000	$ 201,312	$ 13,312
Investment counseling	23,000	20,340	(2,660)
TOTAL INVESTMENT EXPENSES	$ 211,000	$ 221,652	$ 10,652
CAPITAL OUTLAYS	$ 52,700	$ 50,052	$ (2,648)

2001		
Budget	Actual	Variance over (under)
$ 325,723	$ 320,486	$ (5,237)
25,243	24,838	(405)
13,601	14,500	899
3,982	3,860	(122)
368,549	363,684	(4,865)
63,380	61,783	(1,597)
31,000	20,000	(11,000)
27,000	14,226	(12,774)
43,000	4,800	(38,200)
6,500	2,451	(4,049)
3,000	1,253	(1,747)
-	-	-
173,880	104,513	(69,367)
16,600	21,325	4,725
10,480	10,001	(479)
19,200	19,770	570
23,680	18,074	(5,606)
2,625	2,100	(525)
72,585	71,270	(1,315)
48,340	47,268	(1,072)
5,700	6,090	390
6,255	4,759	(1,496)
22,000	16,647	(5,353)
10,630	6,372	(4,258)
3,530	2,480	(1,050)
4,000	-	(4,000)
-	5,437	5,437
3,100	5,648	2,548
103,555	94,701	(8,854)
$ 718,569	$ 634,168	$ (84,401)
$ 188,000	$ 194,842	$ 6,842
75,000	55,000	(20,000)
$ 263,000	$ 249,842	$ (13,158)
$ 14,000	$ 13,301	$ (699)

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	UNFUNDED ACTUARIAL ACCRUED LIABILITY	TOTAL
BALANCE - BEGINNING	$ 232,038,582	$ 9,531,017	$ 441,747,903	$ 643,422,845	$ (79,229,715)	$ 1,247,510,632
REVENUES AND TRANSFERS:						
Employee contributions	35,205,710	-	-	-	-	35,205,710
Employer contributions	-	-	-	29,074,277	-	29,074,277
Tax collector contributions	-	-	-	3,409,018	-	3,409,018
Revenue sharing contributions	-	-	-	144,515	-	144,515
Miscellaneous income	-	-	-	3,638	-	3,638
Transfer from Annuity Savings	-	-	12,219,011	-	-	12,219,011
Transfer from Annuity Reserve	-	5,914,905	-	-	-	5,914,905
Interest - transfers, refund payback	-	-	-	1,664,554	-	1,664,554
Actuarial transfer	-	-	71,246,498	-	-	71,246,498
	35,205,710	5,914,905	83,465,509	34,296,002	-	158,882,126
EXPENDITURES AND TRANSFERS:						
Net investment expense	-	-	-	33,567,543	-	33,567,543
Refunds to terminated employees	6,969,197	-	-	-	-	6,969,197
Transfer to Annuity Reserve	12,219,011	-	-	-	-	12,219,011
Transfer to DROP	-	-	5,914,905	-	-	5,914,905
Pensions paid	-	-	52,921,419	-	-	52,921,419
Transfer to Expense Fund	-	-	-	888,630	-	888,630
DROP benefits	-	3,056,075	-	-	-	3,056,075
Actuarial transfer	-	-	-	55,402,697	15,843,801	71,246,498
Transfers to another system	298,940	-	-	483,620	-	782,560
	19,487,148	3,056,075	58,836,324	90,342,490	15,843,801	187,565,838
NET INCREASE (DECREASE)	15,718,562	2,858,830	24,629,185	(56,046,488)	(15,843,801)	(28,683,712)
BALANCE - ENDING	$ 247,757,144	$ 12,389,847	$ 466,377,088	$ 587,376,357	$ (95,073,516)	$ 1,218,826,920

2001					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	UNFUNDED ACTUARIAL ACCRUED LIABILITY	TOTAL
$ 219,321,822	$ 8,535,005	$ 416,202,302	$ 635,791,136	$ (24,106,841)	$ 1,255,743,424
33,381,795	-	-	-	-	33,381,795
-	-	-	28,122,936	-	28,122,936
-	-	-	3,239,481	-	3,239,481
-	-	-	145,539	-	145,539
-	-	-	7,884	-	7,884
-	-	11,381,624	-	-	11,381,624
-	4,355,255	-	-	-	4,355,255
-	-	-	1,086,848	-	1,086,848
-	-	68,168,948	-	-	68,168,948
33,381,795	4,355,255	79,550,572	32,602,688	-	149,890,310
-	-	-	9,730,387	-	9,730,387
8,784,659	-	-	-	-	8,784,659
11,381,624	-	-	-	-	11,381,624
-	-	4,355,255	-	-	4,355,255
-	-	49,649,716	-	-	49,649,716
-	-	-	805,680	-	805,680
-	3,359,243	-	-	-	3,359,243
-	-	-	13,046,074	55,122,874	68,168,948
498,752	-	-	1,388,838	-	1,887,590
20,665,035	3,359,243	54,004,971	24,970,979	55,122,874	158,123,102
12,716,760	996,012	25,545,601	7,631,709	(55,122,874)	(8,232,792)
$ 232,038,582	$ 9,531,017	$ 441,747,903	$ 643,422,845	$ (79,229,715)	$ 1,247,510,632

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 7,298,330	$ 274,695	$ 21,670,069	$ 54,164,574	$ 1,067,194	$ 84,474,862
REVENUES AND TRANSFERS:						
Employee contributions	1,626,607	-	-	-	-	1,626,607
Employer contributions	-	-	-	1,491,742	-	1,491,742
Net investment income	-	-	-	15,847	-	15,847
Tax collector contributions	-	-	-	459,200	-	459,200
Revenue sharing contributions	-	-	-	14,211	-	14,211
Miscellaneous income	-	-	-	199	-	199
Transfer from Annuity Savings	-	-	508,496	-	-	508,496
Transfer from Annuity Reserve	-	211,095	-	-	-	211,095
Interest - transfers refund payback	-	-	-	229,557	-	229,557
Actuarial transfer	-	-	3,997,488	-	-	3,997,488
	1,626,607	211,095	4,505,984	2,210,756	-	8,554,442
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	211,995	-	-	-	-	211,995
Transfer to Annuity Reserve	508,496	-	-	-	-	508,496
Transfer to DROP	-	-	211,095	-	-	211,095
Pensions paid	-	-	2,628,598	-	-	2,628,598
Transfer to Expense Fund	-	-	-	111,370	-	111,370
DROP benefits	-	73,077	-	-	-	73,077
Actuarial transfer	-	-	-	3,571,516	425,972	3,997,488
Transfers to another system	12,033	-	-	61,067	-	73,100
	732,524	73,077	2,839,693	3,743,953	425,972	7,815,219
NET INCREASE (DECREASE)	894,083	138,018	1,666,291	(1,533,197)	(425,972)	739,223
BALANCE - ENDING	$ 8,192,413	$ 412,713	$ 23,336,360	$ 52,631,377	$ 641,222	$ 85,214,085

2001					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
$ 6,942,915	$ 208,263	$ 20,179,361	$ 51,918,574	$ 3,535,959	$ 82,785,072
924,664	-	-	-	-	924,664
-	-	-	1,299,211	-	1,299,211
-	-	-	2,250,040	-	2,250,040
-	-	-	383,571	-	383,571
-	-	-	17,303	-	17,303
-	-	-	852	-	852
-	-	229,597	-	-	229,597
-	123,584	-	-	-	123,584
-	-	-	159,710	-	159,710
-	-	3,835,073	-	-	3,835,073
924,664	123,584	4,064,670	4,110,687	-	9,223,605
281,375	-	-	-	-	281,375
229,597	-	-	-	-	229,597
-	-	123,584	-	-	123,584
-	-	2,450,378	-	-	2,450,378
-	-	-	94,320	-	94,320
-	57,152	-	-	-	57,152
-	-	-	1,366,308	2,468,765	3,835,073
58,277	-	-	404,059	-	462,336
569,249	57,152	2,573,962	1,864,687	2,468,765	7,533,815
355,415	66,432	1,490,708	2,246,000	(2,468,765)	1,689,790
$ 7,298,330	$ 274,695	$ 21,670,069	$ 54,164,574	$ 1,067,194	$ 84,474,862

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2002 AND 2001

	2002	2001
Gwen Le Blanc	$ 375	$ 450
C. Reagan Sutton	375	450
Terri Rodrigue	300	450
Joseph Arabie	375	450
Thomas Nelson	300	300
TOTAL	$ 1,725	$ 2,100

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 1997 THROUGH 2002

PLAN A

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1997	$ 16,405,731	130.53%	$ 2,671,641	101.94%
1998	12,685,112	189.30%	2,960,149	95.56%
1999	14,340,774	175.65%	2,831,754	102.87%
2000	18,225,616	145.17%	2,905,696	111.45%
2001	19,902,763	137.22%	3,051,546	110.93%
2002	26,639,688	109.14%	3,565,693	99.66%

PLAN B

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1997	$ 896,904	97.06%	$ 336,708	101.92%
1998	591,248	150.79%	346,450	95.49%
1999	840,278	119.04%	354,566	106.60%
2000	1,207,844	88.33%	374,209	96.36%
2001	1,137,155	113.32%	389,866	102.83%
2002	1,849,431	80.66%	490,729	96.47%

The actuarially required contribution differs significantly from actual contribution made due to the board of trustees' election to freeze the employer contribution rate at a higher level than required. The effect of this election is to reduce the number of years over which payments on the frozen unfunded accrued liability will required for Plan A. In the case of Plan B, any excess contributions collected reduce future normal costs for the Plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS PLAN A
DECEMBER 31, 1997 THROUGH 2002

	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Excess) AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/97	$ 874,023,941	$ 1,009,541,756	$ 135,517,815	86.58%	$ 291,292,401	46.52%
12/31/98	960,159,912	1,087,013,152	126,853,240	88.33%	307,631,138	41.24%
12/31/99	1,082,379,053	1,200,083,665	117,704,612	90.19%	323,096,742	36.43%
12/31/00	1,169,592,667	1,279,850,265	110,257,598	91.38%	337,142,274	32.70%
12/31/01	1,224,465,306	1,326,740,349	102,275,043	92.29%	352,458,011	29.01%
12/31/02	1,214,971,041	1,313,900,436	98,929,395	92.47%	372,814,126	26.54%

PARISH

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS – PLANS A & B
DECEMBER 31, 1997 THROUGH 2002

The information presented in the Schedule of Contributions – Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2002
Actuarial Cost Method	Plan A - Frozen Attained Age Normal Cost Plan B - Aggregate Actuarial Cost
Amortization Method	Plan A – The System uses the level percentage of projected payroll amortization cost. In accordance with state statute, the payment amounts increase at 4% each year for the remaining - amortization period. The amortization period is for a specific number of years. (Closed Basis) Plan B – N/A
Remaining Amortization period	Plan A - 15 years.
Asset Valuation Method:	
Bonds	Amortized Cost.
Equities	Market Value adjusted to reflect a three-year smoothing of realized and unrealized capital gains. Expense fund assets are allocated to each plan in proportion to reported payroll.
Actuarial Assumptions	
Investment Rate of Return	8%
Projected Salary Increases	Plan A - 6% Plan B - 6%
Cost of Living Adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target rations are met and excess interest earnings are available to fund the cost of the benefit increase.
Change in Normal Cost:	The System incurred an increase in normal cost for Plan A and Plan B in the amounts of $13,846,543 and $700,853 for the year ending December 31, 2002 due to the decline in investment markets. The effect of the change in normal cost for years ending subsequent to December 31, 2002 has not yet been determined.

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

March 28, 2003

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2002 and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Parochial Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Parochial Employees' Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

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

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

DUPLANTIER, HRAPMANN,
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March 28, 2003

Legislative Auditor
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Baton Rouge, LA 70804

SCHEDULES AND DATA COLLECTION FORM

SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of Parochial Employees' Retirement System as of December 31, 2002 and have issued our report thereon dated March 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2002 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS:

Internal Control:

Material weakness – None noted.

Reportable conditions – None noted.

Compliance:

Noncompliance material to financial statements – None noted

Management Letter:

None noted.

SECTION 2: FINANCIAL STATEMENTS FINDINGS

A. CURRENT YEAR FINDINGS:

None noted.

B. PRIOR YEAR FINDINGS:

01-01- Reconciliation of Equity Accounts:

In the prior year, the retirement clerk generated a DROP member report using word perfect. This report denoted participant's name, social security number, and beginning and ending DROP dates. The clerk used this list as a control to ensure employer contributions were received on DROP participants; the control is good, however, this report was not reconciled to anything to ensure it was all-inclusive. We recommended that the Retirement System use the CPA DROP Member Report generated from the DROP computer system that lists participant's name, beginning balance, additions, withdrawals/adjustments and ending balance. The CPA report is reconciled to the general ledger and thus is verified as being an all-inclusive list of DROP participants. The CPA report can be used as the control to ensure employers are remitting contributions on all DROP participants.

During the current year audit, the retirement clerk used the CPA DROP Report to ensure all employer contributions were paid on DROP participants.

01-02 – General Ledger Trust Account Not Reconciled to the Trust Statement:

In the prior year, it was noted that the balance in the general ledger trust account was not being reconciled to the trust statement. In addition, the purchase and sale of bonds per the trust statement were not being recorded on the general ledger correctly. Lastly, certain bond transactions were being recorded in the incorrect general ledger account. The System should report all bond transactions correctly and in the correct general ledger account. We recommended the System develop reconciling procedures to ensure the general ledger balances agree to the trust statement and that all bond transactions are recorded correctly and in the correct account.

During the current year audit, the trust statement was reconciled to the general ledger, the purchase and sale of bonds was recorded separately and all bond transactions were recorded in the correct general ledger accounts.

01-03 – Reconciliation of Equity Accounts:

In the prior year, it was noted that the DROP subsidiary ledgers for Plans A and B were not being reconciled to the general ledger. Subsidiary ledgers are the source of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommended the System develop a formal reconciliation procedure to ensure the DROP subsidiary ledgers are in agreement with the general ledger.

The DROP subsidiary ledgers for Plans A and B were reconciled to the general ledger.