4134

ANNUAL FINANCIAL REPORT

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA BATON ROUGE, LOUISIANA

DECEMBER 31, 2005 AND 2004

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

INDEX TO ANNUAL FINANCIAL REPORT

DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

March 31, 2006

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

We have audited the accompanying statements of plan net assets of Parochial Employees' Retirement System of Louisiana as of December 31, 2005 and 2004, 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 Parochial Employees' Retirement System of Louisiana as of December 31, 2005 and 2004, 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.

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, 2005 and 2004, 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 on pages 33 - 35 and the supplemental schedules on pages 25 – 32 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 2005 and supplemental schedules for the years ending December 31, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2006 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 and regulations The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, LLP

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

The Management's Discussion and Analysis of Parochial Employees' Retirement System's financial performance presents a narrative overview and analysis of Parochial Employees' Retirement System's financial activities for the year ended December 31, 2005. 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 Parochial Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Parochial Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2005 by $1,813,178,730 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $125,392,110 or 7.43%. The increase was due primarily to increase in employer contributions and improved conditions in the securities market.

- Contributions to the plan by members and employers totaled $100,947,754 an increase of $10,744,147 or 11.91% over the prior year.

- The net appreciation in the fair value of investments was $56,845,211 for 2005. While this figure represents a significant appreciation, it is about $63.7 million less than 2004.

- The rate of return on the System's investments was 6.59% for Plan A and 5.09% for Plan B based on the market value. They represent a decline from 2004.

- Pension benefits paid to retirees and beneficiaries increased by $5,134,637 or 8.16%. This increase is due to an increase in the number of retirees and their benefit amounts.

- Administrative expenses totaled $828,116, an increase of $24,395 or 3.04%. The cost of administering the System per member during 2005 was $29 per individual.

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'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005 and 2004.

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, 2005 and 2004

	2005	2004
Cash and investments	$ 1,926,034,820	$ 1,818,766,867
Receivables	34,722,783	32,903,383
Other	2,515	2,515
Property and equipment	22,918	31,150
Total assets	1,960,783,036	1,851,703,915
Total liabilities	147,604,306	163,917,295
Net Assets Held in Trust For Pension Benefits	$ 1,813,178,730	$ 1,687,786,620

Plan net assets increased by 7.43% ($1,687,786,620 compared to $1,813,178,730). 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 increase in plan net assets was a result of the rise in the value of investments due to strong stock market performance and an increase in employer contributions.

Statement of Changes in Plan Net Assets
December 31, 2005 and 2004

	2005	2004
Additions:		
Contributions	$ 105,681,791	$ 94,745,207
Investment gain (net)	105,462,577	155,061,706
Other	2,286,375	2,242,016
Total additions	213,430,743	252,048,929
Total deductions	88,038,633	79,399,079
Increase (decrease) in Plan Net Assets	$ 125,392,110	$ 172,649,850

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
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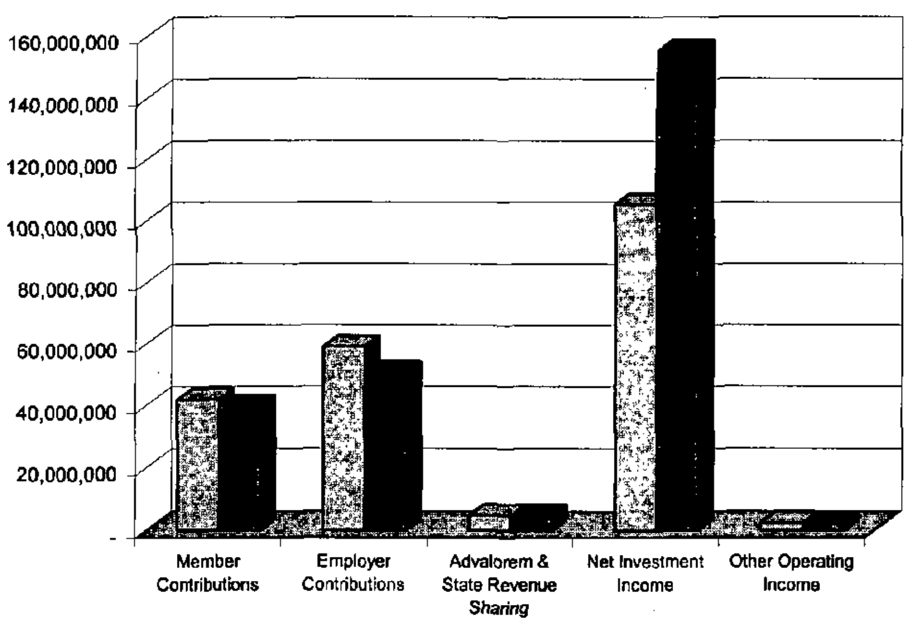
FINANCIAL ANALYSIS OF THE FUND (Continued)

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased $2,568,629 or 6.53% and employer contributions increased $8,175,518 or 16.08%. The System experienced a net investment gain of $105,462,577 as compared to a net investment gain of $155,061,706 in the previous year. The decrease in investment income was mainly due to the fact that one or more discount issues matured in 2004 and less activity in 2005.

	2005	2004	Increase (Decrease) Percentage
Member Contributions	$ 41,926,747	$ 39,358,118	6.53%
Employer Contributions	59,021,007	50,845,489	16.08%
Ad valorem & State Revenue Sharing	4,734,037	4,541,600	4.24%
Net Investment Income	105,462,577	155,061,706	(31.99)%
Other Operating Revenues	2,286,375	2,242,016	1.98%
Total	$ 213,430,743	$ 252,048,929	



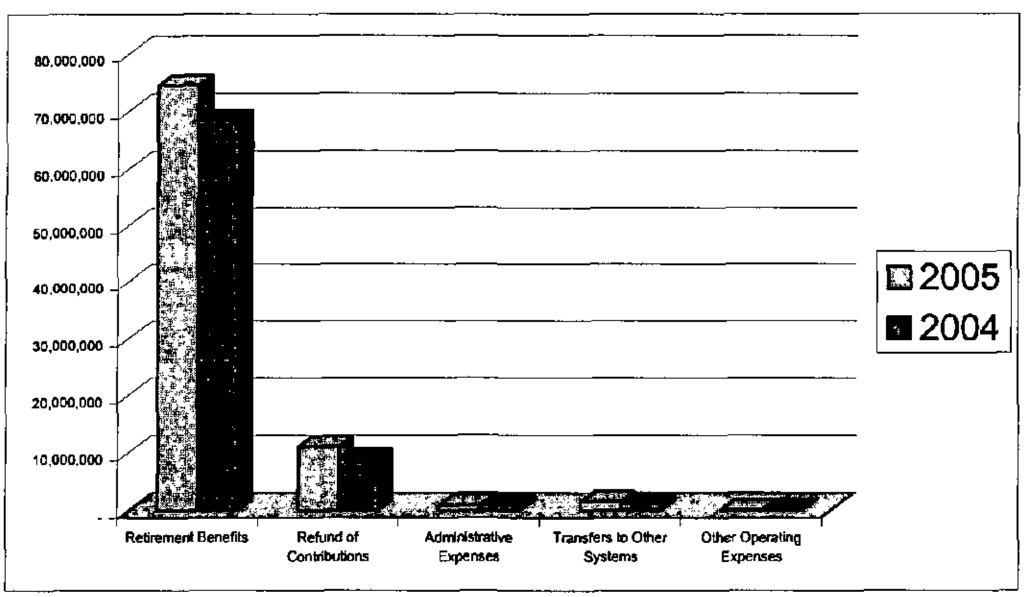
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net assets totaled $88,038,633 in fiscal year 2005. Deductions from plan net assets increased by $8,639,554. Retirement benefits and refunds to terminated employees accounted for the majority of the increase. Retirement benefits increased by $5,134,637 which was a result of adding 338 new retirees in 2005. Although this figure is offset somewhat by the 238 deaths, experience shows that new retirees receive higher benefits on average than existing retirees. Refunds to terminated employees increased by $2,165,512 or 24.06%.

	2005	2004	Increase Percentage
Annuity and DROP Benefits	$ 74,519,384	$ 68,424,240	8.91%
Refunds of Contributions	11,164,985	8,999,473	24.06%
Administrative Expenses	828,116	803,721	3.04%
Transfers to Other Systems	1,517,916	1,151,816	31.78%
Other Operating Expenses	8,232	19,829	(58.49)%
Total	$ 88,038,633	$ 79,399,079	



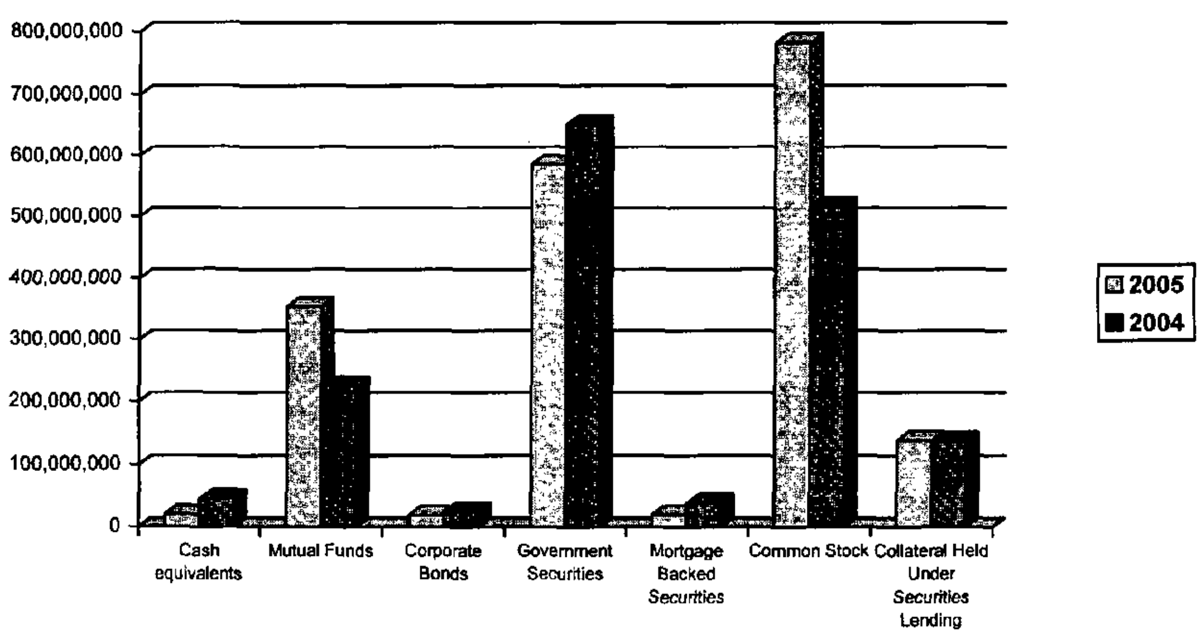
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005 amounted to $1,919,698,459 as compared to $1,818,132,040 at December 31, 2004 which is an increase of $101,566,419 or 5.59%. The major contributing factor to this increase was the relatively strong performance of domestic stock markets. The System's investments in various markets at the end of the 2005 and 2004 fiscal years are indicated in the following table:

	2005	2004	Increase (Decrease) Percentage
Cash Equivalents	$ 20,276,191	$ 42,155,606	(51.90)%
Mutual Funds	353,528,961	224,934,157	57.17%
Corporate Bonds	18,972,203	25,076,563	(24.34)%
Government Securities	586,027,479	652,001,208	(10.12)%
Mortgage Backed Securities	20,167,220	24,867,430	(18.90)%
Common Stock	782,350,763	692,673,121	12.95%
Collateral Held Under Securities Lending	138,375,642	156,423,955	(11.54)%
Total	$ 1,919,698,459	$1,818,132,040	



PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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
DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS:		
Cash	$ 6,336,361	$ 634,827
Receivables:		
Contributions receivable -Member	10,103,499	9,790,046
Contributions receivable - Employer	13,708,329	12,271,381
Ad valorem taxes & state revenue sharing receivable	4,695,779	4,499,054
Miscellaneous receivable	20,610	19,862
Investment receivable	1,504,729	1,326,432
Accrued interest and dividends	4,689,837	4,996,608
	34,722,783	32,903,383
Investments (at fair value):		
Cash equivalents	20,276,191	42,155,606
Mutual funds	353,528,961	224,934,157
Corporate bonds	18,972,203	25,076,563
Government securities	586,027,479	652,001,208
Mortgage backed securities	20,167,220	24,867,430
Common stock	782,350,763	692,673,121
Collateral under securities lending	138,375,642	156,423,955
Total	1,919,698,459	1,818,132,040
Deposits	2,515	2,515
Property, plant and equipment: Net of accumulated depreciation	22,918	31,150
Total assets	1,960,783,036	1,851,703,915
LIABILITIES:		
Accounts payable	707,193	44,994
Accrued leave payable	4,085	4,173
Withholding taxes payable	24,599	22,650
Refunds payable	1,669,788	550,796
Investment payable	1,007,063	1,878,956
Retirement payable	5,815,936	4,991,771
Obligations under securities lending	138,375,642	156,423,955
Total liabilities	147,604,306	163,917,295
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,813,178,730	$ 1,687,786,620

(A schedule of funding progress is presented on Page 34)

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
ADDITIONS:		
Contributions:		
Member	$ 41,926,747	$ 39,358,118
Employer	59,021,007	50,845,489
Ad valorem tax	4,582,658	4,379,304
Revenue sharing	151,379	162,296
Total contributions	105,681,791	94,745,207
Investment income:		
Net appreciation in fair value of investments	56,845,211	120,575,967
Interest income	40,810,836	28,376,665
Dividend income	11,911,182	9,840,814
Securities lending income	6,247,891	2,152,477
	115,815,120	160,945,923
Less - Investment expense:		
Custodial fee	241,617	195,063
Money manager fees	3,992,922	3,648,159
Securities lending	6,054,019	2,013,245
Investment counseling	63,985	27,750
	10,352,543	5,884,217
Net investment income	105,462,577	155,061,706
Other additions:		
Interest - transfers, refund payback	1,265,681	1,317,621
Transfers in - employee	422,073	423,480
Transfers in - employer	528,389	479,708
Miscellaneous income	70,232	21,207
Total other additions	2,286,375	2,242,016
Total additions	213,430,743	252,048,929
DEDUCTIONS:		
Annuity benefits	68,031,032	62,896,395
Refunds to terminated employees	11,164,985	8,999,473
DROP benefits	6,488,352	5,527,845
Transfer to other systems - employee	414,273	289,557
Transfer to other systems - employer/interest	1,103,643	862,259
Administrative expenses	828,116	803,721
Depreciation	8,232	19,829
Total deductions	88,038,633	79,399,079
NET INCREASE	125,392,110	172,649,850
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of the year	1,687,786,620	1,515,136,770
END OF YEAR	$ 1,813,178,730	$ 1,687,786,620

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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, 2005, there were no participants in this plan.

Act #194 of the year 2003 established a separate unfunded, non-tax qualified Excess Benefit Plan to supplement the benefits provided to members of the extent their benefits are reduced by the limitations imposed by Section 415 of the United States Internal Revenue Code.

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). During the current year, Governmental Accounting Standards Board 40 (GASB 40) was implemented. The statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The required disclosures are included in Note 6 to the financial statements. In addition, these financial statements include the management's discussion and analysis as supplementary information, as required by GASB Statement Number 34, *Basic Financial Statement- and Management's Discussion and Analysis- for State and Local Governments* and related standards.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

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 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.

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.

2. PLAN DESCRIPTION:

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, 2005, there were 226 contributing employers in Plan A and 53 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

2005	PLAN A	PLAN B	TOTAL
Active members	13,089	1,938	15,027
Retirees and survivors	4,845	486	5,331
"DROP plan participants	381	32	413
Terminated employees due deferred benefits	448	91	539
Terminated due refunds	5,723	1,298	7,021
TOTAL PARTICIPATING AS OF THE VALUATION DATE	24,486	3,845	28,331

2004	PLAN A	PLAN B	TOTAL
Active members	13,512	2,028	15,540
Retirees and survivors	4,739	461	5,200
"DROP plan participants	355	34	389
Terminated employees due deferred benefits	374	69	443
Terminated due refunds	5,641	1,243	6,884
TOTAL PARTICIPATING AS OF THE VALUATION DATE	24,621	3,835	28,456

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. Age 65 with a minimum of seven (7) years of creditable service.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

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. 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.

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.

Plan B members 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 he/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.

2. PLAN DESCRIPTION: (Continued)

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) in which they are enrolled for 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.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return, or at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

Disability Benefits: (Continued)

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 3% of compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating employer.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2005, the actuarially determined contribution rate was 12.39% of member's compensation for Plan A and 5.45% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2005 was 12.75% for Plan A and 5.75% for Plan B.

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 System are financed through employer contributions.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

Use of the term "reserve" by the 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, 2005 and 2004 was $(5,696) and $34,875, respectively. The deficit balance in 2005 will be funded in future years. The expense fund is fully funded in 2004.

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 $292,309,795 and $278,873,565 for December 31, 2005 and 2004, respectively. The balance for Plan B was $10,650,602 for 2005 and $9,909,601 for 2004. The Annuity Saving is fully funded for both plans for the years ending December 31, 2005 and 2004.

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 relieved when expenditures are not covered by the other accounts. The Pension Accumulation Reserve for Plan A as of December 31, 2005 and 2004 was $732,196,642 and $625,584,916, respectively. The balance for Plan B for December 31, 2005 and 2004 was $68,378,953 and $59,869,190, respectively.

The Pension Accumulation Reserve is fully funded for Plan A and Plan B for the years ended December 31, 2005 and 2004.

3. CONTRIBUTIONS AND RESERVES: (Continued)

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, 2005 and 2004 for Plan A was \$579,020,723 and \$537,931,941, respectively. The Annuity Reserve as of December 31, 2005 and 2004 for Plan B was \$31,389,457 and \$28,975,199. The Annuity Reserve is 100% funded for both plans for the years ending December 31, 2005 and 2004.

e. Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he/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, 2005 and 2004 was \$20,621,635 and \$17,853,816, respectively. The balance for Plan B as of December 31, 2005 and 2004 was \$1,024,598 and \$772,766, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2005 and 2004.

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 33 - 35.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2005 and 2004:

	2005	2004
Deposits (bank balance)	\$ 6,807,557	\$ 569,183
Cash equivalents	20,276,191	42,155,606
Investments	1,899,422,268	1,775,976,434
	\$ 1,926,506,016	\$ 1,818,701,223

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Deposits:

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

Cash Equivalents:

Cash equivalents in the amount of $20,276,191 and $42,155,606 for December 31, 2005 and 2004, respectively, consist 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 to 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.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that the equity holdings in any single corporation shall not exceed 5% to 8% (Plan A) and 6% to 8% (Plan B) of the market value of the equity portfolio at any time depending on the security class, except for one manager in Plan A who is permitted to invest equity holdings in a single corporation up to a maximum of 15% of the market value of the equity portfolio. In addition, no more than 5% of the aggregated long-term debt portfolio at cost may be invested in any one issuer's securities (exclusive of issues of the U.S. Treasury or other Federal agencies). For international equity assets, exposure to any one EAFE country should not exceed 50% of the international manager's portfolio. Exposure to emerging market countries should be limited to no more than 15% of the international portfolio. At December 31, 2005, there were no investment holdings that exceeded the System's concentration of credit risk investment policy.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of December 31, 2005.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Credit Risk (Continued)

Total	U.S. Treasury Zero Bonds	U.S. Treasury Notes	Federal Home Loan Mortgage	Federal National Mortgage Assn.	Gov't. National Mortgage Assn.	U.S. Gov't. Guarantee	Resolution FDG Corp. Fed. Coupon Strips	Other	Corporate Bonds	Total
A	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 6,185,624	$ 6,185,624
A+	--	--	--	--	--	--	--	--	10,107,024	10,107,024
A-	--	--	--	--	--	--	--	--	2,654,680	2,654,680
AAA	--	--	55,509,879	--	--	--	96,562,795	--	--	152,072,674
BB	--	--	--	--	--	--	--	--	24,875	24,875
Not Rated	125,847,247	21,702,741	113,513,830	142,498,737	20,167,220	2,671,713	--	27,720,537	--	454,122,025
Total	$125,847,247	$21,702,741	$169,023,709	$142,498,737	$20,167,220	$2,671,713	$96,562,795	$27,720,537	$18,972,203	$625,166,902

The System's investment policy limits its investments to corporate debt issues rated the equivalent of BBB/Baa or better by both Moody's Investor Services and Standard & Poor's rating services on investments held as of June 2002 in Plan A and as of September 2002 in Plan B. The purchase of new securities will be restricted to securities carrying an investment rating of A or higher by both Standard and Poor's and Moody's. The average quality of the bond portfolio must be at least AA+ or its equivalent. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated. Those obligations include debt securities with Federal Home Loan Mortgage, Federal National Mortgage Assn., Government National Mortgage Assn., U.S. Treasury Zero Bonds, U.S. Treasury Notes and U.S. Government Guarantee.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial credit risk at December 31, 2005 for the investments in the amount of $1,781,322,817, since the investments are in the name of the System.

At December 31, 2005, the collateral held under securities lending in the amount of $138,375,642 is exposed to custodial credit risk since these investments are not in the name of the System.

The System has no formal policy regarding custodial credit risk.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Interest Rate Risk

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2005, the System had the following investments in long-term debt securities and maturities:

Investment Type	Fair Value	Less Than 1	1 – 5	6 - 10	More Than 10
U.S. Treasury Zero Bonds	$125,847,247	$ 3,408,544	$ 44,638,243	$ 77,800,460	$ --
U.S. Treasury Notes	21,702,741	--	--	11,207,237	10,495,504
Federal Home Loan Mortgage	169,023,709	--	8,812,530	30,281,890	129,929,289
Federal National Mortgage Assn.	142,498,737	--	--	58,945,386	83,553,351
Government National Mortgage Assn.	20,167,220	740	6,108	336,191	19,824,181
U.S. Gov't. Guarantee	2,671,713	--	61,454	--	2,610,259
Resolution FDG Corp. Fed. Coupon Strips	96,562,795	--	8,761,950	43,898,355	43,902,490
Corporate Bonds	18,972,203	--	2,138,215	16,490,296	343,692
Other	27,720,537	--	--	14,908,617	12,811,920
	$ 625,166,902	$ 3,409,284	$ 64,418,500	$ 253,868,432	$ 303,470,686

The System has no formal policy regarding interest rate 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. The System's exposure to foreign currency risk is limited to its investment in foreign marketable securities at December 31, 2005 as follows:

Country/Currency	Fair Value
Bahamas/Bahamas Dollar	$ 529,844
Bermuda/Bermuda Dollar	1,800,011
Cayman Islands/Cayman Island Dollar	333,980
Finland/Finland Markkaa	1,961,531
Israel/Israel Shekel	60,660
Japan/Yen	1,222,314
Liberia/Liberian Dollar	527,202
Luxembourg/Luxembourg Dollar	184,659
Taiwan/Taiwan Dollar	109,900
United Kingdom/Pound	12,660,409
	$ 19,390,510

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

Foreign Currency Risk (Continued)

The System's investment policy states that the international holdings in any single security shall not exceed 6% of the market value of the international portfolio. At December 31, 2005, there were no investment holdings that exceeded the System's foreign currency risk investment policy.

December 31, 2004

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.

	2004	
	Market Value	Category
U.S. Treasury Bonds	$ 2,539,963	1
U.S. Treasury Zeros	67,746,653	1
U.S. Agency Bonds	451,950,364	1
Government Guaranteed Bonds	2,800,759	1
Municipal bonds	1,315,499	1
Corporate bonds	25,076,563	1
Government National Mortgage Corporation	24,867,430	1
Common Stock	668,959,603	1
Mutual Funds – Domestic	224,934,157	N/A
Investments held by brokers – in which		
Collateral may be reinvested:		
U. S. Government and Government Agency Obligations	125,647,970	N/A
Common Stock	23,713,518	N/A
Collateral held under securities lending program:		
Tri Party Repurchase Agreement	156,423,955	2
TOTAL	$ 1,775,976,434	

There were no investments in any one organization, which represented 5% of plan net assets at December 31, 2005 and 2004.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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.

The System has the following securities on loan:

	December 31, 2005 Market (Carrying Value)	December 31, 2004 Market (Carrying Value)
U. S. Government Agency Obligations	$ 99,105,071	$ 125,647,970
Common Stock	35,360,994	23,713,518
Totals	$ 134,466,065	$ 149,361,488

Securities on loan at December 31, 2004 for which cash collateral was received are presented as unclassified 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, 2005 and 2004.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

8. EQUIPMENT AND FIXTURES:

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

2005	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 288,268	$ --	$ --	$ 288,268
Less: accumulated depreciation	(257,118)	(8,232)	--	(265,350)
	$ 31,150	$ (8,232)	$ --	$ 22,918

2004	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 283,270	$ 4,998	$ --	$ 288,268
Less: accumulated depreciation	(237,289)	(19,829)	--	(257,118)
	$ 45,981	$ (14,831)	$ --	$ 31,150

Depreciation expense for the years ended December 31, 2005 and 2004 was $8,232 and $19,829, respectively.

9. TAX QUALIFICATION:

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

10. OPERATING LEASES:

The System entered into a five-year operating lease for office space beginning August 1, 2001 and ending July 31, 2006. The System extended the lease until July 31, 2011. Lease expense for the years ended December 31, 2004 and 2003 was $54,527 and $53,580, respectively. The minimum lease payments for the remaining term of the lease are as follows:

2006	$52,607
2007	52,607
2008	53,314
2009	55,011
Thereafter	88,668

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2005 AND 2004

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
ASSETS:	2005	2004	2005	2004	2005	2004	2005	2004
Cash	$ 5,884,389	$ 322,112	$ 404,761	$ 239,688	$ 47,211	$ 73,027	$ 6,336,361	$ 634,827
Receivables:								
Due from (to) other funds	(363,236)	(172,277)	363,236	172,277	-	-	-	-
Contributions receivable -Member	9,809,914	9,497,183	293,585	292,863	-	-	10,103,499	9,790,046
Contributions receivable - Employer	13,154,621	11,758,890	553,708	512,491	-	-	13,708,329	12,271,381
Ad valorem taxes & state revenue sharing receivable	4,142,122	3,951,969	553,657	547,085	-	-	4,695,779	4,499,054
Miscellaneous receivable	19,139	18,125	1,471	1,737	-	-	20,610	19,862
Investment receivable	1,504,729	1,326,432	-	-	-	-	1,504,729	1,326,432
Accrued interest and dividends	4,391,626	4,681,190	298,211	315,418	-	-	4,689,837	4,996,608
	32,658,915	31,061,512	2,063,868	1,841,871	-	-	34,722,783	32,903,383
Investments (at fair value)								
Cash equivalents	17,452,573	39,126,864	2,823,618	3,028,742	-	-	20,276,191	42,155,606
Mutual funds	282,900,500	164,223,365	70,628,461	60,710,792	-	-	353,528,961	224,934,157
Corporate bonds	16,191,847	21,336,394	2,780,356	3,740,169	-	-	18,972,203	25,076,563
Government securities	547,052,953	611,037,557	38,974,526	40,963,651	-	-	586,027,479	652,001,208
Mortgage backed securities	19,828,588	24,408,206	338,632	459,224	-	-	20,167,220	24,867,430
Common stock	782,350,763	692,673,121	-	-	-	-	782,350,763	692,673,121
Collateral under securities lending	130,000,331	144,802,530	8,375,311	11,621,425	-	-	138,375,642	156,423,955
	1,795,777,555	1,697,608,037	123,920,904	120,524,003	-	-	1,919,698,459	1,818,132,040
Deposits	-	-	-	-	2,515	2,515	2,515	2,515
Property, plant and equipment: Net of accumulated depreciation	-	-	-	-	22,918	31,150	22,918	31,150
Total assets	1,834,320,859	1,728,991,661	126,389,533	122,605,562	72,644	106,692	1,960,783,036	1,851,703,915
LIABILITIES:								
Accounts payable	657,537	-	-	-	49,656	44,994	707,193	44,994
Accrued leave payable	-	-	-	-	4,085	4,173	4,085	4,173
Withholding taxes payable	-	-	-	-	24,599	22,650	24,599	22,650
Refunds payable	1,613,006	524,062	56,782	26,734	-	-	1,669,788	550,796
Investment payable	1,007,063	1,878,956	-	-	-	-	1,007,063	1,878,956
Retirement payable	5,519,779	4,734,566	296,157	257,205	-	-	5,815,936	4,991,771
Obligations under securities lending	130,000,331	144,802,530	8,375,311	11,621,425	-	-	138,375,642	156,423,955
Total liabilities	138,797,716	151,940,114	8,728,250	11,905,364	78,340	71,817	147,604,306	163,917,295
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,695,523,143	$ 1,577,051,547	$ 117,661,283	$ 110,700,198	$ (5,696)	$ 34,875	$ 1,813,178,730	$ 1,687,786,620

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
	2005	2004	2005	2004	2005	2004	2005	2004
ADDITIONS:								
Contributions:								
Member	$ 40,280,355	$ 37,711,854	$ 1,646,392	$ 1,646,264	$ -	$ -	$ 41,926,747	$ 39,358,118
Employer	55,833,323	47,913,446	3,187,684	2,932,043	-	-	59,021,007	50,845,489
Ad valorem tax	4,021,974	3,846,473	560,684	532,831	-	-	4,582,658	4,379,304
Revenue sharing	132,477	143,606	18,902	18,690	-	-	151,379	162,296
Total contributions	100,268,129	89,615,379	5,413,662	5,129,828	-	-	105,681,791	94,745,207
Investment income:								
Net appreciation in fair value of investments	53,786,655	117,265,616	3,058,556	3,310,351	-	-	56,845,211	120,575,967
Interest income	38,170,364	22,048,581	2,639,093	6,327,833	1,379	251	40,810,836	28,376,665
Dividend income	11,911,182	9,840,814	-	-	-	-	11,911,182	9,840,814
Securities lending income	5,970,605	2,016,622	277,286	135,855	-	-	6,247,891	2,152,477
	109,838,806	151,171,633	5,974,935	9,774,039	1,379	251	115,815,120	160,945,923
Less: Investment expense:								
Custodial fees		-	-	-	241,617	195,063	241,617	195,063
Money manager fees	3,964,261	3,602,621	28,661	45,538	-	-	3,992,922	3,648,159
Securities lending	5,785,745	1,886,609	268,274	126,636	-	-	6,054,019	2,013,245
Investment consultant	-	-	-	-	63,985	27,750	63,985	27,750
	9,750,006	5,489,230	296,935	172,174	305,602	222,813	10,352,543	5,884,217
Net investment income (loss)	100,088,800	145,682,403	5,678,000	9,601,865	(304,223)	(222,562)	105,462,577	155,061,706
Other additions:								
Interest - transfers, refund payback	1,135,144	1,271,418	130,537	46,203	-	-	1,265,681	1,317,621
Transfers in - employee	368,520	325,884	53,553	97,596	-	-	422,073	423,480
Transfers in - employer	478,142	438,638	50,247	41,070	-	-	528,389	479,708
Miscellaneous income	69,141	20,085	1,091	1,122	-	-	70,232	21,207
Total other additions	2,050,947	2,056,025	235,428	185,991	-	-	2,286,375	2,242,016
Total additions (reductions)	202,407,876	237,353,807	11,327,090	14,917,684	(304,223)	(222,562)	213,430,743	252,048,929
DEDUCTIONS:								
Retirement and disability benefits	64,573,440	59,802,532	3,457,592	3,093,863	-	-	68,031,032	62,896,395
Refunds to terminated employees	10,716,062	8,563,733	448,923	435,740	-	-	11,164,985	8,999,473
DROP benefits	6,291,853	5,401,182	196,499	126,663	-	-	6,488,352	5,527,845
Transfers to/from plans	963,380	963,380	136,620	136,620	(1,100,000)	(1,100,000)	-	-
Transfer to other systems - employee	394,908	287,368	19,365	2,189	-	-	414,273	289,557
Transfer to other systems - employer and interest	996,637	827,487	107,006	34,772	-	-	1,103,643	862,259
Administrative expenses	-	-	-	-	828,116	803,721	828,116	803,721
Depreciation	-	-	-	-	8,232	19,829	8,232	19,829
Total deductions	83,936,280	75,845,682	4,366,005	3,829,847	(263,652)	(276,450)	88,038,633	79,399,079
NET INCREASE (DECREASE)	118,471,596	161,508,125	6,961,085	11,087,837	(40,571)	53,888	125,392,110	172,649,850
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -								
Net assets - beginning of year	1,577,051,547	1,415,543,422	110,700,198	99,612,361	34,875	(19,013)	1,687,786,620	1,305,000,836
END OF YEAR	$ 1,695,523,143	$ 1,577,051,547	$ 117,661,283	$ 110,700,198	$ (5,696)	$ 34,875	$ 1,813,178,730	$ 1,687,786,620

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

PLAN "A"

	DECEMBER 31, 2005			DECEMBER 31, 2004		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 16,038,750	$ 15,905,232	$ 18,559,587	$ 15,000,000	$ 15,211,774	$ 17,183,550
U.S. Treasury Zeros	151,739,250	42,569,244	108,435,408	190,149,250	60,740,567	142,506,410
U.S. Treasury Agency Bonds	512,733,354	286,121,677	417,386,245	553,324,274	318,571,982	448,039,685
Municipal Bonds	-	-	-	506,925	458,196	507,153
Government Guaranteed Bonds	2,623,632	2,590,379	2,671,713	2,747,618	2,712,433	2,800,759
Corporate Bonds	17,675,000	15,459,596	16,191,847	22,833,760	20,256,586	21,336,394
Government National Mortgage Corporation Bonds	19,489,519	19,028,512	19,828,588	23,433,419	22,664,236	24,408,206
TOTAL BONDS	$ 720,299,505	$ 381,674,640	$ 583,073,388	$ 807,995,246	$ 440,615,774	$ 656,782,157

	COST	MARKET	COST	MARKET
STOCKS:				
Common stocks	$ 618,760,512	$ 782,350,763	$ 531,911,690	$ 692,673,121
MUTUAL FUNDS:				
Domestic	$ 243,167,824	$ 282,900,500	$ 146,262,605	$ 164,223,365
CASH EQUIVALENTS	$ 17,452,573	$ 17,452,573	$ 39,126,864	$ 39,126,864

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

PLAN "B"	DECEMBER 31, 2005			DECEMBER 31, 2004		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 2,570,000	$ 2,582,630	$ 3,143,154	$ 3,320,000	$ 3,351,380	$ 3,924,491
U.S. Treasury Zeros	22,555,500	6,743,699	17,411,839	23,570,750	6,870,331	17,799,603
U.S. Agency Bonds	17,335,025	16,946,990	17,477,078	18,524,669	17,520,412	18,431,211
Municipal Bonds	1,541,736	1,541,742	942,455	1,415,020	1,415,026	808,346
Corporate bonds	4,500,000	2,561,404	2,780,356	5,500,000	3,576,464	3,740,169
Government National Mortgage Corporation Bonds	317,210	292,175	338,632	419,328	388,187	459,224
TOTAL BONDS	$ 48,819,471	$ 30,668,640	$ 42,093,514	$ 52,749,767	$ 33,121,800	$ 45,163,044
		COST	MARKET		COST	MARKET
MUTUAL FUND		$ 64,886,282	70,628,461		$ 60,784,265	$ 60,710,792
CASH EQUIVALENTS		$ 2,823,618	2,823,618		$ 3,028,742	$ 3,028,742

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005			2004		
ADMINISTRATIVE EXPENSES:	Budget	Actual	Variance over (under)	Budget	Actual	Variance over (under)
SALARIES AND RELATED EXPENSES:						
Salaries	$ 424,821	$ 427,153	$ 2,332	$ 424,821	$ 405,146	$ (19,675)
Retirement	54,164	53,984	(180)	54,164	47,605	(6,559)
Group hospitalization	27,611	27,195	(416)	27,611	23,864	(3,747)
Medicare and payroll taxes	5,435	5,295	(140)	5,435	5,042	(393)
Total salaries and related expenses	512,031	513,627	1,596	512,031	481,657	(30,374)
PROFESSIONAL SERVICES:						
Actuarial consultant	75,820	71,820	(4,000)	75,820	71,820	(4,000)
Auditor	30,500	29,460	(1,040)	30,500	24,500	(6,000)
Legal counsel	24,000	13,231	(10,769)	32,000	18,880	(13,120)
Computer programming	8,500	4,800	(3,700)	8,500	4,870	(3,630)
Medical board	17,500	11,031	(6,469)	17,500	12,460	(5,040)
Investigation	2,500	1,750	(750)	2,500	2,108	(392)
Total professional services	158,820	132,092	(26,728)	166,820	134,638	(32,182)
COMMUNICATIONS:						
Printing	16,500	13,998	(2,502)	16,500	18,531	2,031
Telephone	6,500	5,596	(904)	6,500	5,523	(977)
Postage	22,500	21,687	(813)	22,500	20,564	(1,936)
Travel	17,770	12,558	(5,212)	26,770	18,218	(8,552)
Website	2,500	3,650	1,150	2,500	7,100	4,600
Per diem	2,625	1,275	(1,350)	2,625	1,500	(1,125)
Total communications	68,395	58,764	(9,631)	77,395	71,436	(5,959)
GENERAL OFFICE:						
Rent	54,750	54,527	(223)	54,750	53,580	(1,170)
Supplies	7,500	9,320	1,820	7,500	7,320	(180)
Dues and subscriptions	6,000	8,325	2,325	6,000	8,117	2,117
Equipment rental	29,000	27,795	(1,205)	29,000	27,895	(1,105)
Equipment maintenance	11,000	6,179	(4,821)	11,000	7,763	(3,237)
Insurance	5,800	5,672	(128)	5,800	3,566	(2,234)
Microfilm	8,500	10,190	1,690	8,500	6,238	(2,262)
Miscellaneous	-	(810)	(810)	-	106	106
Training	5,450	2,435	(3,015)	5,450	1,405	(4,045)
Total general office	128,000	123,633	(4,367)	128,000	115,990	(12,010)
TOTAL ADMINISTRATIVE EXPENSE	$ 867,246	$ 828,116	$ (39,130)	$ 884,246	$ 803,721	$ (80,525)
INVESTMENT EXPENSES:						
Custodial Bank	$ 250,000	$ 241,616	$ (8,384)	$ 205,000	$ 195,063	$ (9,937)
Investment counsultant	47,000	63,985	16,985	85,000	27,750	(57,250)
TOTAL INVESTMENT EXPENSES	$ 297,000	$ 305,601	$ 8,601	$ 290,000	$ 222,813	$ (67,187)
CAPITAL OUTLAYS	$ 4,000	$ -	$ (4,000)	$ 4,000	$ 940	$ (3,060)

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE -						
BEGINNING	$ 278,873,565	$ 17,853,816	$ 537,931,941	$ 625,584,916	$ 116,807,309	$ 1,577,051,547
REVENUES AND TRANSFERS:						
Employee contributions	40,280,355	-	-	-	-	40,280,355
Employer contributions	-	-	-	55,833,323	-	55,833,323
Tax collector contributions	-	-	-	4,021,974	-	4,021,974
Revenue sharing contributions	-	-	-	132,477	-	132,477
Net investment income	-	-	-	100,088,800	-	100,088,800
Miscellaneous income	-	-	-	69,141	-	69,141
Transfer from Annuity Savings	-	-	16,101,675	-	-	16,101,675
Transfer from Annuity Reserve	-	9,059,672	-	-	-	9,059,672
Interest - transfers, refund payback	-	-	-	1,135,144	-	1,135,144
Transfer from another system	368,520	-	-	478,142	-	846,662
Actuarial transfer	-	-	98,620,219	-	-	98,620,219
	40,648,875	9,059,672	114,721,894	161,759,001	-	326,189,442
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	10,716,062	-	-	-	-	10,716,062
Transfer to Annuity Reserve	16,101,675	-	-	-	-	16,101,675
Transfer to DROP	-	-	9,059,672	-	-	9,059,672
Pensions paid	-	-	64,573,440	-	-	64,573,440
Transfer to Expense Fund	-	-	-	963,380	-	963,380
DROP benefits	-	6,291,853	-	-	-	6,291,853
Actuarial transfer	-	-	-	53,187,258	45,432,961	98,620,219
Transfers to another system	394,908	-	-	996,637	-	1,391,545
	27,212,645	6,291,853	73,633,112	55,147,275	45,432,961	207,717,846
NET INCREASE (DECREASE)	13,436,230	2,767,819	41,088,782	106,611,726	(45,432,961)	118,471,596
BALANCE - ENDING	$ 292,309,795	$ 20,621,635	$ 579,020,723	$ 732,196,642	$ 71,374,348	$ 1,695,523,143

2004					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
$ 264,753,422	$ 15,732,903	$ 493,935,402	$ 584,206,613	$ 56,915,082	$ 1,415,543,422
37,711,854	-	-	-	-	37,711,854
-	-	-	47,913,446	-	47,913,446
-	-	-	3,846,473	-	3,846,473
-	-	-	143,606	-	143,606
-	-	-	145,682,403	-	145,682,403
-	-	-	20,085	-	20,085
-	-	15,066,494	-	-	15,066,494
-	7,522,095	-	-	-	7,522,095
-	-	-	1,271,418	-	1,271,418
325,884	-	-	438,638	-	764,522
-	-	96,254,672	-	59,892,227	156,146,899
38,037,738	7,522,095	111,321,166	199,316,069	59,892,227	416,089,295
8,563,733	-	-	-	-	8,563,733
15,066,494	-	-	-	-	15,066,494
-	-	7,522,095	-	-	7,522,095
-	-	59,802,532	-	-	59,802,532
-	-	-	963,380	-	963,380
-	5,401,182	-	-	-	5,401,182
-	-	-	156,146,899	-	156,146,899
287,368	-	-	827,487	-	1,114,855
23,917,595	5,401,182	67,324,627	157,937,766	-	254,581,170
14,120,143	2,120,913	43,996,539	41,378,303	59,892,227	161,508,125
$ 278,873,565	$ 17,853,816	$ 537,931,941	$ 625,584,916	$ 116,807,309	$ 1,577,051,547

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 9,909,601	$ 772,766	$ 28,975,199	$ 59,869,190	$ 11,173,442	$ 110,700,198
REVENUES AND TRANSFERS:						
Employee contributions	1,646,392	-	-	-	-	1,646,392
Employer contributions	-	-	-	3,187,684	-	3,187,684
Net investment income	-	-	-	5,678,000	-	5,678,000
Tax collector contributions	-	-	-	560,684	-	560,684
Revenue sharing contributions	-	-	-	18,902	-	18,902
Miscellaneous income	-	-	-	1,091	-	1,091
Transfer from Annuity Savings	-	-	490,656	-	-	490,656
Transfer from Annuity Reserve	-	448,331	-	-	-	448,331
Transfer from another system	53,553	-	-	50,247	-	103,800
Interest - transfers refund payback	-	-	-	130,537	-	130,537
Actuarial transfer	-	-	5,829,525	-	-	5,829,525
	1,699,945	448,331	6,320,181	9,627,145	-	18,095,602
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	448,923	-	-	-	-	448,923
Transfer to Annuity Reserve	490,656	-	-	-	-	490,656
Transfer to DROP	-	-	448,331	-	-	448,331
Pensions paid	-	-	3,457,592	-	-	3,457,592
Transfer to Expense Fund	-	-	-	136,620	-	136,620
DROP benefits	-	196,499	-	-	-	196,499
Actuarial transfer	-	-	-	873,756	4,955,769	5,829,525
Transfers to another system	19,365	-	-	107,006	-	126,371
	958,944	196,499	3,905,923	1,117,382	4,955,769	11,134,517
NET INCREASE (DECREASE)	741,001	251,832	2,414,258	8,509,763	(4,955,769)	6,961,085
BALANCE - ENDING	$ 10,650,602	$ 1,024,598	$ 31,389,457	$ 68,378,953	$ 6,217,673	$ 117,661,283

2004

ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
$ 9,228,795	$ 559,580	$ 25,005,636	$ 55,440,738	$ 9,377,612	$ 99,612,361
1,646,264	-	-	-	-	1,646,264
-	-	-	2,932,043	-	2,932,043
-	-	-	9,601,865	-	9,601,865
-	-	-	532,831	-	532,831
-	-	-	18,690	-	18,690
-	-	-	1,121	-	1,121
-	-	625,126	-	-	625,126
-	339,849	-	-	-	339,849
97,596	-	-	41,070	-	138,666
-	-	-	46,203	-	46,203
-	-	6,778,149	-	1,795,830	8,573,979
1,743,860	339,849	7,403,275	13,173,823	1,795,830	24,456,637
435,740	-	-	-	-	435,740
625,125	-	-	-	-	625,125
-	-	339,849	-	-	339,849
-	-	3,093,863	-	-	3,093,863
-	-	-	-	-	-
-	126,663	-	136,620	-	263,283
-	-	-	8,573,979	-	8,573,979
2,189	-	-	34,772	-	36,961
1,063,054	126,663	3,433,712	8,745,371	-	13,368,800
680,806	213,186	3,969,563	4,428,452	1,795,830	11,087,837
$ 9,909,601	$ 772,766	$ 28,975,199	$ 59,869,190	$ 11,173,442	$ 110,700,198

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2005 AND 2004

	2005	2004
Gwen Le Blanc	$ 300	$ 300
C. Reagan Sutton	-	375
Terri Rodrigue	300	375
Tim Ware	300	-
Thomas Nelson	150	150
Jerry Milner	225	300
TOTAL	$ 1,275	$ 1,500

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 2000 THROUGH 2005

	PLAN A			
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
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%
2003	43,183,038	71.39%	3,725,026	98.70%
2004	51,787,217	92.52%	3,929,672	101.54%
2005	52,008,446	107.35%	4,268,166	97.33%

	PLAN B			
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
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%
2003	2,866,570	68.17%	528,196	98.99%
2004	3,227,397	50.33%	543,585	101.46%
2005	3,092,614	103.07%	569,689	101.73%

For the years ended 2000 through 2002 for Plan A and for the years ended 2001 for Plan B, the actuarially required contribution differs significantly from actual contributions 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 be required for Plan A. In the case of Plan B, any excess contributions collected reduce future normal costs for the Plan.

For the years ended 2003 and 2004 for Plan A and for the years 2000, 2002, 2003, and 2004 for Plan B, the actuarially required contribution differs from actual contributions made due to state statute that requires the contributions rate be calculated and set two years prior to the effective year.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS PLAN A
DECEMBER 31, 2000 THROUGH 2005

	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]
12/31/00	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%
12/31/03	1,261,191,242	1,358,628,340	97,437,098	92.83%	396,330,869	24.58%
12/31/04	1,364,795,086	1,460,244,238	95,449,152	93.46%	407,022,806	23.45%
12/31/05	1,535,416,950	1,624,148,795	88,731,845	94.54%	429,459,653	20.66%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS – PLANS A & B
DECEMBER 31, 2000 THROUGH 2005

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, 2005
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 - 12 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 ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Change in Normal Cost/ Actuarial Assumptions:	The System incurred an increase in normal cost for Plan A and Plan B in the amounts of $5,867,446 for Plan A and $607,315 for Plan B for the year ended December 31, 2005 due to actuarial assumption changes. The actuarial assumption changes consisted of changes in the rates of retirement, DROP entry, withdrawal, disability retirement and post-DROP retirement. The assumption changed to conform more closely to recent past experience and expected future experience. The effect of the change in normal cost for years ending subsequent to December 31, 2005 has not been determined.

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

March 31, 2006

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

We have audited the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2005 and have issued our report thereon dated March 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Parochial Employees' Retirement System of Louisiana's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. The reportable condition is noted below:

The System does not have procedures in place to independently review for the completeness of interest and dividends received from investments and any gain or loss on the sale of investments. Procedures should be in place to determine that all investment income is properly received and recorded. If the System does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the System develop and implement procedures to perform this independent review.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above not is a material weakness.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

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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, 2005 and have issued our report thereon dated March 31, 2006. 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, 2005 resulted in an unqualified opinion.

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

Internal Control:

Material weakness – None noted

Reportable conditions – see current year finding 05-01

Compliance:

Noncompliance material to financial statements – None noted

SECTION 2: FINANCIAL STATEMENTS FINDINGS

A. CURRENT YEAR FINDINGS:

Investment Income

05-01 The System does not have procedures in place to independently review for the completeness of interest and dividends received from investments and any gain or loss on the sale of investments. Procedures should be in place to determine that all investment income is properly received and recorded. If the System does not perform a review of income received on investments, it risks the possibility of loss of funds. We recommend the System develop and implement procedures to perform this independent review.

B. PRIOR YEAR FINDINGS:

None

Parochial Employees' Retirement System

OF LOUISIANA

THOMAS B. SIMS, C.F.A., ADMINISTRATIVE DIRECTOR

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Date: June 12, 2006

To: Bill Stamm, Duplantier, Hrapmann, Hogan & Maher, LLP

From: Tom Sims

Subject: Audit Exit Conference

In response to item 1, Investment Income, contained in the exit conference report, the system will develop procedures to review investment income with the assistance of the audit firm.

Thomas B. Sims
6-12-06