4134

ANNUAL FINANCIAL REPORT

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA BATON ROUGE, LOUISIANA

DECEMBER 31, 2006 AND 2005

PARAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

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DECEMBER 31, 2006 AND 2005

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.
GRADY C. LLOYD, III, C.P.A.
HENRY L. SILVIA, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
www.dhhmcpa.com

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

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INDEPENDENT AUDITOR'S REPORT

May 30, 2007

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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, 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, 2001 through 2006 and supplemental schedules for the years ending December 31, 2006 and 2005, 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 May 30, 2007 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, 2006

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, 2006. 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 2006 by $2,054,050,276 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $240,871,546 or 13.28%. The increase was due primarily to improved conditions in the securities market.

- Contributions to the plan by members and employers totaled $96,822,687 a decrease of $4,125,067 or 4.09% over the prior year.

- The net appreciation in the fair value of investments was $149,362,766 for 2006. This figure represents a significant appreciation, and it is about $92.5 million more than 2005.

- The rate of return on the System's investments was 13.20% for Plan A and 11.98% for Plan B based on the market value. This represents an increase from 2005 for both plans.

- Pension benefits paid to retirees and beneficiaries increased by $4,540,004 or 6.67%. This increase is due to an increase in the number of retirees and the larger benefit amounts for new retirees.

- Administrative expenses totaled $890,849, an increase of $62,733 or 7.58%. The cost of administering the System per member during 2006 was $31 per individual. This figure is derived by dividing total administrative expenses by the sum of active and retired employees, survivors, and terminated employees eligible for a refund or benefit.

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.

PARACHIAL EMPLOYEES'

RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006 and 2005.

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, 2006 and 2005

	2006	2005
Cash and investments	$ 2,118,990,713	$ 1,926,034,820
Receivables	34,276,865	34,722,783
Other	2,515	2,515
Property and equipment	20,735	22,918
Total assets	2,153,290,828	1,960,783,036
Total liabilities	99,240,552	147,604,306
Net Assets Held in Trust For Pension Benefits	$ 2,054,050,276	$ 1,813,178,730

Plan net assets increased by 13.28% ($1,813,178,730 compared to $2,054,050,276). 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, 2006 and 2005

	2006	2005
Additions:		
Contributions	$ 101,818,540	$ 105,681,791
Investment gain (net)	230,771,423	105,462,577
Other	3,132,496	2,286,375
Total additions	335,722,459	213,430,743
Total deductions	94,850,913	88,038,633
Increase (decrease) in Plan Net Assets	$ 240,871,546	$ 125,392,110

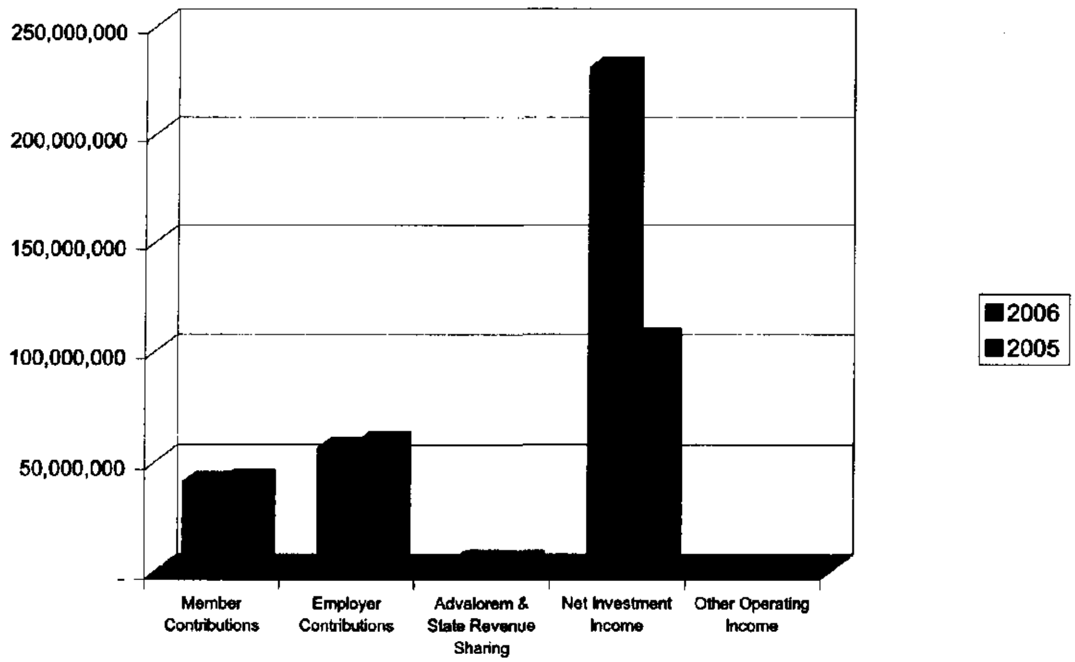
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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 decreased $1,303,665 or 3.11% and employer contributions decreased $2,821,402 or 4.78%. The System experienced a net investment gain of $230,771,423 as compared to a net investment gain of $105,462,577 in the previous year. The increase in investment income was mainly due to the fact that one or more discount issues matured in 2005 and less activity in 2006.

	2006	2005	Increase (Decrease) Percentage
Member Contributions	$ 40,623,082	$ 41,926,747	(3.11)%
Employer Contributions	56,199,605	59,021,007	(4.78)%
Ad valorem & State Revenue Sharing	4,995,853	4,734,037	5.53%
Net Investment Income	230,771,423	105,462,577	118.82%
Other Operating Revenues	3,132,496	2,286,375	37.01%
Total	$ 335,722,459	$ 213,430,743	



PARISH EMPLOYEES'

RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

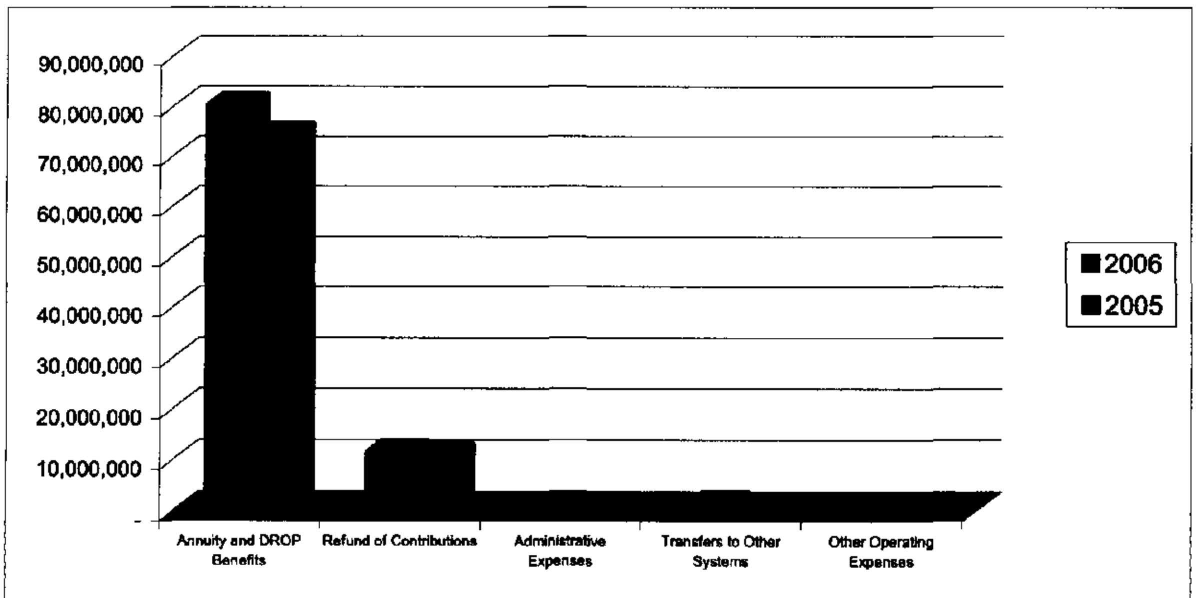
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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 $94,850,913 in fiscal year 2006. Deductions from plan net assets increased by $6,812,280. Retirement benefits and refunds to terminated employees accounted for the majority of the increase. Retirement benefits increased by $5,841,758 which was a result of adding 333 new retirees in 2006. Although this figure is offset somewhat by the 250 deaths, experience shows that new retirees receive higher benefits on average than existing retirees. Refunds to terminated employees increased by $585,935 or 5.25%.

	2006	2005	Increase Percentage
Annuity and DROP Benefits	$ 80,361,142	$ 74,519,384	7.84%
Refunds of Contributions	11,750,920	11,164,985	5.25%
Administrative Expenses	890,849	828,116	7.58%
Transfers to Other Systems	1,839,927	1,517,916	21.21%
Other Operating Expenses	8,075	8,232	(1.91)%
Total	$ 94,850,913	$ 88,038,633	



PARRCHIAL EMPLOYEES'

RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

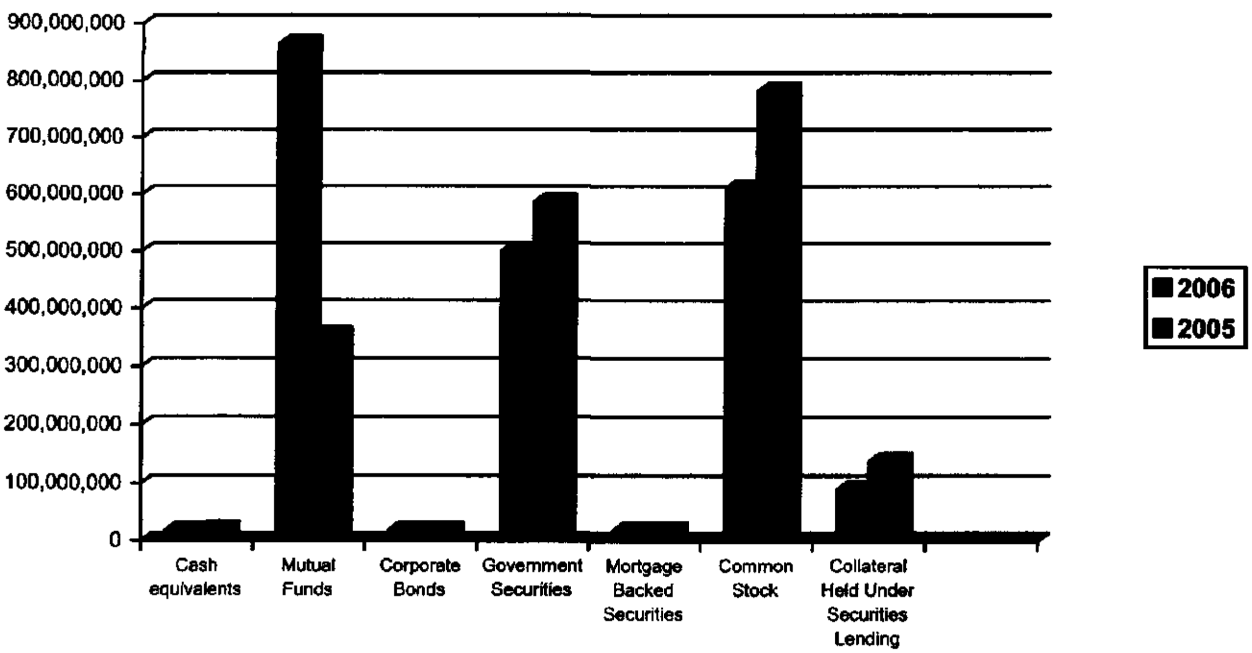
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006 amounted to $2,118,430,008 as compared to $1,919,698,459 at December 31, 2005 which is an increase of $198,731,549 or 10.35%. The major contributing factor to this increase was the strong performance of domestic and foreign equity markets. The System's investments in various markets at the end of the 2006 and 2005 fiscal years are indicated in the following table:

	2006	2005	Increase (Decrease) Percentage
Cash Equivalents	$ 17,997,630	$ 20,276,191	(11.24)%
Mutual Funds	864,003,322	353,528,961	114.39%
Corporate Bonds	18,797,972	18,972,203	(0.92)%
Government Securities	499,649,114	586,027,479	(14.74)%
Mortgage Backed Securities	18,151,782	20,167,220	(9.99)%
Common Stock	610,195,770	782,350,763	(22.0)%
Collateral Held Under Securities Lending	89,634,418	138,375,642	(35.22)%
Total	$ 2,118,430,008	$ 1,919,698,459	



PARÓCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Dainna Tully, 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, 2006 AND 2005

	2006	2005
ASSETS:		
Cash	$ 560,705	$ 6,336,361
Receivables:		
Contributions receivable -Member	9,423,082	10,103,499
Contributions receivable - Employer	12,818,490	13,708,329
Ad valorem taxes & state revenue sharing receivable	4,957,992	4,695,779
Miscellaneous receivable	882	20,610
Investment receivable	2,526,046	1,504,729
Accrued interest and dividends	4,550,373	4,689,837
	34,276,865	34,722,783
Investments (at fair value):		
Cash equivalents	17,997,630	20,276,191
Mutual funds	864,003,322	353,528,961
Corporate bonds	18,797,972	18,972,203
Government securities	499,649,114	586,027,479
Mortgage backed securities	18,151,782	20,167,220
Common stock	610,195,770	782,350,763
Collateral under securities lending	89,634,418	138,375,642
Total	2,118,430,008	1,919,698,459
Deposits	2,515	2,515
Property, plant and equipment:		
Net of accumulated depreciation	20,735	22,918
Total assets	2,153,290,828	1,960,783,036
LIABILITIES:		
Accounts payable	807,219	707,193
Accrued leave payable		4,085
Withholding taxes payable	25,614	24,599
Refunds payable	1,062,839	1,669,788
Investment payable	1,402,811	1,007,063
Retirement payable	6,307,651	5,815,936
Obligations under securities lending	89,634,418	138,375,642
Total liabilities	99,240,552	147,604,306
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 2,054,050,276	$ 1,813,178,730

(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, 2006 AND 2005

	2006	2005
ADDITIONS:		
Contributions:		
Member	$ 40,623,082	$ 41,926,747
Employer	56,199,605	59,021,007
Ad valorem tax	4,842,993	4,582,658
Revenue sharing	152,860	151,379
Total contributions	101,818,540	105,681,791
Investment income:		
Net appreciation in fair value of investments	149,362,766	56,845,211
Interest income	77,757,421	40,810,836
Dividend income	8,074,940	11,911,182
Securities lending income	7,397,369	6,247,891
	242,592,496	115,815,120
Less - Investment expense:		
Custodial fee	173,626	241,617
Money manager fees	4,292,969	3,992,922
Securities lending	7,191,734	6,054,019
Investment consulting	162,744	63,985
	11,821,073	10,352,543
Net investment income	230,771,423	105,462,577
Other additions:		
Interest - transfers, refund payback	1,640,688	1,265,681
Transfers in - employee	519,589	422,073
Transfers in - employer	883,720	528,389
Miscellaneous income	88,499	70,232
Total other additions	3,132,496	2,286,375
Total additions	335,722,459	213,430,743
DEDUCTIONS:		
Annuity benefits	72,571,036	68,031,032
Refunds to terminated employees	11,750,920	11,164,985
DROP benefits	7,790,106	6,488,352
Transfer to other systems - employee	467,236	414,273
Transfer to other systems - employer/interest	1,372,691	1,103,643
Administrative expenses	890,849	828,116
Depreciation	8,075	8,232
Total deductions	94,850,913	88,038,633
NET INCREASE	240,871,546	125,392,110
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of the year	1,813,178,730	1,687,786,620
END OF YEAR	$ 2,054,050,276	$ 1,813,178,730

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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 2005, 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, 2006 AND 2005

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, 2006, there were 237 contributing employers in Plan A and 52 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

2006	PLAN A	PLAN B	TOTAL
Active members	12,836	1,957	14,793
Retirees and survivors	4,978	508	5,486
"DROP plan participants	408	33	441
Terminated employees due deferred benefits	522	98	620
Terminated due refunds	6,140	1,369	7,509
TOTAL PARTICIPATING AS OF THE VALUATION DATE	24,884	3,965	28,849

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

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.

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.

PARCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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, 2006 AND 2005

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). Lastly, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937)

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, 2006, the actuarially determined contribution rate was 13.24% of member's compensation for Plan A and 5.9% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2006 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.

PARAROCHIAL 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, 2006 and 2005 was $61,542 and $(5,696), respectively. The deficit balance in 2005 was funded in the current year.

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 $302,744,907 and $292,309,795 for December 31, 2006 and 2005, respectively. The balance for Plan B was $11,460,591 and $10,650,602 for December 31, 2006 and 2005, respectively. The Annuity Saving is fully funded for both plans for the years ending December 31, 2006 and 2005.

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, 2006 and 2005 was $849,837,099 and $732,196,642, respectively. The balance for Plan B for December 31, 2006 and 2005 was $76,029,412 and $68,378,953, respectively.

The Pension Accumulation Reserve is fully funded for Plan A and Plan B for the years ended December 31, 2006 and 2005.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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, 2006 and 2005 for Plan A was \$632,482,901 and \$579,020,723, respectively. The Annuity Reserve as of December 31, 2006 and 2005 for Plan B was \$35,155,460 and \$31,389,457. The Annuity Reserve is 100% funded for both plans for the years ending December 31, 2006 and 2005.

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, 2006 and 2005 was \$23,452,576 and \$20,621,635, respectively. The balance for Plan B as of December 31, 2006 and 2005 was \$1,136,309 and \$1,024,598, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2006 and 2005.

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, 2006 and 2005:

	2006	2005
Deposits (bank balance)	\$ 1,020,022	\$ 6,807,557
Cash equivalents	17,997,630	20,276,191
Investments	2,100,432,378	1,899,422,268
	\$ 2,119,450,030	\$ 1,926,506,016

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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 $17,997,630 and $20,276,191 for December 31, 2006 and 2005, 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 6% to 8% of the market value of the manager's 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 the lesser of 20% of the portfolio assets at market or 150% of the country's weight in the MSCI EAFE Index. For emerging markets assets exposure in any one issuer is limited to 7% of the total portfolio at market value. Exposure to emerging market countries should be limited to no more than 10% of the international portfolio. At December 31, 2006, 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, 2006.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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

Credit Risk (Continued)

2006

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	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 6,391,137	$ 6,391,137
A+	–	–	–	–	–	–	–	–	3,940,450	3,940,450
A-	–	–	–	–	–	–	–	–	1,593,555	1,593,555
AA--	–	–	–	3,098,286	–	–	–	–	5,887,580	8,985,866
AAA	22,634,964	11,053,592	118,608,691	101,664,977	–	19,589	81,855,746	476,139	–	336,313,698
BB+	–	–	–	–	–	–	–	–	985,250	985,250
Not Rated	29,098,249	–	60,948,608	39,521,241	18,151,782	2,511,171	–	28,157,861	–	178,388,912
Total	$ 51,733,213	$11,053,592	$179,557,299	$144,284,504	$18,151,782	$2,530,760	$81,855,746	$28,634,000	$18,797,972	$ 536,598,868

2005

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. 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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the 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, 2006 and 2005 for the investments in the amount of $2,028,795,590 and $1,781,322,817, respectively, since the investments are in the name of the System.

At December 31, 2006, the collateral held under securities lending in the amount of $89,634,418 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.

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, 2006 and 2005, the System had the following investments in long-term debt securities and maturities:

2006 Investment Type	Fair Value	Less Than 1	1 – 5	6 - 10	More Than 10
U.S. Treasury Zero Bonds	$ 51,733,213	$ --	$ 7,243,614	$ 44,489,599	$ --
U.S. Treasury Notes	11,053,592	--	--	1,711,322	9,342,270
Federal Home Loan Mortgage	179,557,299	--	21,084,700	24,589,607	133,882,992
Federal National Mortgage Assn.	144,284,504	--	--	66,000,418	78,284,086
Government National Mortgage Assn.	18,151,782	--	277,228	756,765	17,117,789
U.S. Gov't. Guarantee	2,530,760	--	--	19,589	2,511,171
Resolution FDG Corp. Fed. Coupon Strips	81,855,746	--	--	54,822,230	27,033,516
Corporate Bonds	18,797,972	--	9,038,485	9,388,291	371,196
Other	28,634,000	--	--	15,570,455	13,063,545
	$ 536,598,868	$ --	$ 37,644,027	$ 217,348,276	$ 281,606,565

2005 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.

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

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. All of the System foreign investments are traded on United States exchanges.

The System has no formal policy regarding foreign currency risk.

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, 2006 AND 2005

7. SECURITIES LENDING AGREEMENTS: (Continued)

The System has the following securities on loan:

	December 31, 2006 Market (Carrying Value)	December 31, 2005 Market (Carrying Value)
U. S. Government Agency Obligations	$ 57,157,449	$ 99,105,071
Common Stock	30,559,702	35,360,994
Totals	$ 87,717,151	$ 134,466,065

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, 2006 and 2005.

8. EQUIPMENT AND FIXTURES:

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

2006	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 288,268	$ 7,350	$ (31,919)	$ 263,699
Less: accumulated depreciation	(265,350)	(8,075)	30,461	(242,964)
	$ 22,918	$ (725)	$ (1,458)	$ 20,735

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

Depreciation expense for the years ended December 31, 2006 and 2005 was $8,075 and $8,232, 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, 2006 and 2005 was $54,926 and $54,527, respectively. The minimum lease payments for the remaining term of the lease are as follows:

2007	$52,607
2008	53,314
2009	55,011
2010	56,001
January – July 2011	32,667

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2006 AND 2005

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
ASSETS:	2006	2005	2006	2005	2006	2005	2006	2005
Cash	$ 379,811	$ 5,884,389	$ 112,914	$ 404,761	$ 67,980	$ 47,211	$ 560,705	$ 6,336,361
Receivables:								
Due from (to) other funds	(281,763)	(363,236)	281,763	363,236	-	-	-	-
Contributions receivable -Member	9,112,012	9,809,914	311,070	293,585	-	-	9,423,082	10,103,499
Contributions receivable - Employer	12,222,516	13,154,621	595,974	553,708	-	-	12,818,490	13,708,329
Ad valorem taxes & state revenue sharing receivable	4,342,209	4,142,122	615,783	553,657	-	-	4,957,992	4,695,779
Miscellaneous receivable	31	19,139	851	1,471	-	-	882	20,610
Investment receivable	2,374,054	1,504,729	151,992	-	-	-	2,526,046	1,504,729
Accrued interest and dividends	4,140,619	4,391,626	409,754	298,211	-	-	4,550,373	4,689,837
	31,909,678	32,658,915	2,367,187	2,063,868	-	-	34,276,865	34,722,783
Investments (at fair value)								
Cash equivalents	16,903,701	17,452,573	1,093,929	2,823,618	-	-	17,997,630	20,276,191
Mutual funds	810,252,905	282,900,500	53,750,417	70,628,461	-	-	864,003,322	353,528,961
Corporate bonds	15,993,944	16,191,847	2,804,028	2,780,356	-	-	18,797,972	18,972,203
Government securities	463,516,878	547,052,953	36,132,236	38,974,526	-	-	499,649,114	586,027,479
Mortgage backed securities	17,897,645	19,828,588	254,137	338,632	-	-	18,151,782	20,167,220
Common stock	573,480,250	782,350,763	36,715,520	-	-	-	610,195,770	782,350,763
Collateral under securities lending	82,997,527	130,000,331	6,636,891	8,375,311	-	-	89,634,418	138,375,642
	1,981,042,850	1,795,777,555	137,387,158	123,920,904	-	-	2,118,430,008	1,919,698,459
Deposits	-	-	-	-	2,515	2,515	2,515	2,515
Property, plant and equipment: Net of accumulated depreciation	-	-	-	-	20,735	22,918	20,735	22,918
Total assets	2,013,332,339	1,834,320,859	139,867,259	126,389,533	91,230	72,644	2,153,290,828	1,960,783,036
LIABILITIES:								
Accounts payable	754,439	657,537	48,706	-	-	49,656	803,145	707,193
Accrued leave payable	-	-	-	-	4,074	4,085	4,074	4,085
Withholding taxes payable	-	-	-	-	25,614	24,599	25,614	24,599
Refunds payable	1,007,381	1,613,006	55,458	56,782	-	-	1,062,839	1,669,788
Investment payable	1,300,540	1,007,063	102,271	-	-	-	1,402,811	1,007,063
Retirement payable	5,978,828	5,519,779	328,823	296,157	-	-	6,307,651	5,815,936
Obligations under securities lending	82,997,527	130,000,331	6,636,891	8,375,311	-	-	89,634,418	138,375,642
Total liabilities	92,038,715	138,797,716	7,172,149	8,728,250	29,688	78,340	99,240,552	147,604,306
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,921,293,624	$ 1,695,523,143	$ 132,695,110	$ 117,661,283	$ 61,542	$ (5,696)	$ 2,054,050,276	$ 1,813,178,730

PAROCHIAL EMPLOYEES' RETIRMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
ADDITIONS:								
Contributions:								
Member	$ 38,899,657	$ 40,280,355	$ 1,723,425	$ 1,646,392	$ -	$ -	$ 40,623,082	$ 41,926,747
Employer	52,838,085	55,833,323	3,361,520	3,187,684	-	-	56,199,605	59,021,007
Ad valorem tax	4,211,806	4,021,974	631,187	560,684	-	-	4,842,993	4,582,658
Revenue sharing	133,954	132,477	18,906	18,902	-	-	152,860	151,379
Total contributions	96,083,502	100,268,129	5,735,038	5,413,662	-	-	101,818,540	105,681,791
Investment income:								
Net appreciation in fair value of investments	142,321,383	53,786,655	7,041,383	3,058,556	-	-	149,362,766	56,845,211
Interest income	71,123,618	38,170,364	6,631,271	2,639,093	2,532	1,379	77,757,421	40,810,836
Dividend income	7,802,730	11,911,182	272,210	-	-	-	8,074,940	11,911,182
Securities lending income	7,036,272	5,970,605	361,097	277,286	-	-	7,397,369	6,247,891
	228,284,003	109,838,806	14,305,961	5,974,935	2,532	1,379	242,592,496	115,815,120
Less: Investment expense:								
Custodial fees	-	-	-	-	173,626	241,617	173,626	241,617
Money manager fees	4,082,195	3,964,261	210,774	28,661	-	-	4,292,969	3,992,922
Securities lending	6,840,197	5,785,745	351,537	268,274	-	-	7,191,734	6,054,019
Investment consultant	-	-	-	-	162,744	63,985	162,744	63,985
	10,922,392	9,750,006	562,311	296,935	336,370	305,602	11,821,073	10,352,543
Net investment income (loss)	217,361,611	100,088,800	13,743,650	5,678,000	(333,838)	(304,223)	230,771,423	105,462,577
Other additions:								
Interest - transfers, refund payback	1,444,940	1,135,144	195,748	130,537	-	-	1,640,688	1,265,681
Transfers in - employee	494,798	368,520	24,791	53,553	-	-	519,589	422,073
Transfers in - employer	863,247	478,142	20,473	50,247	-	-	883,720	528,389
Miscellaneous income	84,214	69,141	4,285	1,091	-	-	88,499	70,232
Total other additions	2,887,199	2,050,947	245,297	235,428	-	-	3,132,496	2,286,375
Total additions (reductions)	316,332,312	202,407,876	19,723,985	11,327,090	(333,838)	(304,223)	335,722,459	213,430,743
DEDUCTIONS:								
Retirement and disability benefits	68,797,697	64,573,440	3,773,339	3,457,592	-	-	72,571,036	68,031,032
Refunds to terminated employees	11,284,016	10,716,062	466,904	448,923	-	-	11,750,920	11,164,985
DROP benefits	7,420,652	6,291,853	369,454	196,499	-	-	7,790,106	6,488,352
Transfers to/from plans	1,251,601	963,380	48,399	136,620	(1,300,000)	(1,100,000)	-	-
Transfer to other systems - employee	460,134	394,908	7,102	19,365	-	-	467,236	414,273
Transfer to other systems - employer and interest	1,347,731	996,637	24,960	107,006	-	-	1,372,691	1,103,643
Administrative expenses	-	-	-	-	890,849	828,116	890,849	828,116
Depreciation	-	-	-	-	8,075	8,232	8,075	8,232
Total deductions	90,561,831	83,936,280	4,690,158	4,366,005	(401,076)	(263,652)	94,850,913	88,038,633
NET INCREASE (DECREASE)	225,770,481	118,471,596	15,033,827	6,961,085	67,238	(40,571)	240,871,546	125,392,110
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -								
Net assets - beginning 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
END OF YEAR	$ 1,921,293,624	$ 1,695,523,143	$ 132,695,110	$ 117,661,283	$ 61,542	$ (5,696)	$ 2,054,050,276	$ 1,813,178,730

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

PLAN "A"	DECEMBER 31, 2006			DECEMBER 31, 2005		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 6,000,000	$ 6,297,555	$ 8,007,660	$ 16,038,750	$ 15,905,232	$ 18,559,587
U.S. Treasury Zeros	60,425,250	10,512,515	41,052,671	151,739,250	42,569,244	108,435,408
U.S. Treasury Agency Bonds	500,530,798	289,490,219	411,925,787	512,733,354	286,121,677	417,386,245
Government Guaranteed Bonds	2,486,822	2,455,589	2,530,760	2,623,632	2,590,379	2,671,713
Corporate Bonds	17,650,000	15,434,596	15,993,944	17,675,000	15,459,596	16,191,847
Government National Mortgage Corporation Bonds	17,623,495	17,258,778	17,897,645	19,489,519	19,028,512	19,828,588
TOTAL BONDS	$ 604,716,365	$ 341,449,251	$ 497,408,467	$ 720,299,505	$ 381,674,640	$ 583,073,388
		COST	MARKET		COST	MARKET
STOCKS:						
Common stocks		$ 423,348,568	$ 573,480,250		$ 618,760,512	$ 782,350,763
MUTUAL FUNDS:						
Domestic		$ 656,950,064	$ 810,252,905		$ 243,167,824	$ 282,900,500
CASH EQUIVALENTS		$ 16,903,701	$ 16,903,701		$ 17,452,573	$ 17,452,573

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

PLAN "B"

	DECEMBER 31, 2006			DECEMBER 31, 2005		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 2,570,000	$ 2,582,630	$ 3,045,932	$ 2,570,000	$ 2,582,630	$ 3,143,154
U.S. Treasury Zeros	14,735,500	3,952,312	10,680,542	22,555,500	6,743,699	17,411,839
U.S. Agency Bonds	21,546,014	21,020,450	21,328,217	17,335,025	16,946,990	17,477,078
Municipal Bonds	1,663,197	1,663,197	1,077,545	1,541,736	1,541,742	942,455
Corporate bonds	4,500,000	2,561,404	2,804,028	4,500,000	2,561,404	2,780,356
Government National Mortgage Corporation Bonds	241,649	221,727	254,137	317,210	292,175	338,632
TOTAL BONDS	$ 45,256,360	$ 32,001,720	$ 39,190,401	$ 48,819,471	$ 30,668,640	$ 42,093,514

	COST	MARKET	COST	MARKET
STOCKS:				
Common stocks	$ 27,103,746	$ 36,715,520	$	$
MUTUAL FUND	$ 43,808,970	53,750,417	$ 64,886,282	$ 70,628,461
CASH EQUIVALENTS	$ 1,093,929	1,093,929	$ 2,823,618	$ 2,823,618

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
ADMINISTRATIVE EXPENSES:	Budget	Actual	Variance over (under)	Budget	Actual	Variance over (under)
SALARIES AND RELATED EXPENSES:						
Salaries	$ 445,000	$ 454,454	$ (9,454)	$ 424,821	$ 427,153	$ 2,332
Retirement	56,767	57,908	(1,141)	54,164	53,984	(180)
Group hospitalization	31,342	31,154	188	27,611	27,195	(416)
Medicare and payroll taxes	5,727	5,643	84	5,435	5,295	(140)
Total salaries and related expenses	538,836	549,159	(10,323)	512,031	513,627	1,596
PROFESSIONAL SERVICES:						
Actuarial consultant	75,820	71,820	4,000	75,820	71,820	(4,000)
Auditor	33,500	31,763	1,737	30,500	29,460	(1,040)
Legal counsel	25,000	15,415	9,585	24,000	13,231	(10,769)
Computer programming	71,444	27,932	43,512	8,500	4,800	(3,700)
Medical board	17,000	9,525	7,475	17,500	11,031	(6,469)
Investigation	2,400	1,222	1,178	2,500	1,750	(750)
Total professional services	225,164	157,677	67,487	158,820	132,092	(26,728)
COMMUNICATIONS:						
Printing	17,300	12,527	4,773	16,500	13,998	(2,502)
Telephone	6,400	5,965	435	6,500	5,596	(904)
Postage	24,000	19,449	4,551	22,500	21,687	(813)
Travel	31,580	20,839	10,741	17,770	12,558	(5,212)
Website	3,700	2,035	1,665	2,500	3,650	1,150
Per diem	2,625	1,725	900	2,625	1,275	(1,350)
Total communications	85,605	62,540	23,065	68,395	58,764	(9,631)
GENERAL OFFICE:						
Rent	55,147	54,926	221	54,750	54,527	(223)
Supplies	7,700	8,230	(530)	7,500	9,320	1,820
Dues and subscriptions	7,275	7,722	(447)	6,000	8,325	2,325
Equipment rental	28,800	30,315	(1,515)	29,000	27,795	(1,205)
Equipment maintenance	9,300	3,121	6,179	11,000	6,179	(4,821)
Insurance	6,125	6,741	(616)	5,800	5,672	(128)
Microfilm	8,500	5,450	3,050	8,500	10,190	1,690
Miscellaneous	-	1,446	(1,446)	-	(810)	(810)
Training	5,400	3,522	1,878	5,450	2,435	(3,015)
Total general office	128,247	121,473	6,774	128,000	123,633	(4,367)
TOTAL ADMINISTRATIVE EXPENSE	$ 977,852	$ 890,849	$ 87,003	$ 867,246	$ 828,116	$ (39,130)
INVESTMENT EXPENSES:						
Custodial Bank	$ 270,000	$ 173,626	$ 96,374	$ 250,000	$ 241,616	$ (8,384)
Investment counsultant	182,243	162,744	19,499	47,000	63,985	16,985
TOTAL INVESTMENT EXPENSES	$ 452,243	$ 336,370	$ 115,873	$ 297,000	$ 305,601	$ 8,601
CAPITAL OUTLAYS	$ 14,500	$ 7,350	$ 7,150	$ 4,000	$ -	$ (4,000)

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 292,309,795	$ 20,621,635	$ 579,020,723	$ 732,196,642	$ 71,374,348	$ 1,695,523,143
REVENUES AND TRANSFERS:						-
Employee contributions	38,899,657	-	-	-	-	38,899,657
Employer contributions	-	-	-	52,838,085	-	52,838,085
Tax collector contributions	-	-	-	4,211,806	-	4,211,806
Revenue sharing contributions	-	-	-	133,954	-	133,954
Net investment income	-	-	-	217,361,611	-	217,361,611
Miscellaneous income	-	-	-	84,214	-	84,214
Transfer from Annuity Savings	-	-	17,215,193	-	-	17,215,193
Transfer from Annuity Reserve	-	10,251,593	-	-	-	10,251,593
Interest - transfers, refund payback	-	-	-	1,444,940	-	1,444,940
Transfer from another system	494,798	-	-	863,247	-	1,358,045
Actuarial transfer	-	-	115,296,275	-	41,401,793	156,698,068
	39,394,455	10,251,593	132,511,468	276,937,857	41,401,793	500,497,166
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	11,284,016	-	-	-	-	11,284,016
Transfer to Annuity Reserve	17,215,193	-	-	-	-	17,215,193
Transfer to DROP	-	-	10,251,593	-	-	10,251,593
Pensions paid	-	-	68,797,697	-	-	68,797,697
Transfer to other plans	-	-	-	1,251,601	-	1,251,601
DROP benefits	-	7,420,652	-	-	-	7,420,652
Actuarial transfer	-	-	-	156,698,068	-	156,698,068
Transfers to another system	460,134	-	-	1,347,731	-	1,807,865
	28,959,343	7,420,652	79,049,290	159,297,400	-	274,726,685
NET INCREASE (DECREASE)	10,435,112	2,830,941	53,462,178	117,640,457	41,401,793	225,770,481
BALANCE - ENDING	$ 302,744,907	$ 23,452,576	$ 632,482,901	$ 849,837,099	$ 112,776,141	$ 1,921,293,624

2005					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
$ 278,873,565	$ 17,853,816	$ 537,931,941	$ 625,584,916	$ 116,807,309	$ 1,577,051,547
40,280,355	-	-	-	-	40,280,355
-	-	-	55,833,323	-	55,833,323
-	-	-	4,021,974	-	4,021,974
-	-	-	132,477	-	132,477
-	-	-	100,088,800	-	100,088,800
-	-	-	69,141	-	69,141
-	-	16,101,675	-	-	16,101,675
-	9,059,672	-	-	-	9,059,672
-	-	-	1,135,144	-	1,135,144
368,520	-	-	478,142	-	846,662
-	-	98,620,219	-	-	98,620,219
40,648,875	9,059,672	114,721,894	161,759,001	-	326,189,442
10,716,062	-	-	-	-	10,716,062
16,101,675	-	-	-	-	16,101,675
-	-	9,059,672	-	-	9,059,672
-	-	64,573,440	-	-	64,573,440
-	-	-	963,380	-	963,380
-	6,291,853	-	-	-	6,291,853
-	-	-	53,187,258	45,432,961	98,620,219
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
13,436,230	2,767,819	41,088,782	106,611,726	(45,432,961)	118,471,596
$ 292,309,795	$ 20,621,635	$ 579,020,723	$ 732,196,642	$ 71,374,348	$ 1,695,523,143

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 10,650,602	$ 1,024,598	$ 31,389,457	$ 68,378,953	$ 6,217,673	$ 117,661,283
REVENUES AND TRANSFERS:						
Employee contributions	1,723,425	-	-	-	-	1,723,425
Employer contributions	-	-	-	3,361,520	-	3,361,520
Net investment income	-	-	-	13,743,650	-	13,743,650
Tax collector contributions	-	-	-	631,187	-	631,187
Revenue sharing contributions	-	-	-	18,906	-	18,906
Miscellaneous income	-	-	-	4,285	-	4,285
Transfer from Annuity Savings	-	-	464,221	-	-	464,221
Transfer from Annuity Reserve	-	481,165	-	-	-	481,165
Transfer from another system	24,791	-	-	20,473	-	45,264
Interest - transfers refund payback	-	-	-	195,748	-	195,748
Actuarial transfer	-	-	7,556,286	-	2,695,665	10,251,951
	1,748,216	481,165	8,020,507	17,975,769	2,695,665	30,921,322
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	466,904	-	-	-	-	466,904
Transfer to Annuity Reserve	464,221	-	-	-	-	464,221
Transfer to DROP	-	-	481,165	-	-	481,165
Pensions paid	-	-	3,773,339	-	-	3,773,339
Transfer to other plans	-	-	-	48,399	-	48,399
DROP benefits	-	369,454	-	-	-	369,454
Actuarial transfer	-	-	-	10,251,951	-	10,251,951
Transfers to another system	7,102	-	-	24,960	-	32,062
	938,227	369,454	4,254,504	10,325,310	-	15,887,495
NET INCREASE (DECREASE)	809,989	111,711	3,766,003	7,650,459	2,695,665	15,033,827
BALANCE - ENDING	$ 11,460,591	$ 1,136,309	$ 35,155,460	$ 76,029,412	$ 8,913,338	$ 132,695,110

2005					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
$ 9,909,601	$ 772,766	$ 28,975,199	$ 59,869,190	$ 11,173,442	$ 110,700,198
1,646,392	-	-	-	-	1,646,392
-	-	-	3,187,684	-	3,187,684
-	-	-	5,678,000	-	5,678,000
-	-	-	560,684	-	560,684
-	-	-	18,902	-	18,902
-	-	-	1,091	-	1,091
-	-	490,656	-	-	490,656
-	448,331	-	-	-	448,331
53,553	-	-	50,247	-	103,800
-	-	-	130,537	-	130,537
-	-	5,829,525	-	-	5,829,525
1,699,945	448,331	6,320,181	9,627,145	-	18,095,602
448,923	-	-	-	-	448,923
490,656	-	-	-	-	490,656
-	-	448,331	-	-	448,331
-	-	3,457,592	-	-	3,457,592
-	-	-	136,620	-	136,620
-	196,499	-	-	-	196,499
-	-	-	873,756	4,955,769	5,829,525
19,365	-	-	107,006	-	126,371
958,944	196,499	3,905,923	1,117,382	4,955,769	11,134,517
741,001	251,832	2,414,258	8,509,763	(4,955,769)	6,961,085
$ 10,650,602	$ 1,024,598	$ 31,389,457	$ 68,378,953	$ 6,217,673	$ 117,661,283

PARAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2006 AND 2005

	2006	2005
Gwen Le Blanc	$ 375	$ 300
Will Langlinais	75	-
Terri Rodrigue	375	300
Tim Ware	300	300
Thomas Nelson	225	150
Jerry Milner	375	225
TOTAL	$ 1,725	$ 1,275

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 2001 THROUGH 2006

PLAN A

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
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%
2006	58,805,700	89.85%	4,154,451	104.60%

PLAN B

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
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%
2006	3,328,612	100.99%	579,586	112.16%

For the years ended 2001 through 2002 for Plan A and for the year 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 through 2006 for Plan A and for the years 2002 through 2006 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.effective year.effective year.effective year.effective year.effective year

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS PLAN A
DECEMBER 31, 2001 THROUGH 2006

	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]
12/31/01	$ 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	1,628,327,803	92,910,853	94.29%	429,459,653	21.63%
12/31/06	1,718,754,962	1,808,517,483	89,762,521	95.04%	420,104,038	21.34%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS – PLANS A & B
DECEMBER 31, 2001 THROUGH 2006

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, 2006
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 a decrease in normal cost for Plan A and Plan B in the amounts of $19,330,476 and $400,121, respectively, for the year ended December 31, 2006 due to actuarial asset gains and plan liability experience. In addition, the System incurred changes in actuarial assumption which increased normal cost a nominal amount for Plan A and Plan B. The actuarial assumption changes were made in the mortality tables use for disabled lives, the percentage of terminated vested employees who elect a deferred benefit and certain statistics related to children of members. The effect of the change in normal cost for years ending subsequent to December 31, 2006 has not been determined.

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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
www.dhhmcpa.com

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

May 30, 2007

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, 2006 and have issued our report thereon dated May 30, 2007. 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects Parochial Employees' Retirement System of Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Parochial Employees' Retirement System of Louisiana's financial statements that is more than inconsequential will not be prevented or detected by Parochial Employees' Retirement System of Louisiana's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Parochial Employees' Retirement System of Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2006 was unqualified.

2. Internal Control
   Material weaknesses: none noted
   Significant deficiency: none noted

3. Compliance and Other Matters
   Noncompliance material to financial statements: none noted

SUMMARY OF PRIOR YEAR FINDINGS:

Investment Income

05-01: The System did 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 recommended the System develop and implement procedures to perform this independent review. The System has established procedures to review the investment income for completeness and accuracy.