ANNUAL FINANCIAL REPORT

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
BATON ROUGE, LOUISIANA

DECEMBER 31, 2011 AND 2010

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

INDEX TO ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011 AND 2010

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
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GUY L. DUPLANTIER, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

June 7, 2012

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, 2011 and 2010, 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 and the standards applicable to financial audits contained in *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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2012 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 considered in assessing the results of our audit.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 · (504) 586-8866 · Fax (504) 525-5888
1670 Old Spanish Trail Slidell, LA 70458 · (985) 649-9996 · Fax (985) 649-9940
247 Corporate Drive Houma, LA 70360 · (985) 868-2630 · Fax (985) 872-3833
www.dhhmcpa.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 36 - 38 and the supplemental schedules on pages 30 – 35 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, 2006 through 2011 and supplemental schedules for the years ending December 31, 2011 and 2010, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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 2011 by $2,396,065,974 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $9,248,406 or 0.39%. The increase is due to the retirement system's positive cash flow (contributions exceed payment of benefits, refunds and expenses).
- Contributions to the plan by members and employers totaled $147,501,356, an increase of $1,889,774 or 1.30% over the prior year.
- The net depreciation in the fair value of investments was $59,838,358 for 2011, compared to a net appreciation of $212,279,996 in 2010.
- The rate of return on the System's investments was -0.65% for Plan A and -0.65% for Plan B based on the market value. This represents a decline from the 2010 results in both plans, and a return below the 7.5% assumed investment return.
- Pension benefits paid to retirees and beneficiaries increased by $8,126,012 or 8.22%. This increase is due to an increase in the number of retirees and the larger benefit amounts for new retirees.
- Administrative expenses totaled $1,230,127, an increase of $162,735 or 15.25%.
- The cost of administering the System per member during 2011 was $38 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.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 and 2010.

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, 2011 and 2010

	2011	2010
Cash and investments	$ 2,373,719,711	$ 2,362,522,812
Receivables	34,829,945	35,453,838
Other	15	15
Property and equipment	838,977	868,144
Total assets	2,409,388,648	2,398,844,809
Total liabilities	13,322,674	12,027,241
Net Assets Held in Trust For Pension Benefits	$ 2,396,065,974	$ 2,386,817,568

Plan net assets increased by $9,248,406 or 0.39% $2,396,065,974 compared to $2,386,817,568). 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 in 2011 was due mainly to the fact that the retirement system's positive cash flow (contributions exceeding benefits, refunds and expense payments) was greater than the investment loss experienced during 2011.

Statement of Changes in Plan Net Assets
December 31, 2011 and 2010

	2011	2010
Additions:		
Contributions	$ 154,679,008	$ 152,475,905
Net investment income/(loss)	(15,989,237)	312,329,804
Other	2,015,426	3,174,102
Total additions	140,705,197	467,979,811
Total deductions	(131,456,791)	(120,919,256)
Increase in Plan Net Assets	$ 9,248,406	$ 347,060,555

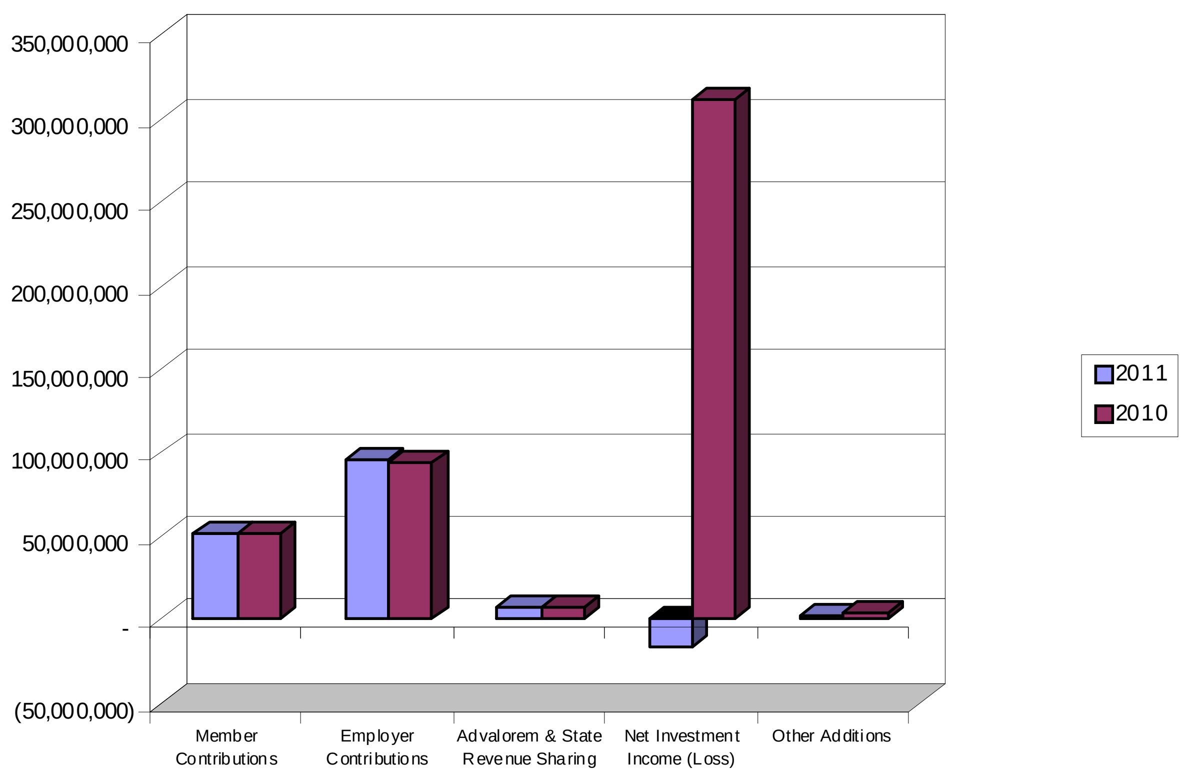
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 $233,051 or 0.45% and employer contributions increased $1,656,723 or 1.77%. The System experienced a net investment loss of $(15,989,237) as compared to a net investment income of $312,329,804 in the previous year. The increase in Plan net assets in 2011 was due mainly to the fact that the retirement system's positive cash flow (contributions exceeding benefits, refunds and expense payments) was greater than the investment loss experienced during 2011.

	2011	2010	Increase (Decrease) Percentage
Member Contributions	$ 52,229,170	$ 51,996,119	0.45 %
Employer Contributions	95,272,186	93,615,463	1.77 %
Ad valorem & State Revenue Sharing	7,177,652	6,864,323	4.56 %
Net Investment Income/(loss)	(15,989,237)	312,329,804	(105.12) %
Other Additions	2,015,426	3,174,102	(36.50) %
Total additions	$ 140,705,197	$ 467,979,811	



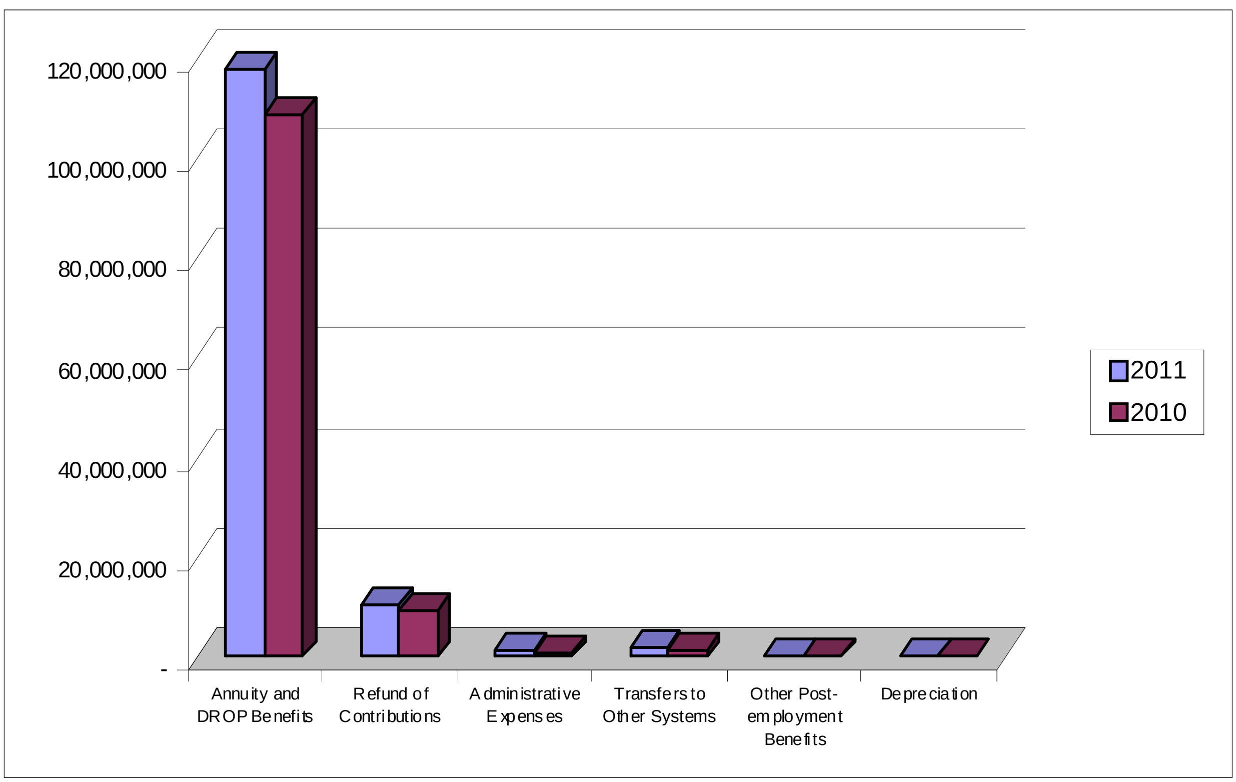
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 $131,456,791 in fiscal year 2011. Deductions from plan net assets increased by $10,537,535. Retirement benefits accounted for the majority of the increase. Retirement benefits increased by $8,126,012 as a result of the increase in the number of retirees and the larger benefit amounts generally paid to new retirees.

	2011	2010	Increase Percentage
Annuity and DROP Benefits	$ 117,710,382	$ 108,918,983	8.07 %
Refunds of Contributions	10,321,625	9,469,207	9.00 %
Administrative Expenses	1,230,127	1,067,392	15.25 %
Transfers to Other Systems	2,086,516	1,325,244	57.44 %
Other Postemployment Benefits	74,473	103,837	(28.28) %
Depreciation	33,668	34,593	(2.67) %
Total	$ 131,456,791	$ 120,919,256	



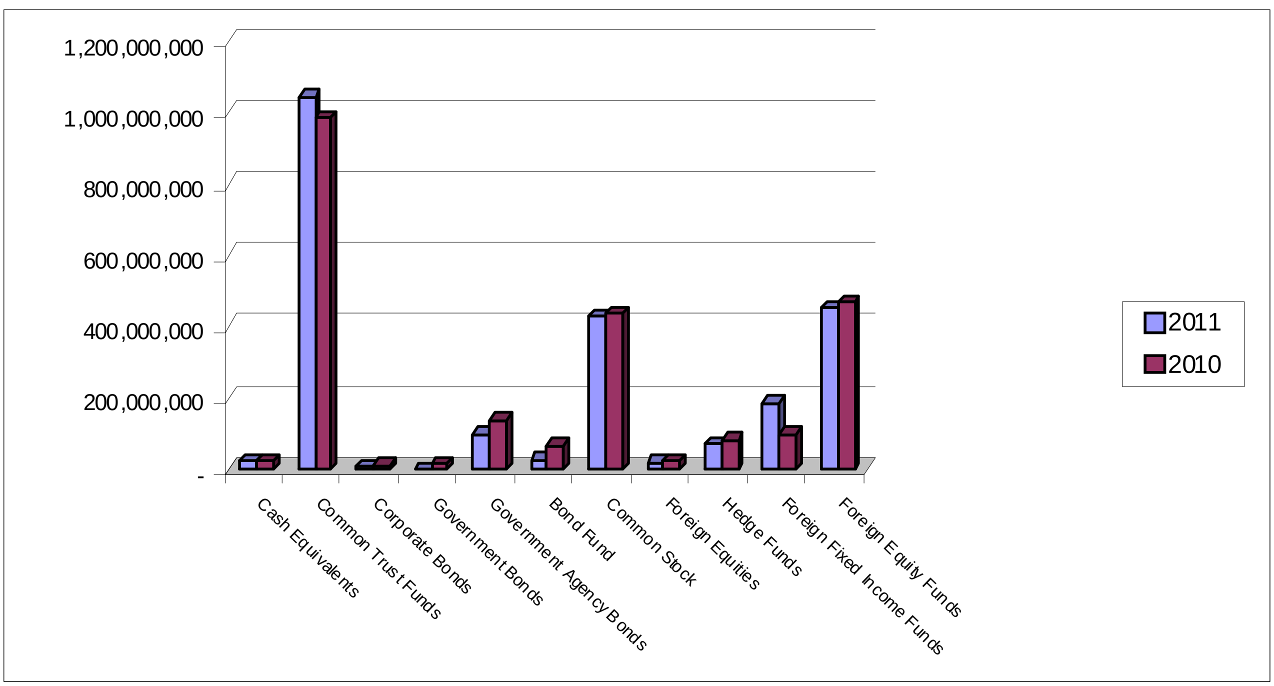
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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 fair value of investments at December 31, 2011 was $2,368,639,382 as compared to $2,360,459,877 at December 31, 2010 which is an increase of $8,179,505 or 0.35%. The System's investments in various markets at the end of the 2011 and 2010 fiscal years are indicated in the following table:

	2011	2010	Increase (Decrease) Percentage
Cash Equivalents	$ 23,904,121	$ 23,834,195	0.29 %
Common Trust Funds	1,046,706,602	987,547,764	5.99 %
Corporate Bonds	7,459,725	9,979,854	(25.25) %
Government Bonds	2,400,172	15,614,632	(84.63) %
Government Agency Bonds	101,799,475	137,363,921	(25.89) %
Bond Fund	27,186,091	70,126,022	(61.23) %
Common Stock	430,598,668	438,669,906	(1.84) %
Foreign Equities	19,987,372	25,218,720	(20.74) %
Hedge Funds	71,417,916	82,410,405	(13.34) %
Foreign Fixed Income Funds	184,782,570	99,914,341	84.94 %
Foreign Equity Funds	452,396,670	469,780,117	(3.70) %
Total	$ 2,368,639,382	$ 2,360,459,877	



PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, (225) 928-1361.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS:		
Cash	$ 5,080,329	$ 2,062,935
Receivables:		
Contributions receivable - Member	9,619,303	9,694,761
Contributions receivable - Employer	17,431,899	17,366,371
Ad valorem taxes and state revenue sharing receivable	6,714,649	6,680,857
Miscellaneous receivable	-	2,178
Investment receivable	330,142	974,845
Accrued interest and dividends	733,952	734,826
	34,829,945	35,453,838
Investments (at fair value):		
Cash equivalents	23,904,121	23,834,195
Common trust funds	1,046,706,602	987,547,764
Corporate bonds	7,459,725	9,979,854
Government bonds	2,400,172	15,614,632
Government agency bonds	101,799,475	137,363,921
Bond funds	27,186,091	70,126,022
Common stock	430,598,668	438,669,906
Foreign equities	19,987,372	25,218,720
Hedge funds	71,417,916	82,410,405
Foreign fixed income funds	184,782,570	99,914,341
Foreign equity funds	452,396,670	469,780,117
Total	2,368,639,382	2,360,459,877
Deposits	15	15
Property, plant and equipment:		
Net of accumulated depreciation	838,977	868,144
Total assets	2,409,388,648	2,398,844,809
LIABILITIES:		
Accounts payable	1,413,627	1,322,160
Accrued leave payable	4,271	4,371
Withholding taxes payable	27,770	23,712
Refunds payable	607,342	824,418
Investment payable	531,563	988,268
Other postemployment benefits payable	351,929	277,456
Retirement payable	10,386,172	8,586,856
Total liabilities	13,322,674	12,027,241
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 2,396,065,974	$ 2,386,817,568

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
ADDITIONS:		
Contributions:		
Member	$ 52,229,170	$ 51,996,119
Employer	95,272,186	93,615,463
Ad valorem tax	7,019,340	6,702,729
Revenue sharing	158,312	161,594
Total contributions	154,679,008	152,475,905
Investment income:		
Net appreciation (depreciation) in fair value of investments	(59,838,358)	212,279,996
Interest and dividend income	53,179,246	107,730,900
	(6,659,112)	320,010,896
Less - Investment expense:		
Custodial fee	188,522	176,208
Money manager fees	8,982,658	7,352,052
Investment consulting	158,945	152,832
	9,330,125	7,681,092
Net investment income (loss)	(15,989,237)	312,329,804
Other additions:		
Interest - transfers, refund payback	831,444	1,215,197
Transfers in - employee	373,412	568,935
Transfers in - employer	542,687	826,925
Miscellaneous income	267,883	563,045
Total other additions	2,015,426	3,174,102
Total additions	140,705,197	467,979,811
DEDUCTIONS:		
Annuity benefits	106,949,384	98,823,372
Refunds to terminated employees	10,321,625	9,469,207
DROP benefits	10,760,998	10,095,611
Transfer to other systems - employee	450,884	405,926
Transfer to other systems - employer/interest	1,635,632	919,318
Administrative expenses	1,230,127	1,067,392
Other postemployment benefits	74,473	103,837
Depreciation	33,668	34,593
Total deductions	131,456,791	120,919,256
NET INCREASE	9,248,406	347,060,555
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of the year	2,386,817,568	2,039,757,013
END OF YEAR	$ 2,396,065,974	$ 2,386,817,568

See accompanying notes.

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 for six year terms; one of whom shall be appointed by the Executive Board of the Police Jury Association of Louisiana who shall serve a four year term 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 create 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 un-funded, non-tax qualified Excess Benefit Plan to supplement the benefits provided to members to the extent their benefits are reduced by the limitations imposed by Section 415 of the United States Internal Revenue Code.

Act #871 of the year 2010 eliminated the Expense Fund and requires all administrative expense to be paid from Plan A's Pension Accumulation Fund. Annually, a transfer of funds from Plan B shall be made to reimburse Plan A for Plan B's expenses.

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, 2011 AND 2010

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, 2011, there were 246 contributing employers in Plan A and 55 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

2011	PLAN A	PLAN B	TOTAL
Active members	13,975	2,261	16,236
Retirees and survivors	5,718	611	6,329
"DROP plan participants	671	42	713
Terminated employees due deferred benefits	561	129	690
Terminated due refunds	6,795	1,471	8,266
TOTAL PARTICIPATING AS OF THE VALUATION DATE	27,720	4,514	32,234

2010	PLAN A	PLAN B	TOTAL
Active members	14,255	2,275	16,530
Retirees and survivors	5,531	576	6,107
"DROP plan participants	536	38	574
Terminated employees due deferred benefits	556	125	681
Terminated due refunds	6,762	1,430	8,192
TOTAL PARTICIPATING AS OF THE VALUATION DATE	27,640	4,444	32,084

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, justices of the peace and parish presidents 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:

For employees hired prior to January 1, 2007:

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)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

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

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of 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 average 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 (10) 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 and until remarriage if the remarriage occurs before age 55.

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

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

DROP Benefits:

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

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) 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 they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and 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 average 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.

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 was hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and 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 average 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 3.0% 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, 2011, the actuarially determined contribution rate was 15.58% of member's compensation for Plan A and 9.07% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2011 was 15.75% for Plan A and 10.00% 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.

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:

Effective July 1, 2010, the Expense Fund was eliminated by Act 871 of the 2010 regular Legislative Session. Prior to that date, the Expense Fund Reserve provided for general and administrative expenses of the System. Funding consisted of transfers from Plan A and Plan B. During fiscal years ended December 31, 2011 and 2010, general and administrative expenses of the system are allocated to plan A and Plan B, based on allocation fractions calculated using total earnings of all active participants in the system.

b. Annuity Savings:

The Annuity Savings 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 $380,732,590 and $371,318,314 for December 31, 2011 and 2010, respectively. The balance for Plan B was $17,463,971 and $16,233,560 for December 31, 2011 and 2010, respectively. The Annuity Saving is fully funded for both plans for the years ending December 31, 2011 and 2010.

c. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments, administrative expenses and any other income or expense 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, 2011 and 2010 was $957,584,682 and $974,020,845, respectively. The balance for Plan B for December 31, 2011 and 2010 was $99,955,928 and $95,771,055, respectively.

The Pension Accumulation Reserve is 84% funded for Plan A and 92% funded Plan B for the year ended December 31, 2011. The Pension Accumulation Reserve is 92% funded for Plan A and 99% funded Plan B for the year ended December 31, 2010.

3. CONTRIBUTIONS AND RESERVES: (Continued)

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, 2011 and 2010 for Plan A was $965,831,697 and $894,443,088, respectively. The Annuity Reserve as of December 31, 2011 and 2010 for Plan B was $52,815,413 and $48,742,466 . The Annuity Reserve is fully funded for both plans for the years ending December 31, 2011 and 2010.

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, 2011 and 2010 was $47,527,180 and $37,949,444, respectively. The Deferred Retirement Option Plan balance for Plan B as of December 31, 2011 and 2010 was $2,106,311 and $1,994,056, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2011 and 2010.

f) Funding Deposit Account:

The Funding Deposit Account consists of excess contribution collected by the System. The excess funds earn interest at the board approved actuarial valuation rate and are credited to the fund at least once a year. These funds are due to the System freezing the employer rate at a higher rate than actuarially required. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability (Plan A), (2) reduce the future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account balance for Plan A as of December 31, 2011 and 2010 was $29,274,204 and $27,231,818, respectively. The Funding Deposit Account balance for Plan B as of December 31, 2011 and 2010 was $1,012,867 and $334,656, respectively. The Funding Deposit Account is fully funded for both plans for the years ending December 31, 2011 and 2010.

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.

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5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules on pages 36 - 38 is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2011 and 2010:

	2011	2010
Deposits (bank balance)	$ 5,324,626	$ 1,504,498
Cash equivalents	23,904,121	23,834,195
Investments	2,344,735,261	2,336,625,682
	$ 2,373,964,008	$ 2,361,964,375

Deposits:

The System maintains cash balances deposited in financial institutions which were insured by the Federal Deposit Insurance Corporation for an unlimited amount for non-interest bearing accounts as of December 31, 2011 and 2010, respectively.

Cash Equivalents:

Cash equivalents in the amount of $23,904,121 and $23,834,195 for December 31, 2011 and 2010, respectively, consist of balances invested in a money market mutual fund. The mutual fund account is established in the name of the System's custodian as an omnibus account for all custodial clients invested in the fund.

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.

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

Concentration of Credit Risk: (Continued)

The System's investment policy states that the equity holdings in any single corporation shall not exceed between 3% and 8% of the market value of the manager's portfolio. For domestic small-cap growth managers no more than 25% of the portfolio may be invested in any one industry valued at market.

Fixed income investments in one issuer's security shall not exceed between 2.5% and 5% of the aggregated long-term debt portfolio at cost of the manager's portfolio (exclusive of issues of the U.S. Treasury or other Federal agencies). For fixed income private placement managers investment in one industry shall not exceed 10% of the portfolio, non-US investments shall not exceed25% of the portfolio and commercial mortgage debt shall not exceed 10% of the portfolio. Exposure to interest rate and currency swaps shall not exceed 5% of the portfolio. The aggregate of futures contracts, options, options on future contracts on securities issued or guaranteed by the US government, interest rate swaps and currency swaps shall not exceed 15% of the total market value of the portfolio.

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, 2011, 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, 2011.

	December 31, 2011			
	Government Agency Bonds	Government Bonds	Corporate Bonds	Total
A	$ --	$ --	$ 5,716,020	$ 5,716,020
A+	--	--	--	--
A-	--	--	--	--
AA-	4,817,739	--	--	4,817,739
AAA	42,593,547	1,063,884	1,282,455	44,939,886
BB	--	--	--	--
BBB-	--	--	--	--
D	--	--	461,250	461,250
Not Rated	54,388,189	1,336,288	--	55,724,477
Total	$ 101,799,475	$ 2,400,172	$ 7,459,725	$ 111,659,372

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

Credit Risk: (Continued)

	December 31, 2010			
	Government Agency Bonds	Government Bonds	Corporate Bonds	Total
A	$ --	$ --	$ 5,891,100	$ 5,891,100
A+	--	--	--	--
A-	--	--	1,075,232	1,075,232
AA-	3,956,478	--	--	3,956,478
AAA	56,298,888	2,042,638	--	58,341,526
BB	--	--	1,503,000	1,503,000
BBB-	--	--	--	--
D	--	--	416,250	416,250
Not Rated	77,108,555	13,571,994	1,094,272	91,774,821
Total	$ 137,363,921	$ 15,614,632	$ 9,979,854	$ 162,958,407

The System also invests in a bond fund in the amount $27,186,091 and $70,126,022 for the years ended December 31, 2011 and 2010, respectively. The bond fund's average credit quality rating was Baa as of December 31, 2011 and 2010. The bond fund policy states that its investments have a credit rating quality rating of B to Aaa with 10% of the total below Baa.

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.

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 has no formal policy regarding custodial credit risk. The money market funds are established in the name of the System's custodian. The money market funds are managed by JP Morgan Chase, who also serves as custodian. The System is exposed to custodial credit risk at December 31, 2011 and 2010 for the cash equivalents balance in the amount of $23,904,121 and $23,834,195, respectively.

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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, 2011 and 2010, the System had the following investments in long-term debt securities and maturities:

2011 Investment Type	Fair Value	Less Than 1	1 – 5	6 - 10	More Than 10
Government Agency Bonds	$ 101,799,475	$ 1,520	$ 12,174,623	$ 42,419,512	$ 47,203,820
Government Bonds	2,400,172	1,336,289	1,063,883	--	--
Corporate Bonds	7,459,725	--	4,251,390	3,208,335	--
	$ 111,659,372	$ 1,337,809	$ 17,489,896	$ 45,627,847	$ 47,203,820

2010 Investment Type	Fair Value	Less Than 1	1 – 5	6 - 10	More Than 10
Government Agency Bonds	$ 137,363,921	$ --	$ 11,326,851	$ 47,244,715	$ 78,792,355
Government Bonds	15,614,632	--	14,947,005	185,720	481,907
Corporate Bonds	9,979,854	1,503,000	5,505,122	2,971,732	--
	$ 162,958,407	$ 1,503,000	$ 31,778,978	$ 50,402,167	$ 79,274,262

The System also invests in a bond fund in the amount $27,186,091 and $70,126,022 for the years ended December 31, 2011 and 2010, respectively. The average portfolio duration of this bond fund normally varies within two years of the duration of the Barclays Capital Credit Investment Grade Index which as of December 31, 2011 and 2010 and was 7.01 and 5.85 years, respectively.

The System has no formal policy regarding interest rate risk.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in the exchange rates will adversely affect the fair value of an investment.

The System invests in various foreign holdings. However, all securities held by the System are traded in United States and denominated in U.S. dollars. Therefore, the System is not exposed to foreign currency risk at December 31, 2011 and 2010.

7. FIXED ASSETS:

The following is a summary of fixed assets at cost less accumulated depreciation:

2011	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 120,618	$ --	$ --	$ 120,618
Building & improvements	755,010	--	--	755,010
Office equipment and furniture	209,739	4,501	--	214,240
Less: accumulated depreciation	(217,223)	(33,668)	--	(250,891)
	$ 868,144	$ (29,167)	$ --	$ 838,977

7. FIXED ASSETS: (Continued)

2010	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 120,618	$ --	$ --	$ 120,618
Building & improvements	755,010	--	--	755,010
Office equipment and furniture	209,739	--	--	209,739
Less: accumulated depreciation	(182,630)	(34,593)	--	(217,223)
	$ 902,737	$ (34,593)	$ --	$ 868,144

Depreciation expense for the years ended December 31, 2011 and 2010 was $33,668 and $34,593, respectively.

8. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a). All member contributions are treated as tax deferred for federal and state income tax purposes.

9. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

The System implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap. The Office of Group Benefits does provide an actuarial valuation of the Plan as of July 1, 2010. Information on the actuarial valuation is provided in this footnote. The July 1, 2011 valuation was not available.

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

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home Health Maintenance Organization (HMO) Plan (Region 9 only) and the Regional Health Maintenance Organization (HMO) Plan (Regions 6, 7, 8 & 9 only). A Consumer Driven Health Savings Account (CD-HSA) plan is being offered, for active employees (and rehired retirees who pay premiums via payroll deductions), featuring lower premium rates in exchange for higher deductibles. The previously offered Exclusive Provider Organization (EPO) plan was folded into the HMO plan, effective July 1, 2010. Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, employee premiums for a single member receiving benefits range from $138 to $147 and $132 to $133, for December 31, 2011 and 2010 respectively, per month for retiree-only coverage without Medicare. With Medicare the range is $85 to $89 and $80 to $81 for December 31, 2011 and 2010, respectively. The premiums for a retiree and spouse for the years ended December 31, 2011 and 2010 range from $441 to $479 and $428 to $432, respectively, per month for those without Medicare. The premium with Medicare ranges from $150 to $160 and $145 to $146 for December 31, 2011 and 2010 respectively.

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from $878 to $950 per month for retiree-only coverage without Medicare and between $256 and $268 with Medicare during the year ended December 31, 2011. Also, the System's contributions range from $1,342 to $1,459 for retiree and spouse without Medicare and between $450 and $481 with Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately $1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at $50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

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

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The actuarial valuation was done as of July 1, 2010 and 2009. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2010 and July 1, 2009 was $75,000 and $107,000, respectively, as set forth below:

	July 1, 2010	July 1, 2009
Normal Cost	$ 41,700	$ 49,000
30-year UAL amortization amount	30,415	53,885
Interest on the above	2,885	4,115
Annual required contribution (ARC)	$ 75,000	$ 107,000

The following table presents the System's OPEB obligation for the year ended July 1, 2010 and 2009.

	July 1, 2010	July 1, 2009
Annual required contribution	$ 75,000	$ 107,000
Contributions made	(527)	(3,163)
Change in Net OPEB Obligation	74,473	103,837
Beginning Net OPEB Obligation	277,456	173,619
Ending Net OPEB Obligation	$ 351,929	$ 277,456

Utilizing the pay-as-you-go method, the System contributed during the year ended December 31, 2011 and 2010 0.70% and 2.96%, respectively, of the annual post employment benefits.

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
July 1, 2008	87,800	3,021	3.44	173,619
July 1, 2009	107,000	3,163	2.96	277,456
July 1, 2010	75,000	527	0.70	351,929

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

Funded Status and Funding Progress

In the year ended December 31, 2011, the System made no contributions to its post employment benefits plan trust. Since the plan has not been funded, the entire actuarial accrued liability of $801,600 and $1,417,300 as of July 1, 2010 and July 1, 2009, respectively, was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2010 and 2009, was as follows:

	July 1, 2010	July 1, 2009
Actuarial accrued liability (AAL)	$ 801,600	$ 1,417,300
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 801,600	$ 1,417,300
Funded ratio (actuarial value of plan assets / AAL	0%	0%
Covered payroll (annual payroll of active Employee covered by the plan)	$ 575,445	$ 554,048
UAAL as a percentage of covered payroll	139%	256%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

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

Actuarial Methods and Assumptions (Continued)

In the July 1, 2010 and 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses). An initial annual healthcare cost trend rate for pre-Medicare and Medicare eligibles of 8.0% and 9.1% for 2010 and a rate of 8.5% and 9.6% for 2009, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2010, was twenty six years.

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the System as of December 31, 2011, the most recent actuarial valuation date, is as follows:

PLAN A:

Date	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)
12/31/11	$2,344,047,017	$2,380,950,353	$36,903,336	98.45%	$552,543,155	6.68%

PLAN B:

Date	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)
12/31/11	$173,354,490	$198,962,892	$25,608,402	87.13%	$84,237,202	30.40%

10. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

The Schedule of Funding Progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the System's assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2011
Actuarial Cost Method	Plan A - Frozen Attained Age Normal Actuarial Cost Plan B - Aggregate Actuarial Cost
Asset Valuation Method:	Market Value of investment securities adjusted to average in asset earnings above or below the assumed rate of return over a five-year period subject to a corridor limit of 85% to 115% of the market value of assets.
Actuarial Assumptions	
Investment Rate of Return	7.5% (Net of investment expense)
Projected Salary Increases	Plan A – 5.75% Plan B – 5.75%
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.
Changes in Actuarial	
Changes in Normal Costs	For the year ended December 31, 2011, the system incurred a net increase in normal cost in the amount of \$12,886,749 and \$869,821 for Plans A and B respectively. This increase was due to an unfavorable asset experience.

11. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2010 comparative information to conform to the 2011 presentation. Such reclassifications had no effect on the change in net assets.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2011 AND 2010

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
ASSETS:	2011	2010	2011	2010	2011	2010	2011	2010
Cash	$ 4,842,220	$ 1,900,810	$ 238,109	$ 162,125	$ -	$ -	$ 5,080,329	$ 2,062,935
Receivables:								
Due from (to) other funds	587,762	3,613,654	(587,762)	(3,613,654)	-	-	-	-
Contributions receivable -Member	9,241,711	9,315,266	377,592	379,495	-	-	9,619,303	9,694,761
Contributions receivable - Employer	16,146,316	16,075,358	1,285,583	1,291,013	-	-	17,431,899	17,366,371
Ad valorem taxes & state revenue sharing receivable	5,838,931	5,869,801	875,718	811,056	-	-	6,714,649	6,680,857
Miscellaneous receivable	-	-	-	2,178	-	-	-	2,178
Investment receivable	308,760	911,327	21,382	63,518	-	-	330,142	974,845
Accrued interest and dividends	688,585	691,009	45,367	43,817	-	-	733,952	734,826
	32,812,065	36,476,415	2,017,880	(1,022,577)	-	-	34,829,945	35,453,838
Investments (at fair value)								
Cash equivalents	21,118,291	21,178,521	2,785,830	2,655,674	-	-	23,904,121	23,834,195
Common trust funds	973,028,019	916,576,997	73,678,583	70,970,767	-	-	1,046,706,602	987,547,764
Corporate bonds	7,277,934	9,404,102	181,791	575,752	-	-	7,459,725	9,979,854
Government bonds	-	12,623,492	2,400,172	2,991,140	-	-	2,400,172	15,614,632
Government agency bonds	99,805,046	135,321,283	1,994,429	2,042,638	-	-	101,799,475	137,363,921
Bond funds	21,134,159	60,570,162	6,051,932	9,555,860	-	-	27,186,091	70,126,022
Common stock	402,696,019	410,372,368	27,902,649	28,297,538	-	-	430,598,668	438,669,906
Foreign equities	18,696,974	23,605,649	1,290,398	1,613,071	-	-	19,987,372	25,218,720
Hedge funds	66,671,033	76,982,054	4,746,883	5,428,351	-	-	71,417,916	82,410,405
Foreign fixed income	172,574,047	93,223,419.00	12,208,523	6,690,922.00	-	-	184,782,570	99,914,341
Foreign equity funds	421,699,100	437,371,089	30,697,570	32,409,028	-	-	452,396,670	469,780,117
	2,204,700,622	2,197,229,136	163,938,760	163,230,741	-	-	2,368,639,382	2,360,459,877
Deposits	13	13	2	2	-	-	15	15
Property, plant and equipment:								
Net of accumulated depreciation	729,559	754,922	109,418	113,222	-	-	838,977	868,144
Total assets	2,243,084,479	2,236,361,296	166,304,169	162,483,513	-	-	2,409,388,648	2,398,844,809
LIABILITIES:								
Accounts payable	1,319,878	1,226,870	93,749	95,290	-	-	1,413,627	1,322,160
Accrued leave payable	4,271	3,801	-	570	-	-	4,271	4,371
Withholding taxes payable	27,770	19,288	-	4,424	-	-	27,770	23,712
Refunds payable	564,696	790,848	42,646	33,570	-	-	607,342	824,418
Investment payable	445,845	923,977	85,718	64,291	-	-	531,563	988,268
Other postemployment benefits payable	351,929	241,270	-	36,186	-	-	351,929	277,456
Retirement payable	9,907,665	8,113,835	478,507	473,021	-	-	10,386,172	8,586,856
Total liabilities	12,622,054	11,319,889	700,620	707,352	-	-	13,322,674	12,027,241
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 2,230,462,425	$ 2,225,041,407	$ 165,603,549	$ 161,776,161	$ -	$ -	2,396,065,974	$ 2,386,817,568

PAROCHIAL EMPLOYEES' RETIRMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
ADDITIONS:	2011	2010	2011	2010	2011	2010	2011	2010
Contributions:								
Member	$ 49,787,038	$ 49,593,983	$ 2,442,132	$ 2,402,136	$ -	$ -	$ 52,229,170	$ 51,996,119
Employer	86,983,853	85,457,989	8,288,333	8,157,474	-	-	95,272,186	93,615,463
Ad valorem tax	6,101,567	5,889,008	917,773	813,721	-	-	7,019,340	6,702,729
Revenue sharing	137,305	141,998	21,007	19,596	-	-	158,312	161,594
Total contributions	143,009,763	141,082,978	11,669,245	11,392,927	-	-	154,679,008	152,475,905
Investment income:								
Net appreciation (depreciation) in fair value of investments	(57,416,358)	193,251,199	(2,422,000)	19,028,797	-	-	(59,838,358)	212,279,996
Interest and dividend income	51,171,662	105,076,006	2,007,584	2,654,894	-	-	53,179,246	107,730,900
	(6,244,696)	298,327,205	(414,416)	21,683,691	-	-	(6,659,112)	320,010,896
Less: Investment expense:								
Custodial fees	168,328	153,227	20,194	22,981	-	-	188,522	176,208
Money manager fees	8,364,143	6,841,893	618,515	510,159	-	-	8,982,658	7,352,052
Investment consultant	138,216	132,900	20,729	19,932	-	-	158,945	152,832
	8,670,687	7,128,020	659,438	553,072	-	-	9,330,125	7,681,092
Net investment income (loss)	(14,915,383)	291,199,185	(1,073,854)	21,130,619	-	-	(15,989,237)	312,329,804
Other additions:								
Interest - transfers, refund payback	731,061	1,054,071	100,383	161,126	-	-	831,444	1,215,197
Transfers in - employee	347,152	491,281	26,260	77,654	-	-	373,412	568,935
Transfers in - employer	513,533	751,535	29,154	75,390	-	-	542,687	826,925
Miscellaneous income	264,795	530,961	3,088	32,084	-	-	267,883	563,045
Total other additions	1,856,541	2,827,848	158,885	346,254	-	-	2,015,426	3,174,102
Total additions	129,950,921	435,110,011	10,754,276	32,869,800	-	-	140,705,197	467,979,811
DEDUCTIONS:								
Retirement and disability benefits	101,408,303	93,672,209	5,541,081	5,151,163	-	-	106,949,384	98,823,372
Refunds to terminated employees	9,853,911	9,037,114	467,714	432,093	-	-	10,321,625	9,469,207
DROP benefits	10,174,512	9,788,983	586,486	306,628	-	-	10,760,998	10,095,611
Transfers to/from plans	(100,255)	12,627	100,255	(12,627)	-	-	-	-
Transfer to other systems - employee	433,990	380,373	16,894	25,553	-	-	450,884	405,926
Transfer to other systems - employer and interest	1,595,233	853,826	40,399	65,492	-	-	1,635,632	919,318
Administrative expenses	1,070,172	928,182	159,955	139,210	-	-	1,230,127	1,067,392
Other postempolyment benefits	64,760	90,295	9,713	13,542	-	-	74,473	103,837
Depreciation	29,277	30,081	4,391	4,512	-	-	33,668	34,593
Total deductions	124,529,903	114,793,690	6,926,888	6,125,566	-	-	131,456,791	120,919,256
NET INCREASE	5,421,018	320,316,321	3,827,388	26,744,234	-	-	9,248,406	347,060,555
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -								
Net assets - beginning of year	2,225,041,407	1,904,114,041	161,776,161	134,940,283	-	702,689	2,386,817,568	2,039,757,013
Transfer from Expense Fund	-	611,045	-	91,644	-	(702,689)	-	-
END OF YEAR	$ 2,230,462,425	$ 2,225,041,407	$ 165,603,549	$ 161,776,161	$ -	$ -	$ 2,396,065,974	$ 2,386,817,568

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Budget	Actual	Variance (over) under	Budget	Actual	Variance (over) under
ADMINISTRATIVE EXPENSES:						
SALARIES AND RELATED EXPENSES:						
Salaries	$ 640,446	$ 636,333	$ 4,113	$ 614,783	$ 612,680	$ 2,103
Retirement	100,870	108,988	(8,118)	96,828	95,321	1,507
Group hospitalization	45,000	38,114	6,886	44,364	40,049	4,315
Medicare and payroll taxes	8,320	7,300	1,020	7,980	7,660	320
Total salaries and related expenses	794,636	790,735	3,901	763,955	755,710	8,245
PROFESSIONAL SERVICES:						
Actuarial consultant	142,700	137,580	5,120	75,820	75,422	398
Auditor	43,000	44,130	(1,130)	41,000	40,600	400
Legal counsel	25,000	10,875	14,125	25,000	7,774	17,226
Computer programming	61,600	56,056	5,544	61,600	23,777	37,823
Medical board	20,000	20,518	(518)	20,000	13,413	6,587
Investigation	1,500	1,120	380	2,200	2,110	90
Total professional services	293,800	270,279	23,521	225,620	163,096	62,524
COMMUNICATIONS:						
Printing	27,500	14,716	12,784	25,000	15,040	9,960
Telephone	6,400	6,232	168	6,400	4,956	1,444
Postage	27,700	22,548	5,152	27,700	18,454	9,246
Travel	29,000	25,386	3,614	28,000	15,807	12,193
Website	2,500	595	1,905	2,500	575	1,925
Per diem	2,250	1,875	375	2,250	1,425	825
Total communications	95,350	71,352	23,998	91,850	56,257	35,593
GENERAL OFFICE:						
Building maintenance	-	-	-	-	469	(469)
Rent	2,160	2,160	-	2,160	2,160	-
Supplies	13,700	10,099	3,601	13,000	7,037	5,963
Dues and subscriptions	13,000	8,259	4,741	13,000	1,549	11,451
Equipment rental	30,000	28,572	1,428	30,000	28,422	1,578
Equipment maintenance	11,000	11,000	-	15,500	7,885	7,615
Insurance	10,200	7,015	3,185	10,000	5,393	4,607
Janitorial	8,600	8,040	560	8,600	8,040	560
Microfilm	12,000	5,671	6,329	13,600	11,483	2,117
Training	11,150	7,675	3,475	11,150	2,775	8,375
Utilities	9,200	9,270	(70)	8,900	6,791	2,109
Total general office	121,010	97,761	23,249	125,910	82,004	43,906
TOTAL ADMINISTRATIVE EXPENSES	$ 1,304,796	$ 1,230,127	$ 74,669	$ 1,207,335	$ 1,057,067	$ 150,268
INVESTMENT EXPENSES:						
Custodial Bank	$ 230,000	$ 188,522	$ 41,478	$ 230,000	$ 176,208	$ 53,792
Investment counsultant	175,000	158,945	16,055	168,500	152,832	15,668
TOTAL INVESTMENT EXPENSES	$ 405,000	$ 347,467	$ 57,533	$ 398,500	$ 329,040	$ 69,460
CAPITAL OUTLAYS	$ 8,000	$ -	$ 8,000	$ 8,000	$ -	$ 8,000

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011						
	ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED) ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 371,318,314	$ 37,949,444	$ 27,231,818	$ 894,443,088	$ 974,020,845	$ (79,922,102)	$ 2,225,041,407
Transfer from Expense Fund	-	-	-	-	-	-	-
	371,318,314	37,949,444	27,231,818	894,443,088	974,020,845	(79,922,102)	2,225,041,407
REVENUES AND TRANSFERS:							
Employee contributions	49,787,038	-	-	-	-	-	49,787,038
Employer contributions	-	-	-	-	86,983,853	-	86,983,853
Tax collector contributions	-	-	-	-	6,101,567	-	6,101,567
Revenue sharing contributions	-	-	-	-	137,305	-	137,305
Net investment income (loss)	-	-	2,042,386	-	(16,957,769)	-	(14,915,383)
Miscellaneous income	-	-	-	-	264,795	-	264,795
Transfer from Annuity Savings	-	-	-	30,432,013	-	-	30,432,013
Transfer from Annuity Reserve	-	19,752,248	-	-	-	-	19,752,248
Interest - transfers, refund payback	-	-	-	-	731,061	-	731,061
Transfer from another system	347,152	-	-	-	513,533	-	860,685
Transfer from other plans	-	-	-	-	100,255	-	100,255
Actuarial transfer	-	-	-	162,117,147	-	-	162,117,147
	50,134,190	19,752,248	2,042,386	192,549,160	77,874,600	-	342,352,584
EXPENDITURES AND TRANSFERS:							
Refunds to terminated employees	9,853,911	-	-	-	-	-	9,853,911
Transfer to Annuity Reserve	30,432,013	-	-	-	-	-	30,432,013
Transfer to DROP	-	-	-	19,752,248	-	-	19,752,248
Pensions paid	-	-	-	101,408,303	-	-	101,408,303
Transfer to other plans	-	-	-	-	-	-	-
DROP benefits	-	10,174,512	-	-	-	-	10,174,512
Administrative expenses	-	-	-	-	1,070,172	-	1,070,172
Other postemployment benefits	-	-	-	-	64,760	-	64,760
Depreciation	-	-	-	-	29,277	-	29,277
Actuarial transfer	-	-	-	-	91,551,321	70,565,826	162,117,147
Transfers to another system	433,990	-	-	-	1,595,233	-	2,029,223
	40,719,914	10,174,512	-	121,160,551	94,310,763	70,565,826	336,931,566
NET INCREASE (DECREASE)	9,414,276	9,577,736	2,042,386	71,388,609	(16,436,163)	(70,565,826)	5,421,018
BALANCE - ENDING	$ 380,732,590	$ 47,527,180	$ 29,274,204	$ 965,831,697	$ 957,584,682	$ (150,487,928)	$ 2,230,462,425

2010

ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED) ACTUARIAL LIABILITY	TOTAL
$ 358,486,802	$ 33,429,734	$ 25,331,924	$ 806,514,589	$ 939,688,005	$ (259,337,013)	$ 1,904,114,041
-	-	-	-	611,045	-	611,045
358,486,802	33,429,734	25,331,924	806,514,589	940,299,050	(259,337,013)	1,904,725,086
49,593,983	-	-	-	-	-	49,593,983
-	-	-	-	85,457,989	-	85,457,989
-	-	-	-	5,889,008	-	5,889,008
-	-	-	-	141,998	-	141,998
-	-	1,899,894	-	289,299,291	-	291,199,185
-	-	-	-	530,961	-	530,961
-	-	-	27,836,265	-	-	27,836,265
-	14,308,693	-	-	-	-	14,308,693
-	-	-	-	1,054,071	-	1,054,071
491,281	-	-	-	751,535	-	1,242,816
-	-	-	-	-	-	-
-	-	-	168,073,136	-	179,414,911	347,488,047
50,085,264	14,308,693	1,899,894	195,909,401	383,124,853	179,414,911	824,743,016
9,037,114	-	-	-	-	-	9,037,114
27,836,265	-	-	-	-	-	27,836,265
-	-	-	14,308,693	-	-	14,308,693
-	-	-	93,672,209	-	-	93,672,209
-	-	-	-	12,627	-	12,627
-	9,788,983	-	-	-	-	9,788,983
-	-	-	-	928,182	-	928,182
-	-	-	-	90,295	-	90,295
-	-	-	-	30,081	-	30,081
-	-	-	-	347,488,047	-	347,488,047
380,373	-	-	-	853,826	-	1,234,199
37,253,752	9,788,983	-	107,980,902	349,403,058	-	504,426,695
12,831,512	4,519,710	1,899,894	87,928,499	33,721,795	179,414,911	320,316,321
$ 371,318,314	$ 37,949,444	$ 27,231,818	$ 894,443,088	$ 974,020,845	$ (79,922,102)	$ 2,225,041,407

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011						
	ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED) ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	$ 16,233,560	$ 1,994,056	$ 334,656	$ 48,742,466	$ 95,771,055	$ (1,299,632)	$ 161,776,161
Transfer from Expense Fund	-	-	-	-	-	-	-
	16,233,560	1,994,056	334,656	48,742,466	95,771,055	(1,299,632)	161,776,161
REVENUES AND TRANSFERS:							
Employee contributions	2,442,132	-	-	-	-	-	2,442,132
Employer contributions	-	-	653,112	-	7,635,221	-	8,288,333
Net investment income (loss)	-	-	25,099	-	(1,098,953)	-	(1,073,854)
Tax collector contributions	-	-	-	-	917,773	-	917,773
Revenue sharing contributions	-	-	-	-	21,007	-	21,007
Miscellaneous income	-	-	-	-	3,088	-	3,088
Transfer from Annuity Savings	-	-	-	753,373	-	-	753,373
Transfer from Annuity Reserve	-	698,741	-	-	-	-	698,741
Transfer from another system	26,260	-	-	-	29,154	-	55,414
Transfer (to) / from other plans	-	-	-	-	-	-	-
Interest - transfers refund payback	-	-	-	-	100,383	-	100,383
Actuarial transfer	-	-	-	9,559,396	-	-	9,559,396
	2,468,392	698,741	678,211	10,312,769	7,607,673	-	21,765,786
EXPENDITURES AND TRANSFERS:							
Refunds to terminated employees	467,714	-	-	-	-	-	467,714
Transfer to Annuity Reserve	753,373	-	-	-	-	-	753,373
Transfer to DROP	-	-	-	698,741	-	-	698,741
Pensions paid	-	-	-	5,541,081	-	-	5,541,081
Transfer to other plans	-	-	-	-	100,255	-	100,255
DROP benefits	-	586,486	-	-	-	-	586,486
Administrative expenses	-	-	-	-	159,955	-	159,955
Other postemployment benefits	-	-	-	-	9,713	-	9,713
Depreciation	-	-	-	-	4,391	-	4,391
Transfers to another system	16,894	-	-	-	40,399	-	57,293
Actuarial transfer	-	-	-	-	3,108,087	6,451,309	9,559,396
	1,237,981	586,486	-	6,239,822	3,422,800	6,451,309	17,938,398
NET INCREASE (DECREASE)	1,230,411	112,255	678,211	4,072,947	4,184,873	(6,451,309)	3,827,388
BALANCE - ENDING	$ 17,463,971	$ 2,106,311	$ 1,012,867	$ 52,815,413	$ 99,955,928	$ (7,750,941)	$ 165,603,549

2010

ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED) ACTUARIAL LIABILITY	TOTAL
$ 14,900,876	$ 1,616,559	$ 311,308	$ 44,667,598	$ 88,638,848	$ (15,194,906)	$ 134,940,283
-	-	-	-	91,644	-	91,644
14,900,876	1,616,559	311,308	44,667,598	88,730,492	(15,194,906)	135,031,927
2,402,136	-	-	-	-	-	2,402,136
-	-	-	-	8,157,474	-	8,157,474
-	-	23,348	-	21,107,271	-	21,130,619
-	-	-	-	813,721	-	813,721
-	-	-	-	19,596	-	19,596
-	-	-	-	32,084	-	32,084
-	-	-	689,460	-	-	689,460
-	684,125	-	-	-	-	684,125
77,654	-	-	-	75,390	-	153,044
-	-	-	-	12,627	-	12,627
-	-	-	-	161,126	-	161,126
-	-	-	9,220,696	-	13,895,274	23,115,970
2,479,790	684,125	23,348	9,910,156	30,379,289	13,895,274	57,371,982
432,093	-	-	-	-	-	432,093
689,460	-	-	-	-	-	689,460
-	-	-	684,125	-	-	684,125
-	-	-	5,151,163	-	-	5,151,163
-	-	-	-	-	-	-
-	306,628	-	-	-	-	306,628
-	-	-	-	139,210	-	139,210
-	-	-	-	13,542	-	13,542
-	-	-	-	4,512	-	4,512
25,553	-	-	-	65,492	-	91,045
-	-	-	-	23,115,970	-	23,115,970
1,147,106	306,628	-	5,835,288	23,338,726	-	30,627,748
1,332,684	377,497	23,348	4,074,868	7,040,563	13,895,274	26,744,234
$ 16,233,560	$ 1,994,056	$ 334,656	$ 48,742,466	$ 95,771,055	$ (1,299,632)	$ 161,776,161

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2011 AND 2010

	2011	2010
Gwen LeBlanc	$ 375	$ 300
Terrie Rodrigue	375	300
Tim Ware	375	300
Bob Manuel	375	225
Jerry Milner	375	300
TOTAL	$ 1,875	$ 1,425

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 2006 THROUGH 2011

	PLAN A			
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
2006	58,805,700	89.85%	4,154,451	104.60%
2007	41,756,774	144.45%	4,595,741	105.30%
2008	42,094,094	152.22%	5,223,887	107.67%
2009	81,425,829	79.64%	6,055,964	93.18%
2010	74,313,385	115.00%	6,229,353	96.82%
2011	88,140,601	98.69%	5,960,476	104.67%

	PLAN B			
Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
2006	3,328,612	100.99%	579,586	112.16%
2007	3,331,826	113.36%	647,136	105.30%
2008	3,995,797	109.34%	722,107	85.95%
2009	7,472,030	64.75%	886,003	108.42%
2010	7,043,674	115.81%	921,782	90.40%
2011	7,700,404	107.64%	893,947	105.02%

For the years ended 2007 and 2008 for Plan A, the actuarially required contribution differs from the actual contribution made due to the System freezing the rate higher than actuarilly required. For the years ended 2007, 2008 and 2011 for Plan B, the actuarially required contribution differs from the actual contribution made due to the System freezing the rate highter than actuarilly required. For the years ended 2006, 2009, 2010 and 2011 for Plan A, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the effective year. For the years ended 2006, 2009, and 2010 for Plan B, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the effective year.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS PENSION PLAN
DECEMBER 31, 2006 THROUGH 2011

PLAN A

	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]
12/31/06	1,718,754,962	1,808,517,483	89,762,521	95.04%	420,104,038	21.37%
12/31/07	2,027,214,660	2,093,543,018	66,328,358	96.83%	454,741,830	14.59%
12/31/08	1,943,569,363	2,003,951,156	60,381,793	96.99%	511,891,487	11.80%
12/31/09	2,135,230,590	2,188,782,978	53,552,388	97.55%	536,408,372	9.98%
12/31/10	2,259,207,052	2,304,963,509	45,756,457	98.01%	546,737,427	8.37%
12/31/11	2,344,047,017	2,380,950,353	36,903,336	98.45%	552,543,155	6.68%

PLAN B

	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]
12/31/07	$ 141,756,387	$ 144,913,286	$ 3,156,899	97.82%	$ 62,859,807	5.02%
12/31/08	136,139,102	162,127,929	25,988,827	83.97%	74,891,671	34.70%
12/31/09	150,446,497	171,160,473	20,713,976	87.90%	79,373,895	26.10%
12/31/10	163,075,793	186,118,552	23,042,759	87.62%	81,999,193	28.10%
12/31/11	173,354,490	198,962,892	25,608,402	87.13%	84,237,202	30.40%

For Plan B the actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is a different from the actuarial method used for funding purposes. The above schedule of funding progesss is to provide a surrogate for the funding status and funding of the Plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYEMENT BENEFIT OBLIGATIONS
JULY 1, 2008 THROUGH 2010

Actuarial Valuation Date	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]
07/01/08	-	1,167,300	1,167,300	0.00%	469,742	248.50%
07/01/09	-	1,417,300	1,417,300	0.00%	554,048	255.81%
07/01/10	-	801,600	801,600	0.00%	575,445	139.30%

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

CERTIFIED PUBLIC ACCOUNTANTS

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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

June 7, 2012

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

We have audited the statements of plan net assets and the related statements of changes in plan net assets of Parochial Employees' Retirement System, as of and for the year ended December 31, 2011, which collectively comprise Parochial Employees' Retirement System's basic financial statements and have issued our report thereon dated June 7, 2012. 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

Management of Parochial Employees' Retirement System of Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Parochial Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parochial Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Parochial Employees' Retirement System's internal control over financial reporting.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 · (504) 586-8866 · Fax (504) 525-5888
1670 Old Spanish Trail Slidell, LA 70458 · (985) 649-9996 · Fax (985) 649-9940
247 Corporate Drive Houma, LA 70360 · (985) 868-2630 · Fax (985) 872-3833
www.dhhmcpa.com

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, noted as 11-01 and 11-02, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and 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, 2011

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, 2011 was unqualified.

2. Internal Control

Material weaknesses: none noted
Significant deficiency: 11-01 through 11-02

11-01 Annuity Savings

During the audit of the System's annuity savings for Plan A, it was noted that a detail schedule of annuity savings is not being reconciled with the general ledger. The annuity savings detail report generated from the database system should be reconciled with the amounts reported on the general ledger. Not reconciling the detail reporting with the general ledger could result in a misstatement of a participant's account. We recommend that the annuity savings detail report per the database system be reconciled with the annuity savings account balance per the general ledger periodically.

11-02 Investment income

During the audit of the System's investment income it was noted that interest income in the amount of $1,263,621 was incorrectly recorded in the System's general ledger as unrealized gain. Interest income transactions should be reported as investment income on the financial statements. As a result of the mispost, investment appreciation was overstated. Investment income journal entries should be reviewed by management to verify proper recording of transactions.

3. Compliance and Other Matters

Noncompliance material to financial statements: none noted

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF PRIOR YEAR FINDINGS:

10-01 Annuity Savings

During the prior year audit of the System's annuity savings for Plans A and B, it was noted that a detail schedule of annuity savings is not being reconciled with the general ledger. The annuity savings detail report generated from the database system should be reconciled with the amounts reported on the general ledger. Not reconciling the detail reporting with the general ledger could result in a misstatement of a participant's account. We recommended that the annuity savings detail report per the database system be reconciled with the annuity savings account balance per the general ledger periodically. A similar finding for Plan A was made in 2011 as comment 11-01

10-02 Internal Control

During the prior year audit of the System's internal control, it was noted that an employee posts contributions, enters new employees into the database system, changes participant's status and generates refund and transfer checks. Employees, who post contributions, enter new participants, and change a participant's status, should not generate refund or transfer checks. Instituting conflicting duties could result in a misappropriation of assets. We recommended that an employee with access to create or edit participant accounts not have the ability to generate checks. This finding has been resolved.

10-03 Investments

During the prior year audit of the System's investments it was noted that two wire transfers as a result of investment redemptions were incorrectly recorded in the System's general ledger for Plans A and B. It was also noted that the subsequent allocation of investment transactions was incorrectly applied. Wire transfers from investment redemptions should be reported as a reduction to the investment balance and a transfer to/from the respective Plan. The allocation of investment transactions should reflect each Plan's respective percentage of ownership. As a result of the errors noted, Plan B received funds in excess of their ownership percentage. We recommended the investment allocation calculations and journal entries be reviewed by the CIO to verify that each Plan is receiving their correct ownership percentage in both sales proceeds and investment income. This finding has been resolved.