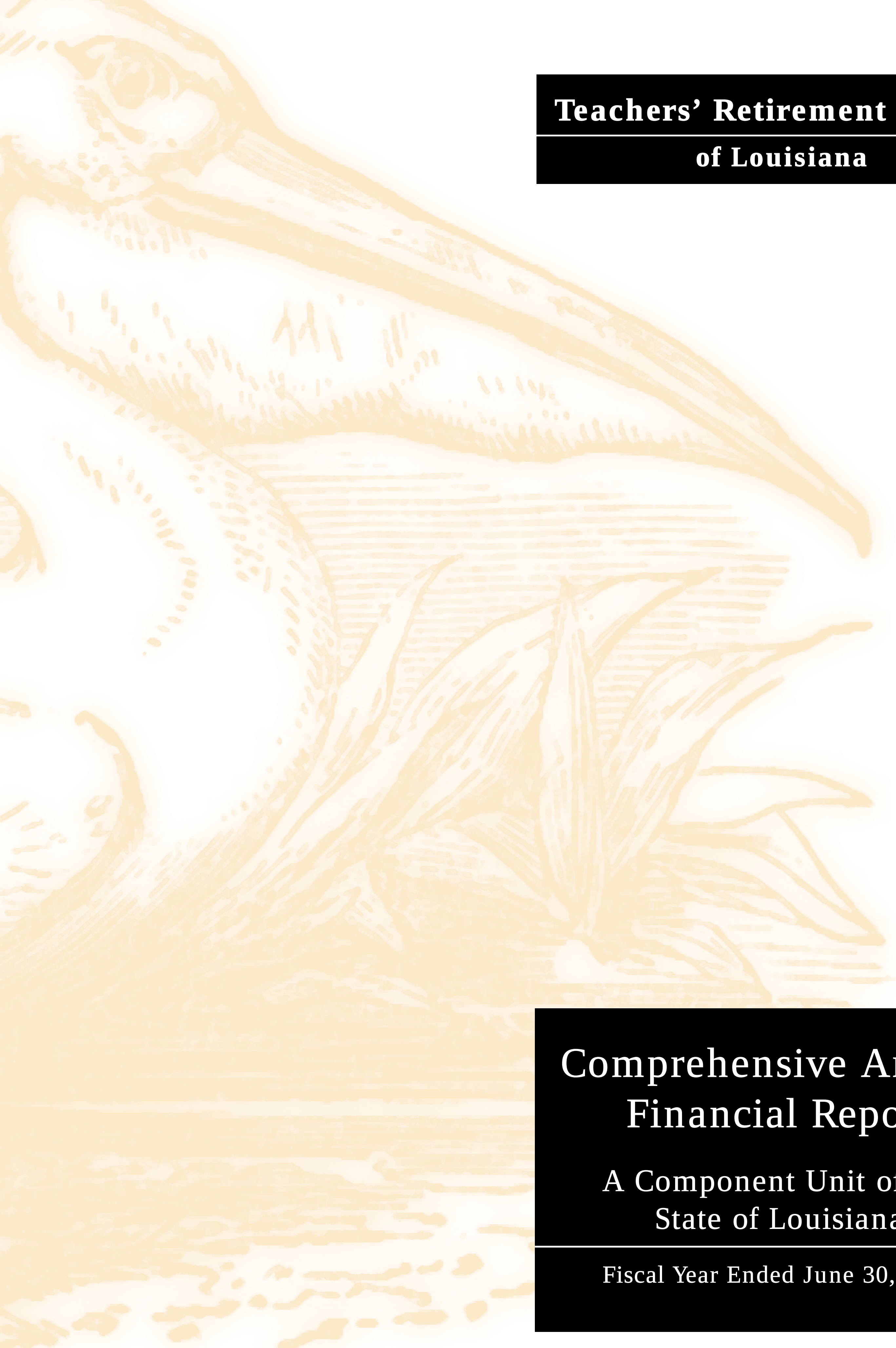

Teachers' Retirement System of Louisiana

Comprehensive Annual Financial Report

A Component Unit of the State of Louisiana

Fiscal Year Ended June 30, 2003

Teachers' Retirement System of Louisiana

Comprehensive Annual Financial Report

A Component Unit of the State of Louisiana
For the Fiscal Year Ended
June 30, 2003

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Prepared by the Accounting and Investment Departments
of the Teachers' Retirement System of Louisiana

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CONTENTS

Introductory Section

Financial Section

Investment Section — (unaudited)

Actuarial Section — (unaudited)

Statistical Section — (unaudited)

Alternative Retirement Plans Section —(unaudited)

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Introductory Section

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BONITA B. BROWN

DIRECTOR

October 1, 2003

Board of Trustees
Teachers' Retirement System of Louisiana
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Dear Board Members:

We are pleased to transmit to you the Comprehensive Annual Financial Report of the Teachers' Retirement System of Louisiana (TRSL) for the fiscal year ended June 30, 2003. Louisiana Revised Statutes 11:832(B) requires that a report be published annually "showing the fiscal transactions of the retirement system for the preceding school year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system."

Responsibility for the accuracy of financial statements and all disclosures rests with management. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

The Comprehensive Annual Financial Report is divided into six sections as explained below:

The **Introductory Section** contains this letter of transmittal; listings of the Board of Trustees, administrative staff, and professional consultants; the System's organizational chart; *the Certificate of Achievement for Excellence in Financial Reporting;* a summary of 2002-2003 legislative acts; and a plan summary covering all the benefit provisions.

The **Financial Section** is comprised of the independent auditor's report, management's discussion and analysis, basic financial statements, the accompanying notes to the financial statements, required supplementary information, and supporting schedules.

The **Investment Section** contains a report on investment activity, the investment policy, a summary of the value of investment assets by type, a list of the largest assets held, investment performance measurements, annual rates of return, a schedule of commissions paid to brokers, and net earnings on investments.

The **Actuarial Section** consists of the actuary's certification letter, a summary of assumptions, actuarial valuation balance sheet, and other pertinent actuarial data.

The **Statistical Section** displays trend information on selected data, various graphs, and a list of employing agencies that remit contributions to the System.

The **Alternative Retirement Plans Section** contains information on TRSL's various retirement structures: the Optional Retirement Plan (ORP), the Deferred Retirement Option Plan (DROP), the Initial Lump-Sum Benefit (ILSB), and the Excess Benefit Plan.

THE ORIGIN AND PURPOSE OF THE SYSTEM

TRSL is a defined benefit pension plan, established by the state legislature on August 1, 1936, to provide retirement and other benefits for Louisiana teachers. All invested funds, cash, and property are held in the name of TRSL for the sole benefit of the membership. A sixteen member Board of Trustees governs TRSL.

FIDUCIARY RESPONSIBILITY

The financial interest of our membership is of paramount importance to the System, and all duties of the Board and management are performed in accordance with their fiduciary responsibilities. There can be no conflict of interest concerning the membership: the highest standards of ethical management must be met; assets must be managed prudently; and the best legal and investment expertise must be employed in deciding on the use of funds.

MAJOR INITIATIVES AND LEGISLATIVE ACTIONS

For the Year:

On July 1, 2002, TRSL paid the fourth cost-of-living-adjustment (COLA) under Act 402 of 1999 to 43,825 benefit recipients. Eligible retirees received a 1.6 percent COLA. The average COLA was approximately $23 per month. However, it is important to note that the effects of the last two years' down markets will not allow us to pay additional COLA's for some years into the future.

The implementation of the Alternative Contribution Plan (ACP established by ACT 1055 of 2001) has been postponed indefinitely. This optional defined benefit/defined contribution plan for new members was found to provide less than adequate benefits for most members who would have been eligible for the ACP.

TRSL implemented the Member Information Center (MIC). MIC staff will be responsible for counseling walk-in members as well as handling incoming telephone calls. Our goal is to meet all of our members' needs with their first request. The new telephone Automated Call Distribution (ACD) system was installed in June 2003. With this new technology we hope to improve our telephone customer service program.

Our web-based inquiry system was rolled out to a select number of employers in May 2003. This new system allows employers to view individual member information online. One of the great enhancements of this new system is the ability of employers to view their current employer account balance online. They now have immediate access to all charges and payments applied to their contribution accounts.

We are very excited about these enhancements and the benefits they will provide to our members and employers.

For the Future:

Act 962 of 2003 established a new method of calculating interest earned on certain DROP accounts. Members who become eligible to participate in DROP on or after January 1, 2004 will have their DROP funds invested in a liquid asset money market account at the end of their DROP participation. Interest earned on their accounts will be 0.25 percent less than the amount earned by the liquid asset money market account. These new interest-bearing accounts will be known as LaDROP. Members currently in DROP, or who are eligible to enter DROP before January 1, 2004, will continue to earn interest at 0.5 percent less than the TRSL actuarial realized rate of return.

Enhancement of our web-based inquiry system is also being undertaken. Our Information Technology staff is working on programs that would allow employers to update and maintain member and employer contribution records online, thereby eliminating paper requests submitted to and processed by TRSL staff.

CASH MANAGEMENT

TRSL's cash management program is designed to achieve the fastest possible utilization of cash receipts in order to enhance the earnings of the System. This program is also designed to control and manage disbursements in a manner that is economically beneficial to the System. Examples include the promotion of wire transfers to accelerate receipt of contributions and daily deposits of individual checks. Disbursement procedures, designed to lengthen float and minimize idle cash, range from overnight investments to zero-balance concentration accounts. Debit programs are in place to retrieve funds transferred to retirees' bank accounts after their deaths. The System utilizes positive pay transactions to help ensure our bank will only pay disbursements/checks authorized by TRSL.

CONTROLS

In accordance with the Board's and management's goals and policies, TRSL maintains a system of internal control to reasonably assure that assets are properly safeguarded, resources are efficiently and economically employed, and financial information is reliable and accurate. To achieve these objectives, TRSL uses advanced computer technology, emphasizes continuing education for its staff, and employs numerous checks and balances within the control environment, including a fully staffed internal audit department. An operating budget for administrative expenses is prepared each year by the staff to address member and employer needs while keeping costs reasonable. The Board of Trustees must review and approve the annual budget and any changes during the year. A financial and compliance audit is performed annually by an independent certified public accounting firm that reviews our financial statements to ensure that they conform to generally accepted accounting principles.

INVESTMENTS

TRSL is the state's largest public retirement system and is responsible for the prudent management of $10.5 billion held in trust for our members' pension benefits. Diversification to reduce risk is evident in the allocation of investment assets. TRSL utilizes a wide range of investments to provide diversification necessary to control risks—domestic and international stocks, bonds, currency futures, real estate funds, private equity partnerships, mezzanine funds, and short-term investments. Diversification is fine-tuned even further by breaking down the previously-mentioned categories by style (growth and value), size of company, industry, type of bond, etc. For fiscal year 2003, our investment policy asset mix provided a 2.7 percent return with 3- and 5- year averages of (3.1) percent and 2.6 percent, respectively. A more detailed display of investment performance can be found on page 75. The investment policy of the System can be found on pages 59 through 65.

FUNDING

The actuary determines the annual funding requirements needed to meet current and future benefit obligations. Actuarial contributions are based from normal cost and amortization of the unfunded accrued liability. Employers are required to pay the percentage of total payroll equal to the normal cost plus an amount sufficient to amortize the unfunded liability by the year 2029. The required contribution is converted to a percentage of total payroll.

The employer contribution rate established by the Public Retirement Systems' Actuarial Committee was 13.1 percent for 2002-2003, and will be 13.8 percent for 2003-2004.

At June 30, 2003, the last valuation date, the System was 68.9 percent funded, compared to 73.9 percent funded at June 30, 2002. The amount by which TRSL actuarial accrued liabilities exceeded the actuarial assets was $5.3 billion, an increase of $900 million over last fiscal year. This is mainly due to poor investment returns.

TRSL's negative experience account balance also poses a serious funding issue because of statutory requirements. The negative experience account balance of $1,088,630,751 is not included in the funded percentages listed on page 46 in the Schedule of Funding Progress. Sound actuarial funding standards, without regard to statutory requirements, would require the balance to be set at zero for funding progress. If the experience account were set to zero, TRSL's funded ratio would be 62.5 percent as of June 30, 2003, compared to 70.3 percent as of June 30, 2002. TRSL plans to encourage legislative efforts to correct this situation so that TRSL will be adequately funded and also to provide funding for future COLA's.

SERVICE EFFORTS AND ACCOMPLISHMENTS

We strive to provide high quality service to our membership. Every department at the Teachers' Retirement System of Louisiana is expected to work together to attain the level of service that the membership has come to expect. The following achievements briefly highlight the contributions made by various departments:

- ☞ Through our Information Technology Department, we installed an online member inquiry system for TRSL staff and employers. This system includes online accounts receivable and employer billing reports. The Department also converted several other batch processes from a third-generation COBOL programming language to a fourth-generation client server language. The IT Department continues to add imaging workflow modules, including the automation of the Option 1 death payments procedure. The IT technical support staff provided upgrades and new modules to the human resource personnel and payroll systems.
- ☞ Internal audits were completed on private equity partnerships, purchasing, retirement payroll, and administrative services. Field audits were performed on several reporting employers to ensure the accuracy of members' retirement benefit information.
- ☞ We created 2,895 new retiree files, 1,480 new DROP/ILSB participant accounts, and processed over 1,228 cost calculations for members. The Member Information Center (MIC) handled an average of 1,927 phone calls and 293 walk-ins per month. The Imaging Section of the Retirement Department scanned over 243,416 documents and almost 31,865 member files.
- ☞ More than 617,437 benefit payments totaling over one billion dollars were made, including retiree benefit payments, DROP payments, and refunds of contributions. Our accounting staff posted over 87,000 updates to member records in their efforts to ensure benefit accuracy.
- ☞ One hundred and seventeen (117) workshops were conducted with approximately 5,329 members attending. In addition, more than 352 members attended seventeen (17) individual counseling sessions held throughout the state.
- ☞ With the expectation of our members being extremely high, all departments work diligently to provide new and improved services and benefits.

INDEPENDENT AUDIT

A financial and compliance audit is performed each year by an independent certified public accounting firm. The current auditor is Hawthorn, Waymouth & Carroll, L.L.P., located in Baton Rouge, Louisiana. The audit of the financial statements is performed in accordance with generally accepted auditing standards and Government Auditing Standards as issued by the Comptroller General of the United States.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the Teachers' Retirement System of Louisiana for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the twelfth consecutive year the System achieved this prestigious award. In order to be awarded a *Certificate of Achievement*, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report that follows both generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of only one year. We believe this current comprehensive annual financial report continues to meet the *Certificate of Achievement* program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

This past year, TRSL again received civic awards for contributions made by our staff to the community. As a result of our donation of nearly $9,500 to the 2003 WalkAmerica Campaign, the TRSL staff was recognized by the March of Dimes for making the largest donation per employee, and for donating the second largest total amount among all state agencies who participated.

ACKNOWLEDGMENTS

It is with great pride that we acknowledge and thank the staff for their dedication to the TRSL membership. We also thank the Board of Trustees who have courageously guided our efforts and provided the resources to do our jobs effectively.

Sincerely,

Bonita B. Brown

Bonita B. Brown
Director

Dana L. Vicknair

Dana L. Vicknair
Chief Financial Officer

Board of Trustees

Pictured left to right are: **Syble T. Jones,** School Food Service, term expires 12/31/05; **Jerry J. Baudin,** Ph.D., Colleges & Universities, term expires 12/31/06; **Eula M. Beckwith,** District 2, term expires 12/31/03; **William C. "Bill" Baker,** Ed.D., Retirees, term expires 12/31/06; **Sally F. Cox,** District 4, term expires 12/31/03; **Lawrence J. Moody, Jr.,** District 1, term expires 12/31/06; **Joyce P. Haynes,** District 6, term expires 12/31/04; **Cecil J. Picard,** State Superintendent of Education, ex officio; **Sheryl R. Abshire,** District 7, term expires 12/31/06; **Charles P. Bujol,** Superintendents, term expires 12/31/06; **Sheryl B. Sherlock,** District 5, term expires 12/31/04; **Clyde F. Hamner,** District 3, term expires 12/31/04; and **Anne H. Baker,** Retirees, term expires 12/31/05. Absent from the photo are ex officio trustees Senator **Lambert Boissiere, Jr.;** State Treasurer **John N. Kennedy;** and Representative **Pete Schneider, III.**

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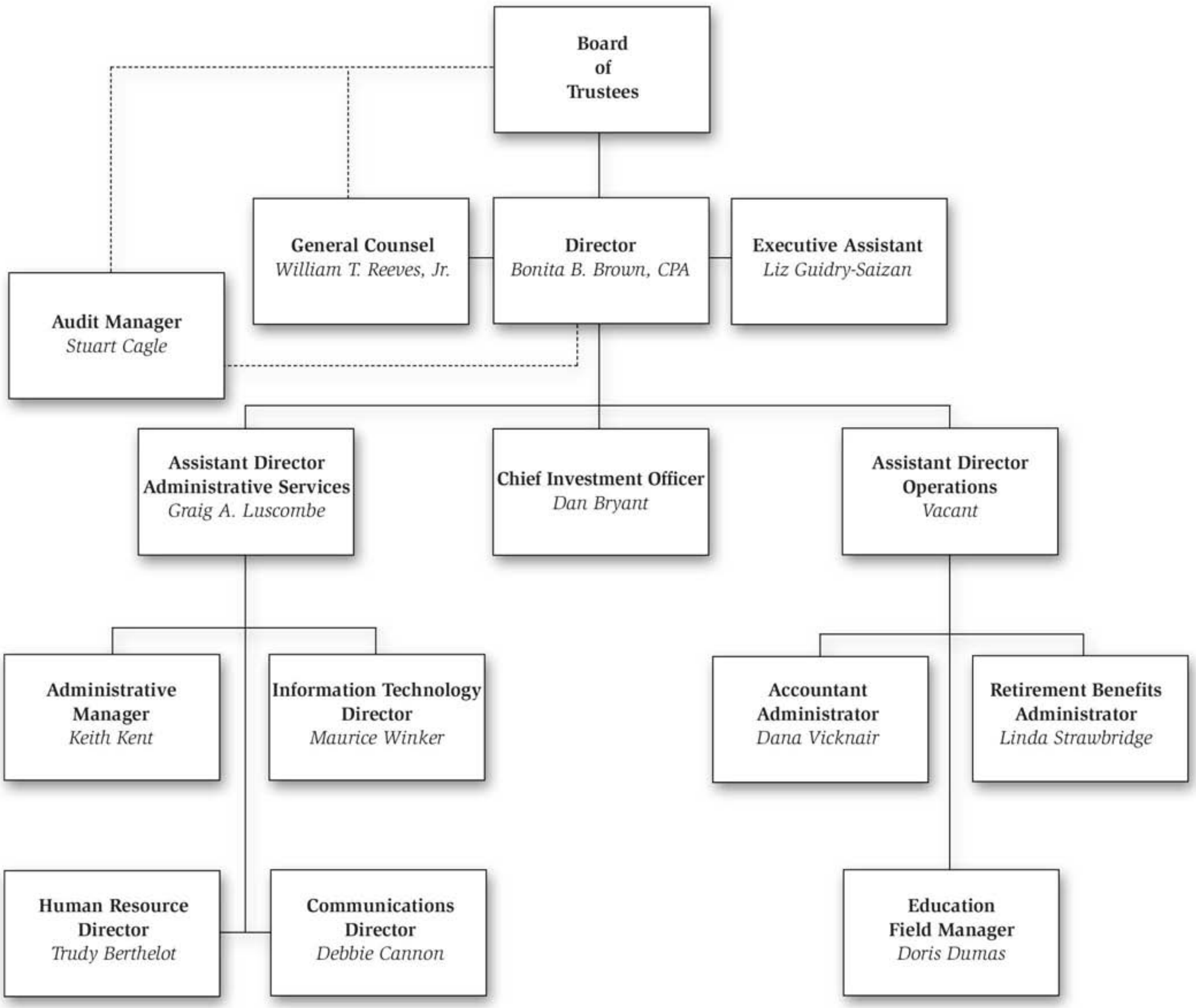
ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

President

Executive Director

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Summary of 2002-2003 Legislative Acts

The following is a brief synopsis of 2002-2003 legislative action which affects members of Teachers' Retirement System of Louisiana.

A. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA - TITLE 11

1. **Act 559 of 2003 [Amends and reenacts R.S. 11:721.1(B) and enacts R.S. 11:701(33)(a)(xi)]**

   This Act provides for membership in TRSL for the staff of the Louisiana Resource Center for Educators.

   (Effective July 27, 2003)

2. **Act 605 of 2003 [Amends and reenacts R.S. 11:710(B)]**

   This Act exempts a part-time rehired retiree currently working at the Louisiana High School Athletic Association from the return-to-work provisions.

   (Effective July 27, 2003)

3. **Act 1117 of 2003 [Amends and reenacts R.S. 11:723.1(B)]**

   This Act allows for the purchase of service credit on an actuarial basis for certain contract service by 12/31/2005.

   (Effective July 2, 2003)

4. **Act 193 of 2003 [Amends and reenacts R.S. 11:783(A)(3)(a) and repeals R.S. 11:783(A)(3)(f)]**

   This Act makes retirement eligibility for Initial Lump-Sum Benefit (ILSB) option as for DROP.

   (Effective July 1, 2003)

5. **Act 1999 of 2003 [Amends and reenacts R.S. 11:728(A)(4)]**

   This Act allows rollovers from 403(b) and 457 plans to purchase service credit and specifies that these rollovers no longer be allowed after 12/31/2010 in accordance with federal tax laws.

   (Effectively July 1, 2003)

6. **Act 218 of 2003 [Amends and reenacts R.S.11:892]**

   This Act clarifies that no further employee contributions are required once a member has reached 100% accrual.

   (Effective July 1, 2003)

7. **Act 536 of 2003 [Amends and reenacts 11:701(28), 723(A)(1), 728(A)(introductory paragraph) and (B)(1)(a)(ii), and 783(D)(1)(a)]**

   This Act clarifies that retirement benefits are paid in advance; extends period of time for notification of retaining membership to 60 days after the date of employment; and clarifies that applications for purchase of service credit must be received and finalized before the date of retirement or beginning DROP.

   (Effective July 1, 2003)

8. **Act 688 of 2003 [Amends and reenacts R.S. 11:822(E)]**

   This Act changes the TRSL Board of Trustees election-voting period from 45 to 30 days.

   (See Act 820)

   (Effective July 1, 2003)

9. **Act 689 of 2003[Amends and reenacts R.S. 11:779(B)]**

   This Act adds benefits for certain minor children of deceased disability retirees.

   (Effective July 1, 2003)

10. **Act 820 of 2003 [Amends and reenacts R.S. 11:822(E)]**

    This Act changes the TRSL Board of Trustees election voting period from 45 to 30 days. (See Act 688)

    (Effective July 1, 2003)

B. 2003 LEGISLATION AFFECTING STATE AND STATEWIDE PUBLIC RETIREMENT SYSTEMS OR MORE THAN ONE RETIREMENT SYSTEM– TITLES 11 and 17

1. **Act 640 of 2003 [Amends and reenacts R.S. 11:162(C)]**

   This Act requires TRSL membership for part-time classroom teachers with at least five years of TRSL service credit.

   (Effective July 1, 2003)

2. **Act 788 of 2003 [Enacts R.S. 11:263(F), 266.1, and 268]**

   This Act requires TRSL and all other state retirement systems to direct 10% of all bond and stock trades to Louisiana incorporated brokers and another 10% to Louisiana domiciled brokers. It also requires TRSL to develop a policy regarding investments in venture capital, emerging businesses, and Louisiana-based money management firms.

(Effective July 1, 2003)

3. **Act 953 of 2003 [Amends and reenacts R.S. 11:124 and 181 to enact R.S. 11:183 through 185 and 553(18)]**

   This Act requires board members to complete certain education requirements each calendar year and specifies that they will be treated as public employees for purposes of the Louisiana Code of Ethics.

   (Effective July 1, 2003)

4. **Act 962 of 2003 [Amends and reenacts R.S. 11:449(C), 788(C), 1152(F)(3), 1312(H), 1456(F)(1), 1530(F), 1763(F)(2), 1938(F)(2), 2178.1(C)(9)(a), 221(F)(2), and 2257(F)(2) and repeals R.S. 11:2221(G) and 2257(G)]**

   This Act requires DROP account funds for members who become eligible to participate in DROP on or after January 1, 2004, be invested in liquid asset money market accounts at the end of DROP participation.

   (Effective January 1, 2004)

5. **Act 967 of 2003 [Amends and reenacts R.S. 11:201 through 309]**

   This Act reestablishes the Commission on Public Retirement.

   (Effective July 1, 2003)

6. **Act 1177 of 2003 [Repeals Act 293 of the 1976 Regular Session]**

   This Act specifies that TRSL and the Louisiana State Employees Retirement System (LASERS) are joint owners of the Louisiana Retirement Systems Building and surrounding property.

   (Effective July 1, 2003)

Plan Summary

Teachers' Retirement System of Louisiana (the "System") was established August 1, 1936, to provide members with a retirement allowance. On July 1, 1971, the Orleans Teachers' Retirement Fund merged with the Teachers' Retirement System of Louisiana. On January 1, 1979, members of the Louisiana State University Retirement System were transferred to either the Teachers' Retirement System of Louisiana or the Louisiana State Employees' Retirement System. On July 1, 1983, the Louisiana School Lunch Employees' Retirement System was merged with this System. The Louisiana School Lunch Employees' Retirement System contained two plans: Plan A - for members who are employed by the school system and who are not covered by the Social Security system; and Plan B - for members who are employed by the school system and who are covered by the Social Security system.

BENEFIT PROVISIONS

A. ELIGIBILITY REQUIREMENTS

The System provides retirement benefits as well as disability and survivor benefits. Five years of service credit is required to become vested for retirement, disability and survivor benefits.

Those employees who meet the legal definition of a "teacher" are eligible for membership. Louisiana Revised Statutes 11:701(33)(a) states:

> "... any employee of a city or parish school board, parish or city superintendent, or assistant superintendent of public schools, president, vice president, dean, teacher, guidance counselor, or an unclassified employee at any state college or university or any vocational-technical school or institution or special school under the control of the State Board of Elementary and Secondary Education, or any educational institution supported by and under the control of the state or any parish school board, full-time unclassified employees of boards created by Article VIII of the Constitution of Louisiana who became employed on or after July 1, 1991, provided that such persons employed on and after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State Employees' Retirement System, the president and staff of the Louisiana Federation of Teachers who were members of the Teachers' Retirement System prior to such employment, the president or secretary and staff of the Louisiana Association of Educators, employees of the Teachers' Retirement System of Louisiana, provided that persons employed by the Teachers' Retirement System on and after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State Employees' Retirement System, the director and staff of the Associated Professional Educators of Louisiana, and the secretary and staff of the Louisiana High School Athletic Association. For purposes hereof, staff personnel involved in the administration of a health and welfare program for the benefit of employees of a school board, which program is coordinated by the school board and a teacher association, and which staff personnel are so designated by the school board, shall be considered to be employees of the school board provided that such employees were previously members of this system. In all cases of doubt, the board of trustees shall determine whether any person is a teacher within the scope of the definition herein set forth."

B. RETIREMENT BENEFITS

A member who retires at or after a certain minimum age and years of service is entitled to a monthly retirement benefit payable for life or the joint lives of the member and beneficiary. The benefit formula to calculate the benefit is based on a percentage of the member's average salary for the thirty-six highest successive months.

TEACHERS' REGULAR PLAN

Service retirements are granted when the following eligibility requirements are met:

For persons who became members prior to July 1, 1999

Years Service	Minimum Age	Formula Percentage
5	60	2.0%
20	Any Age	2.0%
25	55	2.5%
30	Any Age	2.5%
20	65	2.5%

For persons who become members on or after July 1, 1999

Years Service	Minimum Age	Formula Percentage
5	60	2.5%
20	Any Age	2.5% Actuarially reduced
25	55	2.5%
30	Any Age	2.5%

TEACHERS' PLAN A

Years Service	Minimum Age	Formula Percentage
5	60	3%
25	55	3%
30	Any Age	3%

Members of Plan A, who did not contribute to retirement until their employing agencies withdrew from Social Security coverage, will receive one percent for those years plus $24 per year for each year that retirement was not paid and three percent for each year after employing agencies withdrew from Social Security coverage and retirement contributions were paid on the member's salary.

TEACHERS' PLAN B

Years Service	Minimum Age	Formula Percentage
5	60	2%
30	55	2%

C. DEFERRED RETIREMENT

Any member with service credit of five or more years may cease covered employment, leave the accumulated contributions in the System and, upon reaching age sixty, receive a retirement allowance based on the credit he had at the time he ceased covered employment.

D. DISABILITY BENEFITS

A member is eligible for disability retirement after five years of creditable service and certification of disability by the State Medical Disability Board.

TEACHERS' REGULAR PLAN

(1) A member shall receive a retirement allowance upon retirement for disability. A factor of two and one-half percent shall be used in the computation of the disability benefit. The maximum disability benefit cannot exceed fifty percent of the average final compensation. However, the minimum disability benefit cannot be less than forty percent of the state minimum teaching salary or seventy-five percent of compensation, whichever is less.

(2) No unused accumulated sick or annual leave shall be used in the computation of disability allowance unless the member was eligible to receive a service retirement allowance at the time of disability retirement.

In addition to the benefits provided under Subsection A of this Section, if a disability retiree has a dependent minor child, he shall be paid an added benefit equal to fifty percent of his disability benefit for so long as he has a dependent minor child, and provided that the total benefit payable, including the minor child benefit, does not exceed seventy-five percent of average final compensation.

TEACHERS' PLAN A

The eligibility requirements and provisions previously stated regarding disability benefits for Teachers' Regular Plan members also apply to Teachers' Plan A members except for percentages used in the formula to calculate the benefit. A member of Plan A receives one percent in the formula for the service credit received for years when he paid Social Security only. He receives three percent for each of the other years of service credit.

TEACHERS' PLAN B

A normal retirement allowance is granted, if eligible, otherwise the formula is two percent of average final compensation times years of creditable service, provided that amount is not less than thirty percent nor more than seventy-five percent of average final compensation, in the event no optional selection is made by the member.

E. SURVIVOR BENEFIT

Survivor benefits are provided under all three plans for the deceased member's spouse and minor children when certain requirements such as years of service, marital status, etc., are met. If a member dies, even after retirement, eligible minor children shall receive benefits.

TAX SHELTERING OF CONTRIBUTIONS

On July 1, 1988, Teachers' Retirement System of Louisiana implemented a tax sheltering plan whereby the employers picked up members' contributions by designating such contributions as employer contributions. These contributions are excluded from the gross income of the members until the time of refund, death, or retirement. The tax sheltered plan complies with requirements of Section 414(h) of the Internal Revenue Code.

OPTIONAL RETIREMENT PLAN

In 1989, the Louisiana Legislature established an Optional Retirement Plan for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana.

The Optional Retirement Plan is a defined contribution plan that provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the Optional Retirement Plan rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement.

Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan by March 1, 1990, and the public institutions of higher education to implement the Optional Retirement Plan on July 1, 1990.

In accordance with the statutes, the Board of Trustees selects up to three carriers with whom the participants may invest their contributions. The three companies selected are Aetna Life Insurance and Annuity Company, Teachers Insurance and Annuity Association-College Retirement Equities Fund, and The Variable Annuity Life Insurance Company.

DEFERRED RETIREMENT OPTION PLAN

On July 1, 1992, the Deferred Retirement Option Plan became effective. This plan, which is described on page 107 of this report, is another alternative plan of retirement. Withdrawals from the plan are subject to certain provisions of the Internal Revenue Code. Distributions from the plan are taxable to the recipient when received. No distributions can be made until the member terminates employment.

INITIAL LUMP SUM BENEFIT (ILSB)

The ILSB program became effective January 1, 1996. Under this program, a retiring member who had not participated in the Deferred Retirement Option Plan could select an ILSB alternative. This alternative provides the retiree with a one-time payment of up to thirty-six months of a regular maximum monthly retirement benefit in addition to a reduced regular monthly retirement benefit payable for life.

EXCESS BENEFIT PLAN

On January 1, 2000, Teachers' Retirement System of Louisiana established an Excess Benefit Plan. This plan is an unfunded, non-qualified plan intended to be a qualified excess benefit arrangement. It is designed to pay excess benefits to those members who retired July 1, 1988 or later. The excess benefit is the portion of their TRSL benefit that exceeds the maximum benefit allowed under Section 415 of the Internal Revenue Code.

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Financial Section

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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August 29, 2003

Independent Auditor's Report

Members of the Board of Trustees
Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of plan net assets of the

Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

a component unit of the State of Louisiana, as of June 30, 2003 and June 30, 2002, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Teachers' Retirement System of Louisiana'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 the Teachers' Retirement System of Louisiana as of June 30, 2003 and 2002, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B to the financial statements, the Teachers' Retirement System of Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2003, on our consideration of the Teachers' Retirement System of Louisiana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information as listed in the Table of Contents are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial information listed in the Table of Contents as Supporting Schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Teachers' Retirements System of Louisiana. Such additional information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Yours truly,

Hawthorn, Waymouth, & Carroll L.L.P.

Management's Discussion and Analysis

The following is management's discussion and analysis of TRSL's financial performance. This narrative overview and analysis helps to interpret the key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The net assets held in trust decreased by $108 million, or 1 percent.
- The rate of return on the market value of the System's investments was a positive 2.7 percent in 2003 as compared to a negative 7.6 percent in 2002.
- The System's funded ratio decreased from 73.9 percent at June 30, 2002 to 68.9 percent as of June 30, 2003.
- The unfunded actuarial accrued liability increased from $4.2 billion in 2002 to $5.3 billion in 2003.
- Total benefit payments increased from $920.6 million in 2002 to $1.0 billion in 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The System's basic financial statements include the following: (1) statements of plan net assets, (2) statements of changes in plan net assets and (3) notes to the financial statements. This report also contains required supplemental information in addition to the basic financial statements.

The statements of plan net assets reports the pension funds assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2003, and June 30, 2002.

The statements of changes in plan net assets reports the results of the pension funds 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.

The notes to the financial statements provide additional information and insight that is essential to gaining a full understanding of the data provided in the statements.

- Note A provides a general description of TRSL, information regarding employer and membership participation, and descriptions of the various plans offered.
- Note B provides a summary of significant accounting policies and plan asset matters; including the basis of accounting; methods used to value investments, estimates, property and equipment; and budgetary accounting methods and reclassifications.
- Note C provides information regarding member and employer contribution requirements.
- Note D describes the System's investments and includes information regarding bank balances, security collateralization, and investment credit risk.
- Note E provides information regarding securities lending transactions.
- Note F describes the various types of derivative investments in which the System may invest.
- Note G provides information regarding any potential contingencies of TRSL.
- Note H introduces the required supplementary information.

Required supplementary information consists of two schedules and related notes concerning the funded status of the System.

Supporting schedules include information on budgetary expenses, administrative expenses, investment expenses, Board compensation, building maintenance expenses, and payments to non-investment related consultants.

TRSL FINANCIAL ANALYSIS

TRSL provides retirement benefits to all eligible teachers, administrative support staff and school food service personnel. Employee contributions, employer contributions, and earnings on investments fund these benefits. Total net assets held in trust to pay pension benefits at June 30, 2003, is $10.5 billion, which is a 1 percent decrease from the $10.6 billion held in trust at June 30, 2002.

	2003	2002	Increase (Decrease) Percentage
Cash	$ 7,808,257	$ 38,505,718	(80%)
Receivables	307,062,509	304,071,355	1%
Investments (Fair Value)	10,376,121,923	10,509,900,097	(1%)
Invested Securities Lending Collateral	3,536,684,192	3,127,751,681	13%
Capital Assets	4,999,004	5,118,502	(2%)
Total Assets	14,232,675,885	13,985,347,353	2%
Accounts Payable and Other Liabilities	175,314,083	229,101,621	(23%)
Securities Lending Collateral	3,536,684,192	3,127,751,681	13%
Total Liabilities	3,711,998,275	3,356,853,302	11%
Net Assets Held in Trust	$10,520,677,610	$10,628,494,051	(1%)

Additions to Plan Net Assets

Additions to TRSL's plan net assets were derived from member and employer contributions and investment income. Member contributions increased $5,177,864 (2 percent) while employer contributions increased $21,359,965 (5 percent). Since the employee contribution rate is established by law, the slight increase in member contributions is attributable to normal salary increases received by active members and the purchase of permissible service credit by active members due to the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001. The System's actuary and the Public Retirement Systems' Actuarial Committee (PERSAC) adjust employer contributions annually. The employer rate remained at 13.1 percent for 2003; therefore, the increase in employer contributions is attributable to the normal salary increases received by active members, and the addition of employer contributions that now must be remitted for retirees who return to work. The System also experienced a net investment gain of $221,365,576 as compared to a net investment loss of $948,670,459 in 2002. This is directly related to the rebound the financial markets have taken during the past fiscal year.

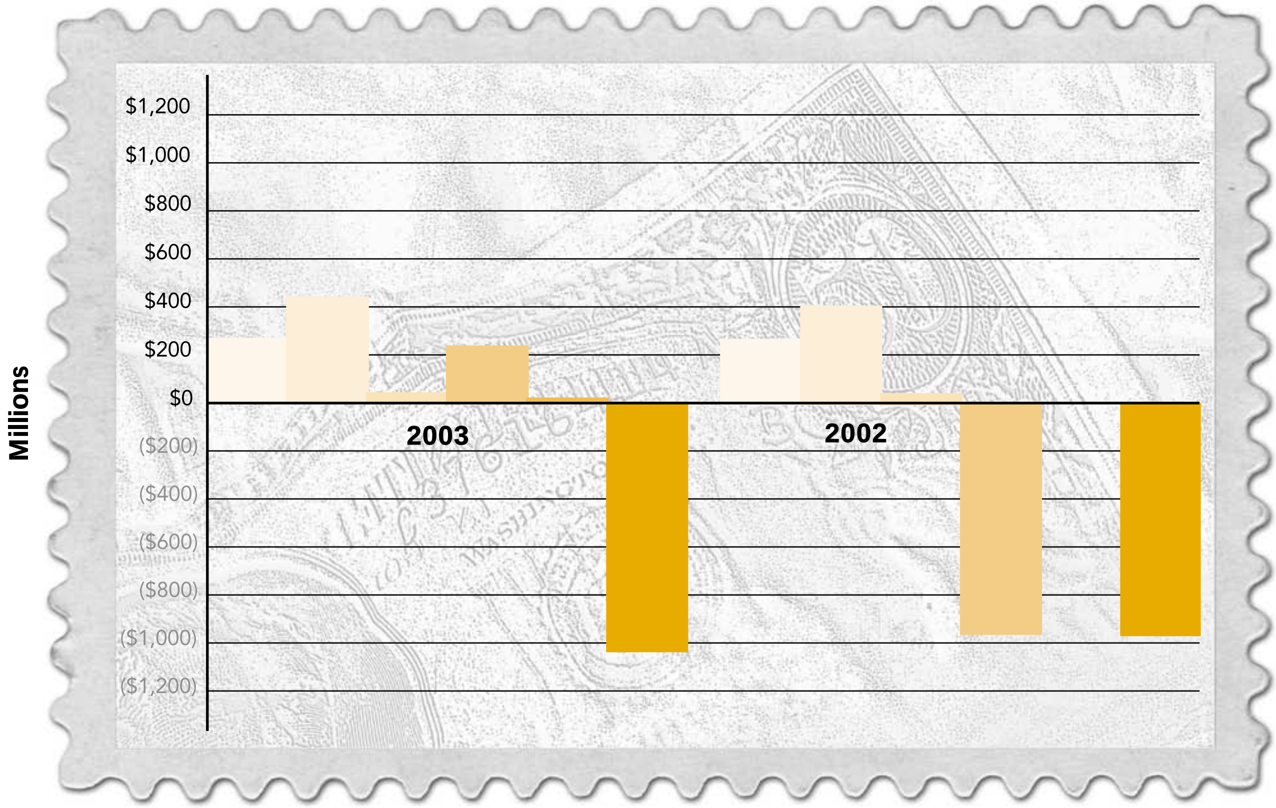
	2003	2002	Increase (Decrease) Percentage
Member Contributions	$251,297,401	$246,119,537	2%
Employer Contributions	421,838,213	400,478,248	5%
ORP Contributions Retained	29,499,096	27,196,232	8%
Net Investment Income (Loss)	221,365,576	(948,670,459)	n/a
Other Operating Revenues	4,976,629	1,787,499	178%
Total Additions	$928,976,915	$(273,088,943)	n/a

Deductions from Plan Net Assets

Deductions from plan net assets totaled $1,036,793,356 in fiscal year 2003, an increase of $83,405,754 over fiscal year 2002. For 2003, the major increase was attributable to the increase in benefit payments. Approximately 2,000 retirees were added to the payroll records. Not only did regular benefit payments increase, but DROP benefit payments also increased. A 1.6 percent cost-of-living adjustment was granted to all eligible benefit recipients. A state law enacted in 1999 allows the Retirement System to grant a cost-of-living adjustment equal to the CPI-U percentage increase from the preceding year not to exceed 2 percent. The CPI-U increase for 2002 was 1.6 percent. To have been eligible for the cost of living increase a retiree must have been at least age 55 by July 1, 2002 and have been receiving a benefit for at least one year at July 1, 2002. Administrative expenses increased 20 percent in 2003 as compared to 2002. The majority of the increase is attributable to the one-year contract with a firm to provide education to new members regarding a new Alternative Contribution Plan (ACP), which has been postponed indefinitely as it was found to provide less than adequate benefits for most members who would have been eligible to enter it. Salaries also played a part in the increase. Not only did we increase staff from 145 positions to 155 positions, the Department of Civil Service adjusted the pay levels for all Retirement Benefit Analyst, Supervisors, and Administrators by one or two levels which resulted in a 7 percent or 10.5 percent increase in pay for approximately 36 employees.

	2003	2002	Increase (Decrease) Percentage
Retirement Benefits	$1,003,327,453	$920,593,341	9%
Refunds of Contributions	22,287,120	23,432,296	(5%)
Administrative Expenses	10,688,003	8,886,231	20%
Other Operating Expenses	490,780	475,734	3%
Total Deductions	$1,036,793,356	$953,387,602	9%

Changes in Plan Net Assets



Member Contributions

Employer Contributions

ORP Contributions Retained

Net Investment Income (Loss)

Other Operating Revenues

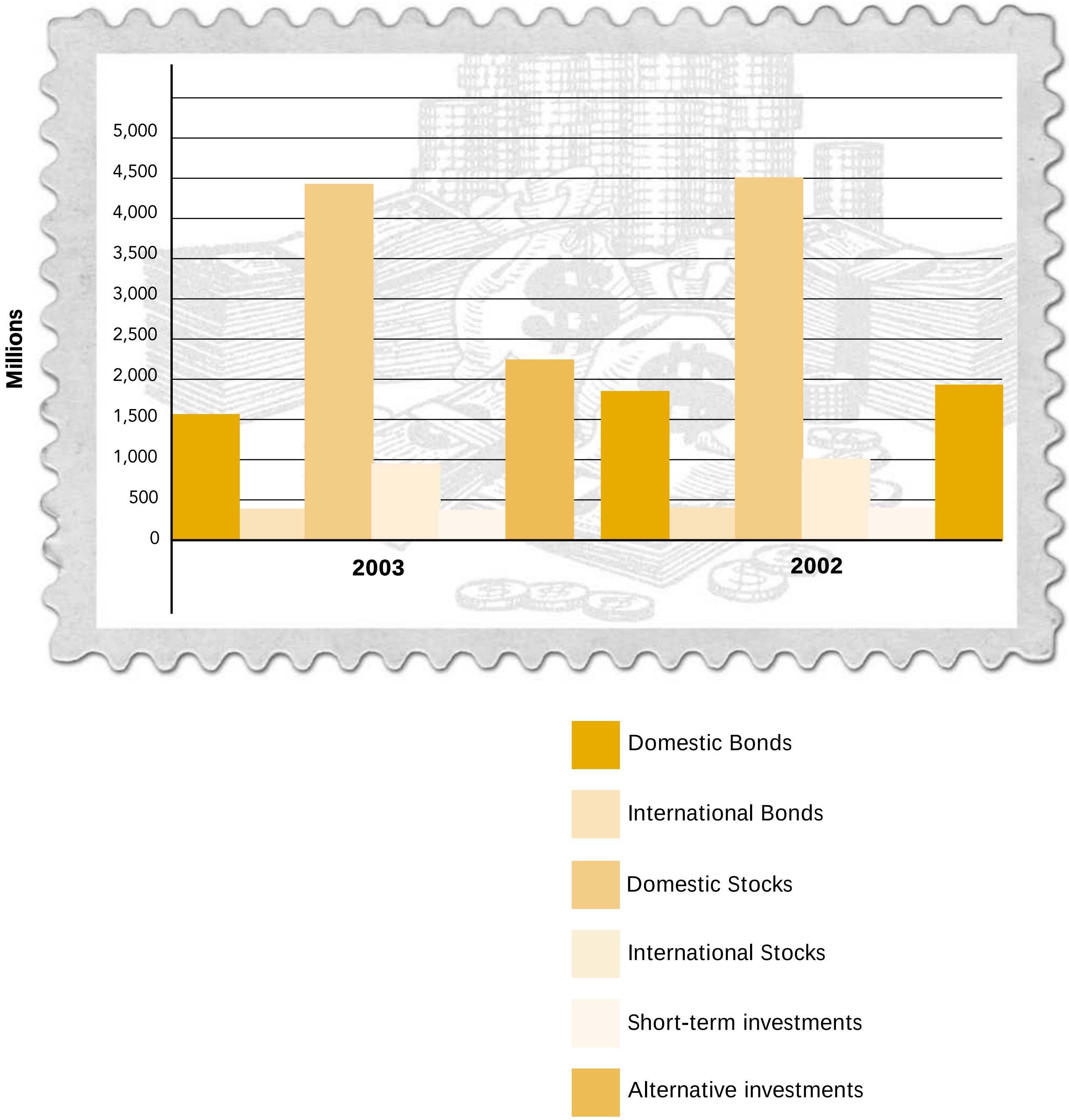
Benefit and Other Expenses

Investments

As the state's largest public retirement system, TRSL is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2003, amounted to $10.4 billion, compared to $10.5 billion at June 30, 2002, which is a decrease of $100 million or 1 percent. While the overall market value of the investment assets decreased mainly because of larger benefit payments, the System experienced a net gain on investments. Our market rate of return was a positive 2.7 percent, while the overall market, as measured by the Standard & Poor's 500 (S&P 500) index, had a 0.3 percent gain for the same time period.

	Fair Value		Increase (Decrease)	Increase (Decrease)
	2003	2002	Amount	Percentage
Domestic Bonds	$ 1,704,534,901	$ 1,902,126,260	$(197,591,359)	(10%)
International Bonds	416,432,668	472,011,350	(55,578,682)	(12%)
Domestic Stocks	4,468,939,880	4,586,782,472	(117,842,592)	(3%)
International Stocks	1,033,655,198	1,075,238,305	(41,583,107)	(4%)
Short –Term Investments	434,080,034	470,234,146	(36,154,112)	(8%)
Alternative Investments	2,318,479,242	2,003,507,564	314,971,678	16%
Total Investments	$10,376,121,923	$10,509,900,097	$(133,778,174)	(1%)

Investments at Market Value



FUNDED STATUS

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio decreased from 73.9 percent at June 30, 2002, to 68.9 percent as of June 30, 2003. The amount by which TRSL actuarial liabilities exceeded the actuarial assets was $5.3 billion at June 30, 2003, compared to $4.2 billion at June 30, 2002, thereby increasing the System's unfunded accrued liability by $900 million. For the year ending June 30, 2003, the net realized actuarial rate of return was a negative 5.55 percent, which is less than the System's assumed actuarial rate of return of 8.25 percent. The result is a net investment experience loss. The aging of the membership and the inability of the state to attract and retain graduates to the teaching profession have also contributed to the System incurring a plan experience loss.

TRSL's Experience Account poses some serious issues. This account was statutorily established to accumulate 50 percent of the excess investment gains (or loss) relative to the actuarial valuation rate of 8.25 percent. The purpose of this account is to fund cost-of-living adjustments (COLA's) for retirees. A benefit increase can only be granted when the experience account has a balance large enough to fund the COLA at 100 percent of actuarial cost. Currently, the experience account has a negative balance of $1,088,630,751. The negative experience account balance prohibits TRSL from granting benefit increases. It also presents some serious funding issues. Sound actuarial funding standards, without regard to statutory requirements, would require the balance to be set at zero for funding progress. If the experience account were set to zero, TRSL's funded ratio would be 62.5 percent as of June 30, 2003, compared to 72.5 percent as of June 30, 2002.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to Dana Vicknair, Chief Financial Officer, Teachers' Retirement System of Louisiana, P.O. Box 94123, Baton Rouge, Louisiana 70804-9123.

Statements of Plan Net Assets as of June 30, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	$ 7,808,257	$ 38,505,718
Receivables		
Member contributions	47,231,216	52,108,891
Employer contributions	57,746,203	54,589,415
ORP contributions retained	2,040,857	1,773,663
Pending trades	157,176,524	147,253,370
Accrued interest and dividends	41,423,260	47,177,102
Other receivables	1,444,449	1,168,914
Total receivables	307,062,509	304,071,355
Investments, at fair value		
Domestic bonds	1,704,534,901	1,902,126,260
International bonds	416,432,668	472,011,350
Domestic common and preferred stocks	4,468,939,880	4,586,782,472
International common and preferred stocks	1,033,655,198	1,075,238,305
Domestic short-term investments	434,080,034	470,234,146
Alternative investments	2,318,479,242	2,003,507,564
Total investments	10,376,121,923	10,509,900,097
Invested Securities Lending Collateral		
Collateral held under domestic securities lending program	3,064,894,429	2,938,825,140
Collateral held under international securities lending program	471,789,763	188,926,541
Total invested securities lending collateral	3,536,684,192	3,127,751,681
Building, at cost, net of accumulated depreciation of $1,891,276 and $1,762,733, respectively	3,240,290	3,291,565
Equipment, furniture and fixtures, at cost, net of accumulated depreciation of $2,123,097 and $1,890,456, respectively	900,324	937,121
Land	858,390	889,816
Total assets	14,232,675,885	13,985,347,353
Liabilities		
Accounts payable	6,214,751	7,089,866
Benefits payable	3,067,010	2,067,335
Refunds payable	4,730,334	4,191,545
Pending trades payable	160,488,115	214,835,778
Other liabilities	813,873	917,097
Total accounts payable and other liabilities	175,314,083	229,101,621
Securities Lending Collateral		
Obligations under domestic securities lending program	3,064,894,429	2,938,825,140
Obligations under international securities lending program	471,789,763	188,926,541
Total securities lending collateral	3,536,684,192	3,127,751,681
Total liabilities	3,711,998,275	3,356,853,302
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 46.)	$10,520,677,610	$10,628,494,051

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2003 and 2002

	2003	2002
Additions		
Contributions		
Member contributions	$ 251,297,401	$ 246,119,537
Employer contributions	421,838,213	400,478,248
Total contributions	673,135,614	646,597,785
ORP contributions retained	29,499,096	27,196,232
Investment income		
From investment activities		
Net appreciation (depreciation) in fair value of domestic investments	(9,358,002)	(1,141,008,157)
Net appreciation (depreciation) in fair value of international investments	(3,830,620)	(146,482,391)
Domestic interest	120,174,045	141,728,180
International interest	30,745,264	32,004,011
Domestic dividends	59,353,555	64,226,682
International dividends	28,041,533	23,023,499
Alternative investments income	44,050,485	137,200,613
Commission rebate income	1,026,354	1,649,282
Total investment income (loss)	270,202,614	(887,658,281)
Investment activity expenses		
International investment expenses	(2,530,171)	(2,618,482)
Alternative investment expenses	(31,682,592)	(41,418,046)
Custodian fees	(800,000)	(800,000)
Performance consultant fees	(279,786)	(252,000)
Trade cost analysis fees	(40,000)	(40,000)
Advisor fees	(19,283,122)	(22,812,775)
Total investment expenses	(54,615,671)	(67,941,303)
Net income (loss) from investing activities	215,586,943	(955,599,584)
From securities lending activities		
Securities lending income	16,602,783	20,960,004
Securities lending expenses		
Fixed	(9,749,608)	(11,104,163)
Equity	(249,933)	(249,706)
International	(824,609)	(2,677,010)
Total securities lending activities expenses	(10,824,150)	(14,030,879)
Net income from securities lending activities	5,778,633	6,929,125
Total net investment income (loss)	221,365,576	(948,670,459)
Other operating revenues	4,976,629	1,787,499
Total additions (deductions)	928,976,915	(273,088,943)
Deductions		
Retirement benefits	1,003,327,453	920,593,341
Refunds of contributions	22,287,120	23,432,296
Administrative expenses	10,688,003	8,886,231
Depreciation expense	490,780	475,734
Total deductions	1,036,793,356	953,387,602
Net increase (decrease)	(107,816,441)	(1,226,476,545)
Net assets held in trust for pension benefits		
Beginning of year	10,628,494,051	11,854,970,596
End of year	$10,520,677,610	$10,628,494,051

See accompanying notes to financial statements.

Notes to the Financial Statements

A. PLAN DESCRIPTION

1. MEMBERSHIP AND ADMINISTRATION

The Teachers' Retirement System of Louisiana (the "System") is the administrator of a cost-sharing multiple-employer defined benefit pension plan established and provided for within Title 11, Chapter 2, of the Louisiana Revised Statutes. The System provides pension benefits to employees who meet the legal definition of a "teacher." The System is considered part of the State of Louisiana's financial reporting entity and is included in the State's financial reports as a pension trust fund. The State of Louisiana issues general purpose financial statements, which include the activities in the accompanying financial statements. The accompanying statements present information only as to transactions of the program of the Teachers' Retirement System of Louisiana, as authorized by Louisiana Revised Statutes.

In accordance with Louisiana Revised Statutes, the System is subject to certain elements of oversight:

The Commission on Public Retirement reviews administration, benefits, investments, and funding of the public retirement systems.

The operating budget of the System is subject only to budgetary oversight by the Legislature.

Annual sworn statements on all financial transactions and the actuarial valuation of the System must be furnished to the Legislature at least thirty days before the beginning of each regular session.

The legislative auditor is responsible for the procurement of audits for the public retirement systems and is authorized to contract with a licensed CPA for each audit.

In June 1991, the Governmental Accounting Standards Board issued Statement No. 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether either they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens, on the System. The System determined there are no organizations that are fiscally dependent on it, and there are no component units of the System.

At June 30, 2003, and 2002, the number of participating employers was:

	2003	2002
School Boards	66	66
Colleges and Universities	24	24
State Agencies	54	54
Charter Schools	11	11
Other	17	16
Total	172	171

Membership of this plan consisted of the following at June 30, 2003, and 2002, the dates of the latest actuarial valuations:

	2003	2002
Retirees and beneficiaries receiving benefits	50,903	49,053
Deferred Retirement Option Plan participants	2,722	5,103
Terminated vested employees entitled to but not yet receiving benefits	5,720	624
Terminated nonvested employees who have not withdrawn contributions	7,852	10,881
Current active employees:		
Vested	57,081	58,274
Nonvested	27,877	26,592
Post Deferred Retirement Option Plan participants	2,688	2,490
Total	154,843	153,017

The System consists of three membership plans that require mandatory enrollment for all employees who meet the following eligibility requirements:

TRSL Regular Plan—employees that meet the legal definition of a "teacher" in accordance with Louisiana Revised Statutes 11:701(23)(a).

TRSL Plan A—employees paid with school food service funds in which the parish has withdrawn from Social Security coverage.

TRSL Plan B—employees paid with school food service funds in which the parish has not withdrawn from Social Security coverage.

These three membership plans are considered one pension plan for financial reporting purposes. All assets accumulated for the payment of benefits may legally be used to pay benefits to any of the plan members or beneficiaries. Teachers' Retirement System of Louisiana provides retirement, disability, and survivor benefits. Plan members become vested after five years of credited service. Members applying for disability retirement must be in active service at the time of filing the application. The formula for annual maximum retirement benefits is 2 or 2.5 percent (Regular Plan), 1 or 3 percent (Plan A), or 2 percent (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive thirty-six months of salary. Benefits are paid monthly for life. If a member leaves covered employment prior to vesting or dies prior to establishing eligibility for survivor benefits, accumulated member contributions are refunded. For a more detailed description of plan benefits, refer to the Plan Summary on page 21 of this report.

In 1989, the state legislature established an Optional Retirement Plan (ORP) for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana. The ORP is a defined contribution pension plan which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan no later than March 1, 1990, and the public institutions of higher education to implement their Optional Retirement Plan on July 1, 1990. The 1995 Legislative Session amended the ORP to allow ORP participants who assume positions, other than as employees of a public institution of higher education, in positions covered by Teachers' Retirement System of Louisiana, to continue to participate in the ORP. The number of participating employers is currently 87. Current membership in the ORP is 17,183.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 6.351 percent of the 13.1 percent ORP employer contributions. The amount transferred to the carriers is the employer's portion of the normal cost contribution that has been determined by the Public Retirement Systems' Actuarial Committee to be 6.749 percent.

The member's contributions (8 percent) are transferred to the carriers in entirety less 0.1 percent which has been established by the Board of Trustees to cover the cost of administration and maintenance of the Optional Retirement Plan. The administrative fee may be adjusted by the Board should the cost of administering the plan increase in the future.

The Deferred Retirement Option Plan (DROP) was implemented on July 1, 1992 with the passage of Louisiana Revised Statutes 11:786 by the state legislature. When a member enters DROP, his status changes from active member to retiree, even though he continues to work at his regular job and draws his regular salary. In the original DROP, participation in the program could not exceed two years; however, the DROP was modified on January 1, 1994, to allow for a three-year period of participation. During the DROP participation period, the retiree's retirement benefits are paid into a special account. The election is irrevocable once participation begins. Interest at a rate equal to the realized return on the System's portfolio for that plan year as certified by the System actuary in his actuarial report, less one-half of one percent will be credited after participation ends. At the time of retirement, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROP account.

Effective January 1, 1996, the state legislature authorized the Teachers' Retirement System of Louisiana to establish an Initial Lump Sum Benefit (ILSB) program. ILSB is available to members who have not participated in DROP and who select the maximum benefit, option 2 benefit, option 3 benefit, or option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The ILSB program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit and a reduced monthly retirement benefit for life. Interest credited and payments from the ILSB account are made in accordance with Louisiana Revised Statutes 11:789(A)(1).

Louisiana Revised Statutes 11:945 established the Excess Benefit Plan as a separate, unfunded, nonqualified plan under the provisions set forth in Louisiana Revised Statutes 11:946 and as a qualified governmental excess benefit arrangement, as defined in Section 415(m)(3) of the United States Internal Revenue Code.

Effective July 1, 1999, an excess benefit participant who is receiving a benefit from this System is entitled to a monthly benefit under this plan in an amount equal to the lesser of either the participant's unrestricted benefit as defined in Louisiana Revised Statutes 11:701, less the maximum benefit, or the amount by which the participant's monthly benefit from this System has been reduced by the limitations of Louisiana Revised Statutes 11:784.1. A benefit payable under this plan is paid in the form and at the time it would have been paid as a monthly pension except for the limitations under Louisiana Revised Statutes 11:784.1 and Section 415 of the United States Internal Revenue Code.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

1. BASIS OF ACCOUNTING

Teachers' Retirement System of Louisiana's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Member and employer contributions are recorded in the period the related salaries are earned. Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis. State General Fund appropriations for supplemental benefits are recognized when drawn from the State Treasury. Administrative costs are funded through investment earnings and are subject to budgetary control by the Board of Trustees. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Teachers' Retirement System of Louisiana has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The System has implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (Statement 34). Statement 34 primarily relates to presentation and disclosure requirements and had no monetary impact on the financial statements. Management's Discussion and Analysis has been included, as a result of the adoption.

2. 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 additions to and deduction from plan net assets during the reporting period. Actual results could differ from those estimates. The Retirement System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

3. METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is the market value on the last business day of the fiscal year. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be sold. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of estimated future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported as estimated fair value.

Other than investments in the U.S. government and U.S. government obligations, the System has no investments of more than five percent of the portfolio invested in any one corporation, nor does the System hold more than five percent of any corporation's outstanding stock.

4. PROPERTY AND EQUIPMENT

Land, building, equipment, and furniture are carried at historical cost. Depreciation is computed using the straight-line method based upon useful lives of forty years for the building and three to ten years for equipment and furniture.

5. BUDGETARY ACCOUNTING

Self-generated revenues are budgeted for administrative expenses. State General Funds are appropriated for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 2003 and 2002 includes the original Board of Trustees approved budget and appropriated State General Funds, as well as subsequent amendments as follows:

2003	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	$6,865,667	$41,266,279	$48,131,946
Amendments:			
Salaries		700,030	700,030
Operating Expenses		70,439	70,439
Professional Services		(5,329,005)	(5,329,005)
Capital Outlays		40,000	40,000
	$6,865,667	$36,747,743	$43,613,410

2002	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	$6,334,320	$40,349,161	$46,683,481

6. ACCUMULATED LEAVE

The employees of the System accumulate unlimited amounts of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employees' rate of pay. Upon retirement, unused annual leave in excess of 300 hours and sick leave are credited as earned service in computing retirement benefits. The liability for accrued annual leave of up to 300 hours is included in Other Liabilities.

7. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

C. CONTRIBUTIONS

1. MEMBER CONTRIBUTIONS

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statutes 11:884(A)(1), and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 2003, and 2002.

Plan	% of Earned Compensation	
	2003	2002
TRSL Regular Plan	8.0%	8.0%
TRSL Plan A	9.1%	9.1%
TRSL Plan B	5.0%	5.0%

2.EMPLOYER CONTRIBUTIONS

Employer contribution rates are established under Louisiana Revised Statutes 11:885 by the Public Retirement Systems' Actuarial Committee. Rates for the years ended June 30, 2003, and 2002, are as follows:

Plan	% of Earned Compensation	
	2003	2002
TRSL Regular Plan	13.1%	13.1%
TRSL Plan A	13.1%	13.1%
TRSL Plan B	13.1%	13.1%

Employer contributions are collected from the employing agencies throughout the state and from the proceeds of taxes collected in the parishes and remitted by the respective parishes' sheriff's office.

D.CASH AND CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

At June 30, 2003, the carrying amount of the System's cash and cash equivalents was $7,808,257 and the bank balance was $7,752,492, which was covered by federal depository insurance and/or by collateral held by the agents in the System's name. At June 30, 2002, the carrying amount of the System's cash and cash equivalents was $38,505,718, and the bank balance was $40,077,311, which was covered by federal depository insurance and/or by collateral held by the agents in the System's name.

2. INVESTMENTS

All investments of the System are registered in the System's name or held by the custodial bank, or its intermediaries, in the System's name. The System's investments at June 30, 2003, are categorized on the following page to give an indication of the level of risk assumed by the entity. Category 1 includes investments that are insured or registered, or for which the securities are held by the System or its agent, in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the System's name. The categorization for the investments held at June 30, 2002, was the same as that shown on the following page for investments held at June 30, 2003:

Investments	Category 1	2	3	June 30, 2003 Carrying Amount (Fair Value)	June 30, 2002 Carrying Amount (Fair Value)
Investments---Categorized					
Domestic bonds					
Not on securities loan	$1,164,640,472			$ 1,164,640,472	$ 1,288,301,120
Domestic common and preferred stocks					
Not on securities loan	1,955,098,625			1,955,098,625	2,238,479,540
On securities loan for securities collateral or letters of credit	80,246,255			80,246,255	95,377,933
International bonds					
Not on securities loan	37,623,969			37,623,969	460,944,269
International common and preferred stocks					
Not on securities loan	940,674,133			940,674,133	906,697,002
Subtotal	$4,178,283,454	$0	$0	4,178,283,454	4,989,799,864
Investments---Not Categorized					
Investments held by brokers-dealers under securities loans with cash collateral					
Domestic bonds				539,894,429	613,825,140
Domestic common stock				2,433,595,000	2,252,925,000
International bonds				378,808,699	11,067,081
International common stock				92,981,064	168,541,303
Domestic money market funds				434,080,034	470,234,146
Real estate investment trusts				451,697,324	381,611,202
Mezzanine financing investments				325,414,623	276,398,521
Private equity investments				1,541,367,296	1,345,497,840
Total				$10,376,121,923	$10,509,900,097

Louisiana Revised Statutes 11:263 authorizes the Board of Trustees to exercise the "prudent man" rule in managing the investments of the System and limits the investment in equities to 65 percent of the investment portfolio.

The domestic and international investment advisors, employed by the Board of Trustees to manage the investments of the System, were given a policy statement that established a real return objective of 3.9 percent above the Consumer Price Index.

In addition to publicly traded equities, the System has entered into limited partnership agreements with several different strategies that invest in real estate properties, private equity, and mezzanine debt. By making these investments, Teachers' Retirement System of Louisiana is seeking to attain investment returns of 15 to 30 percent over a 10- to 12- year time frame. The total commitments as of June 30, 2003, were $4,375,000,000 versus $4,415,000,000 as of June 30, 2002. The total amounts called for funding as of June 30, 2003, were $3,280,096,924 versus $2,830,343,800 as of June 30, 2002. Total distributions received by the System from the limited partnerships were $1,062,445,239 as of June 30, 2003 and were $834,564,199 as of June 30, 2002.

E. SECURITIES LENDING TRANSACTIONS

State statutes and Board of Trustees policies permit the System to use the assets of the plan to enter into securities lending transactions-loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's domestic managers lend the plan's securities for cash collateral of 100 percent or other securities collateral of 102 percent. The System's global managers lend the plan's securities for cash collateral or other securities collateral of 105 percent. Securities on loan at year-end for cash collateral are presented as uncategorized in the preceding schedule of custodial credit risk. Securities lent for securities collateral are classified according to the category for the collateral. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

All securities loans can be terminated on demand by either the System or the borrower. The System cannot pledge or sell securities collateral unless the borrower defaults. The reinvestment of cash collateral is done on an overnight basis or to term. In instances where a loan is for term, the reinvestment of the cash is matched to the maturity of the loan. Such matching existed at year-end. When investing in repurchase agreements, the collateral received will be a minimum of 102 percent of the cash invested. The System had no repurchase agreements for the years ended June 30, 2003, and 2002, respectively.

F. DERIVATIVES

During fiscal years 2003 and 2002, the System invested in asset/liability based derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations (forms of mortgage-backed securities), options on futures, forward foreign exchange contracts, and futures. The System reviews market values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates.

1. INTEREST-ONLY STRIPS AND PRINCIPAL-ONLY STRIPS

Interest-only (IO) and principal-only (PO) strips are transactions that involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments of mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced, and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater, and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in market value.

2. COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMO's) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates than others that can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus, a decline in market value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

3.OPTION ON FUTURES

This is an option contract, the exercise of which results in the holder and writer of the option exchanging futures position. The buyer of a call or put option has unlimited profit potential with the risk limited to the premium paid for the option. The option seller accepts potentially unlimited risk in return for the option premium received. The option seller or buyer can terminate such exposure in a closing transaction. A position is offset by completing the opposite transaction with the same option. The option contracts may also be repurchased or closed by the System, at which time the asset or liability is removed, a realized gain or loss is recognized, and cash is paid on the amount repurchased or received on closing a contract.

4. FORWARD FOREIGN EXCHANGE CONTRACTS

A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counterparty risk. Forwards are usually transacted over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the System records the unrealized translation gain or loss.

5. FUTURES

A futures contract is an agreement for delayed delivery of securities, currency, commodities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specific price or yield. Upon entering into a futures contract, the System is required to pledge to the broker an amount of cash equal to a certain percentage of the contract amount. The amount is known as the "initial margin." Subsequent payments, known as "variation margin," are made by the System each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded as a realized gain or loss for financial statement purposes.

The System buys and sells futures contracts for security hedging. Should exchange rates move unexpectedly, the System may not achieve the anticipated benefits of the futures contract and may realize a loss.

G. CONTINGENT LIABILITIES

The System is a litigate in several lawsuits. Management of the System, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the System.

H. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB 25, required supplementary information is presented on pages 46 through 48.

Required Supplementary Information

Required Supplementary Information
Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)* (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/98	$ 9,071,749	$13,185,190	$4,113,441	68.8%	$2,485,058	165.5%
06/30/99	10,092,093	13,913,416	3,821,323	72.5%	2,569,479	148.7%
06/30/00	11,368,692	14,596,441	3,227,749	77.9%	2,563,634	125.9%
06/30/01	12,062,136	15,390,417	3,328,281	78.4%	2,582,831	128.9%
06/30/02	12,019,552	16,263,239	4,243,687	73.9%	2,777,667	152.8%
06/30/03	11,826,926	17,173,256	5,346,330	68.9%	2,977,885	179.5%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $910,016,642 from June 30, 2002, to June 30, 2003. There was a net experience loss of $963,552,515 after allocating $799,095,192 of deficit investment income to the Experience Account in accordance with Act 1031.

The funded ratio above is reported based on statutory requirements. However, the negative balance in the Experience Account poses some serious funding issues. Sound actuarial funding standards, without regard to statutory requirements, would require the balance to be set at zero for funding progress. If the experience account were set to zero, the funded ratio for 2003 and 2002 would be 62.5% and 72.5% respectively.

* UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes Mineral Revenue Audit and Settlement receipts, which is included in the Reconciliation of Unfunded Actuarial Liabilities on page 86.

NOTE: Information on this page was provided by Hall Actuarial Associates.

Required Supplementary Information
Schedule of Employer Contributions

	Employer Contributions	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	458,498,592	101.7%
1999	452,835,560	108.5%
2000	437,710,389	107.5%
2001	404,060,783	110.2%
2002	421,195,131	104.9%
2003	479,077,364	98.0%

NOTE: Information on this page was provided by Hall Actuarial Associates.

Required Supplementary Information
Notes to the Schedules of Trend Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2003
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent closed
Remaining amortization period	26 years
Asset valuation method	4-year weighted market average
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	3.20% → 7.80%
Cost-of-living adjustments	None
*Includes inflation at 3%	

NOTE: Information on this page was provided by Hall Actuarial Associates.

Supporting Schedules

SCHEDULES OF BUDGETARY EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003			2002		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Appropriated:						
State general fund	$ 6,865,667	$ 6,424,440	($441,227)	$ 6,334,320	$ 6,320,911	$ (13,409)
Self-generated	36,747,743	31,493,618	(5,254,125)	40,349,161	33,090,510	(7,258,651)
Total revenues	43,613,410	37,918,058	(5,695,352)	46,683,481	39,411,421	(7,272,060)
Expenses:						
Salaries	7,625,192	6,803,848	821,344	6,240,643	6,050,749	189,894
Travel expenses	445,135	255,493	189,642	437,517	208,765	228,752
Operating services	3,083,657	2,192,648	891,009	2,713,186	2,018,754	694,432
Supplies	176,676	158,880	17,796	264,302	254,891	9,411
Professional services	1,449,140	1,170,563	278,577	462,720	307,930	154,790
Custodian fees	880,000	800,000	80,000	880,000	800,000	80,000
Performance consultant fees	279,786	279,786	0	252,000	252,000	0
Trade cost analysis fees	40,000	40,000	0	40,000	40,000	0
Advisor fees	21,951,214	19,283,122	2,668,092	28,459,047	22,812,775	5,646,272
Other charges - state general fund	6,865,667	6,424,440	441,227	6,334,320	6,320,911	13,409
Other charges - self-generated	46,200	15,238	30,962	46,200	25,452	20,748
Interagency transfers	82,289	26,197	56,092	88,226	19,690	68,536
Total expenses	42,924,956	37,450,215	5,474,741	46,218,161	39,111,917	7,106,244
Capital outlays	688,454	467,843	220,611	465,320	299,504	165,816
Total expenses and capital outlays	43,613,410	37,918,058	5,695,352	46,683,481	39,411,421	7,272,060
Excess of revenues over expenses and capital outlays	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE: Custodian, performance consultant, trade cost analysis and advisor fees are listed on the Schedule of Investment Expenses. All other expenses, with the exception of Other Charges-State General Fund, are listed on the Schedule of Administrative Expenses.

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Salaries:		
Salaries - regular	$ 5,352,156	$4,758,052
Salaries - overtime	78,479	119,043
Salaries - termination	18,834	5,826
Other compensation - wages: temporary	32,283	28,571
Other compensation - student labor	41,700	31,856
Other compensation – compensation of board members	19,350	22,200
Related benefits	1,261,046	1,085,201
Total salaries	**6,803,848**	**6,050,749**
Travel expenses	**255,492**	**208,765**
Operating services:		
Advertising	4,861	27,209
Printing	187,354	215,197
Insurance	34,183	35,869
Maintenance - equipment	361,242	272,931
Rentals - building	543,302	429,198
Rentals - equipment	216,320	292,235
Rentals - off-site storage	59,770	47,124
Dues and subscriptions	43,017	38,287
Telephone	129,304	113,218
Postage	448,190	411,824
Bank service charges	103,048	104,728
Overtime heating and air conditioning	0	4,860
Mail services	39,597	21,680
Miscellaneous	22,460	4,394
Total operating services	**2,192,648**	**2,018,754**
Supplies	**224,017**	**254,891**
Professional services:		
Accounting and auditing	42,100	37,580
Management and consulting	13,250	0
Alternative Contribution Plan	795,540	0
Graphic Web Design	18,668	0
Consulting Interior Design	6,403	0
Legal	21,597	68,337
Medical	25,219	19,081
Professional training	9,810	18,125
Professional Election Expense	80,323	54,865
Actuarial	94,940	73,692
Disaster testing	30,766	29,686
Professional Travel	2,055	378
Investigative services	28,394	3,281
Design/annual report	161	945
Deaf interpreter services	1,337	1,960
Total professional services	**1,170,563**	**307,930**
Other charges:		
Educational expense	15,188	13,554
System condolence fund	50	300
Recruitment expense	0	11,598
Total other charges	**15,238**	**25,452**
Interagency transfers:		
Secretary of State - microfilm	8,765	4,889
Department of Civil Service	17,271	14,332
Bureau of Vital Statistics	161	469
Total interagency transfers	**26,197**	**19,690**
Total administrative expenses	**$10,688,003**	**$8,886,231**

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Investment activities expenses:		
International investment expenses	$ 2,530,171	$ 2,618,482
Alternative investments expense	31,682,592	41,418,046
Global custodian fees	800,000	800,000
Performance consultant fees	279,786	252,000
Trade cost analysis fees	40,000	40,000
Advisor fees	19,283,122	22,812,775
Total investment activities expenses	$54,615,671	$67,941,303
Securities lending activities expenses:		
Fixed	$ 9,749,608	$11,104,163
Equity	249,933	249,706
International	824,609	2,677,010
Total securities lending activities expenses	$10,824,150	$14,030,879

SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003		2002	
BOARD OF TRUSTEES	NUMBER OF MEETINGS	AMOUNT	NUMBER OF MEETINGS	AMOUNT
Sheryl R. Abshire	23	$ 1,725	25	$ 1,875
Anne H. Baker	24	1,800	28	2,100
William C. Baker, Ed.D.	23	1,725	24	1,800
Jerry J. Baudin, Ph.D.	24	1,800	28	2,100
Eula Beckwith	22	1,650	22	1,650
Charles P. Bujol	21	1,575	28	2,100
Sarah F. Cox	22	1,650	25	1,875
Clyde F. Hamner	13	975	18	1,350
Joyce Haynes	22	1,650	23	1,725
Syble T. Jones, RD, LDN	24	1,800	25	1,875
Lawrence J. Moody, Jr.	18	1,350	26	1,950
Sheryl Sherlock	22	1,650	24	1,800
Total compensation		$19,350		$22,200

SCHEDULES OF BUILDING MAINTENANCE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Building maintenance expenses:		
Property management services	$ 11,700	$ 8,775
Payroll expenses	62,739	44,761
Heating and Air	43,486	0
Landscape maintenance	13,374	16,644
Custom program maintenance	0	6,850
Elevator maintenance	1,655	2,327
Equipment maintenance	0	31,144
Water and sewerage	4,385	4,974
Utilities	120,417	98,646
Telephone	2,940	2,727
Advertising	0	78
Insurance	4,476	5,494
Pest control	510	1,040
Janitorial services	30,861	32,866
Waste systems	2,059	3,102
Fire protection	1,836	1,968
General repairs	21,006	18,068
Plumbing expenses	1,082	847
Equipment repairs	0	3,332
Electrical expenses	42,631	3,488
Bank charges	0	134
Window washing	1,761	1,831
Uniform rental	0	1,544
Miscellaneous operating services	4,362	1,970
Security system	12,317	3,496
Building and office supplies	0	1,626
Landscape supplies	0	17
Janitorial supplies	537	743
Architect/engineering services/legal	11,909	6,791
Total building maintenance expenses	$396,043	$305,283

These costs are included in Operating Services Expenses, Rentals - Building , on the Schedules of Administrative Expenses.

SCHEDULES OF PAYMENTS TO NON-INVESTMENT RELATED CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
Accounting and auditing consultants	$ 42,100	$ 37,580
Auditor		
Hawthorn, Waymouth & Carroll, L.L.P.		
Medallion Consulting		
Management and consulting	827,458	0
Speedware USA, Inc.		
Modiphy, Inc.		
Educational Technologies		
Legal	45,598	68,337
Legal Consultant		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Avant & Falcon		
Investigative Responsibility Support Services Inc.		
Medical	25,219	19,081
Medical Examiners		
Richard Burroughs, M.D.		
Anthony Ioppolo, M.D.		
W.J. Laughlin, M.D.		
H. Guy Riché, Jr., M.D.		
Lawrence D. Wade, M.D.		
Professional Training	9,810	18,125
Computer Training		
Element K		
Actuarial	94,940	73,692
Actuary		
Hall Actuarial Associates		
Total	$1,045,125	$ 216,815

A summary schedule of commissions paid to brokers is shown on page 78.

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Investment Section

HOLBEIN ASSOCIATES, INC.

The Board of Trustees
Teachers' Retirement System of Louisiana
8401 United Plaza Blvd.
Baton Rouge, Louisiana 70809

September 15, 2003

For the year ending June 30th, the System achieved a 2.7% rate of return from assets. The fiscal year return achieved ranked at the 76th percentile of the Independent Consultants Cooperative Large Fund Universe. For the past five years, the System achieved a 2.6% annualized return 0.6% below the median return, and ranked at the 63rd percentile of the Large Fund Universe due to a lower allocation to the bond market which out performed the equity market by 9.1% per annum. The performance results were calculated using the guidelines listed in the AIMR Performance Presentation Standards.

The total TRSL portfolio performance, 7.9%, exceeded the Total Fund objective of inflation plus 3.9% over the last 10 years. The total portfolio return exceeded the Consumer Price Index plus 3.9% by 1.6% for 10 years, however, was less than the actuarial growth rate of 8.3% by 0.4% over the last 10 years.

The domestic equity performance has been excellent relative to benchmark results and peer group comparisons. Domestic equities returned 2.4% for 5 years and exceeded the S&P 500 Index by 4.0%. A rare occurrence is contained within the past sixty months: thirty consecutive months which make up the worst stock market in the past sixty years. The domestic portfolios were diversified into various equity styles including small, medium and large capitalization securities. The equity portfolios were further diversified into growth and value styles.

The fixed income portfolios were diversified into government, corporate, mortgage-backed and high yield securities. It was the diversification away from government securities that produced poor relative to benchmark results and peer group comparisons. Domestic fixed income returned 5.4% for 5 years and trailed the Lehman Aggregate Index by and 2.1%. The credit sector made a substantial rebound this fiscal year; however, long-term performance still lags.

The TRSL portfolio is diversified into many investable markets, including 9.5% in international equity and 3.3% in international fixed income. Over the past five years, the international equity return of –1.8% exceeded the MSCI EAFE Index by 2.2%, while the international bond return of 8.5% exceeded the Citibank World Government Bond Index ex-US by 2.2%.

The System portfolio was also enhanced by diversification into opportunistic real estate, private equity, and mezzanine debt financing. These alternative investments offer exceptional expected long-term returns and enhance the overall diversification of the System portfolio. Over the last five fiscal years, the alternative investments produced realized and unrealized returns of 1.9% annualized, while reducing the overall volatility (risk) of the TRSL portfolio by 1.6%.

Sincerely,

Richard Holbein

Richard Holbein
President

15770 DALLAS PKWY. ▪ SUITE 901 ▪ DALLAS, TX 75248 ▪ P: 972.934.9333 ▪ F: 972.934.9389 ▪ WWW.HOLBEIN.COM

Investment Policy

STATEMENT OF OBJECTIVES

Financial objectives of the Teachers' Retirement System of Louisiana have been established in conjunction with a comprehensive review of the current and projected financial requirements of the System.

The Board's investment objectives are to:

(1) Protect the System's assets in real terms such that assets are preserved to provide benefits to participants and their beneficiaries. Real terms shall be a measurement in current dollars that discounts inflationary increases in value as measured by the Consumer Price Index (CPI-U) seasonally adjusted.

(2) Achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System. This is defined as an investment return (current income plus realized and nonrealized gains and losses) that is greater than the actuarial assumption.

(3) Maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

While there can be no complete assurance that these objectives will be realized, this investment policy is believed to provide a sound basis to successfully achieve System objectives.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI. The Board realizes that market performance varies and that this return objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for investment managers are set forth in the Control Procedures section on page 64.

ASSET ALLOCATION GUIDELINES

It shall be the policy of the System to invest the assets in accordance with the minimum and maximum range for each asset category as stated below:

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Domestic Stock**	40%	47%	55%
International Stock	10%	13%	15%
Total Stock	50%	60%*	65%
Domestic Bonds	9%	10%	20%
Global Bonds	3%	5%	6%
High Yield	3%	5%	7%
Total Fixed Income	15%	20%	30%
Mezzanine	3%	5%	7%
Real Estate	3%	5%	6%
Private Equity	4%	8%	10%
Total Alternative ***	10%	18%	20%
Cash and Equivalents	1%	2%	5%
Total	N/A	100%	N/A

ASSET ALLOCATION TARGET GUIDELINES

* Includes a 10% allocation to indexed equities as mandated by the Legislature (La.R.S. 11:267).

** The allocation objective of the U.S. Stock composite is the Russell 3000, which can be segregated into the following style targets and ranges.

*** To determine the asset allocation for this asset category, only the actual amount invested, is applicable. However in no case shall total investments exceed the maximum without Board approval:

Equity Style	Minimum	Target	Maximum
Large Cap Growth	26%	30%	34%
Large Cap Value	26%	30%	34%
Mid Cap Growth	7%	10%	13%
Mid Cap Value	7%	10%	13%
Small Cap Growth	7%	10%	13%
Small Cap Value	7%	10%	13%

The asset allocation ranges established by this investment policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence from this allocation should be of a short-term nature. The director is responsible for ensuring that any such divergence is as brief as possible.

Divergence in the portfolio equity cash reserves is of particular concern. It is the Board's policy that equity manager portfolios be fully invested and that cash reserves, over time, should not exceed their 5 percent target. Managers have the discretion to deviate from the cash reserve target but will be accountable to the Board for justifying such action. Managers will be evaluated on the performance of the total portfolio, including cash.

It is expected that all assets of the System will be managed in accordance with the Louisiana Revised Statutes. It is the policy of the Board, provided all investment factors are equal and within the limits of prudence, that investments in Louisiana securities are encouraged.

In accordance with the Louisiana Revised Statutes, the System will invest at least 10 percent of total stock in equity indexing, not to exceed 65 percent. The index portfolio(s) shall be invested in indices that seek either to replicate or to enhance a particular index. The index portfolio(s) may be invested in a variety of equity capitalization ranges and could be invested in either domestic or international equity.

In addition to direct investment in individual securities, mutual funds and pooled asset portfolios are acceptable investment vehicles.

PORTFOLIO GUIDELINES

FIXED INCOME GUIDELINES FOR DOMESTIC MANAGERS

Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria:

(1) All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.

(2) Corporate bonds, debentures, notes, asset-backed securities, and equipment trust certificates rated Baa3 or BBB- or higher (investment grade) by Moody's or Standard & Poor's (includes split-rated bonds).

(3) Mortgage securities will be limited to: pass-throughs, collateralized mortgage obligations, adjustable rate mortgages, commercial mortgage-backed securities, and other mortgage securities deemed prudent by the investment manager. The use of interest-only strips and principal-only strips may not exceed 10 percent of the portfolio.

(4) Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.

(5) Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase.

(6) Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.

(7) Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25 percent of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.

(8) Debt obligations of foreign governments, corporations, and supranational issued outside the US (Eurobonds and Non US Dollar Bonds) may be held by investment managers.

(9) High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard

& Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC or below shall not exceed 20% of the market value of the portfolio.

(10) High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).

(11) Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.

(12) Investment grade fixed income portfolios shall not invest in mortgage-backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.

(13) Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10% of the market value of the portfolio.

FIXED INCOME GUIDELINES FOR APPROVED GLOBAL FIXED INCOME MANAGER(S)

Guidelines (1) through (7) for Fixed Income Guidelines for Domestic Managers will apply with the following additional guidelines.

(1) The debt of countries, foreign and domestic agencies, foreign and domestic corporations, and supranational entities are acceptable for investment. The manager should consider the creditworthiness and the liquidity of a potential security before making an investment. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Portfolio weightings in countries represented in the Salomon Brothers Non-US World Government Bond Index, including cash, may range from 0 percent to 100 percent of the portfolio.

(3) Portfolio weightings in countries not represented in the Salomon Brothers Non-US World Government Bond Index, including cash, may not, in aggregate, exceed 40 percent of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within nonmajor and emerging markets.

(4) Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.

(5) Permitted hedge vehicles for currency exposure management are as follows:

  (a) Forward Foreign Exchange Contracts

  (b) Currency Futures Contracts

  (c) Options on Currency Futures Contracts

  (d) Options on Spot Currencies

(6) Net short foreign currency positions may not be taken in this portfolio.

STOCK GUIDELINES FOR DOMESTIC MANAGERS

Common stock securities, including ADRs, shall be high quality, readily marketable securities offering potential for above-average growth. Common stock investments are limited to those meeting all of the following criteria:

(1) Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission.

(2) No more than 5 percent of the total outstanding shares of common stock of any one corporation may be held in the System's equity portfolio.

(3) No more than 5 percent of the cost or market value of the System's equity portfolio (whichever is more) or 15 percent of the market value of each manager's portfolio may be invested in the common stock of any one corporation.

(4) No more than 20 percent of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.

(5) Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.

(6) Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50 percent and plus 100 percent of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).

(7) Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50 percent of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).

STOCK GUIDELINES FOR APPROVED INTERNATIONAL EQUITY MANAGER(S)

Common stock securities of Developed Markets (EAFE Countries and Canada), shall be high quality, readily marketable securities offering potential for above-average growth. Items (2), (4) and (5) of the Stock Guidelines for Domestic Managers will apply with the following additional guidelines.

(1) Investment managers may invest up to 20 percent of the market value of the portfolio in emerging market countries contained in the IFC Investable Index, including up to 5 percent (of the 20 percent limit) in emerging market countries not contained in the IFC Investable index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Investment managers may invest up to 10 percent of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.

(3) No single industry group shall constitute more than 25 percent of the portfolio's market value or its equivalent representation in the EAFE Index, whichever is more, without prior Board approval.

(4) No individual security shall constitute more than 10 percent of the portfolio's market value.

(5) Cash held by the manager may be in U.S. dollars or foreign currencies of the managers' choice.

(6) Residual currency exposures of the underlying international equity portfolio may be actively managed by the investment manager. If actively managed, the objectives of the foreign exchange exposure management, within the international equity portfolio, are to:

  (a) Add value by increasing total returns and reducing volatility of returns through hedging and cross-hedging activities.

  (b) Avoid currency losses in periods of an appreciating U.S. dollar.

(7) Permitted Equity Investments

  (a) Equity managers are to confine investments to common stocks and securities that are directly convertible or exercisable into common stocks, including ADR's and GDR's.

  (b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible.

  (c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Additional instruments, such as swaps, or other derivatives, may be used if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above-stated hedge vehicles.

  (d) International equity managers may invest up to 10 percent of the portfolio in Rule 144A securities.

(8) Permitted hedge vehicles for currency exposure management are as follows:

  (a) Forward Foreign Exchange Contracts

  (b) Currency Futures Contracts

  (c) Options on Currency Futures Contracts

  (d) Options on Spot Currencies

(9) Net short foreign currency positions may not be taken in this portfolio.

MANAGER CASH GUIDELINES

The System expects manager cash position to be kept to a minimum and adhere to the following:

(1) Equity manager's cash shall not constitute more than 5 percent of the market value of the manager's portfolio without prior Board approval.

(2) The manager's cash will be swept daily into a STIF account by the custodian.

(3) STIF deposit accounts at foreign subcustodian banks are allowed only for the global and international managers.

RESTRICTED INVESTMENTS

Categories of investments that are not eligible include:

(1) Use of margin or leverage (except limited partnerships).

(2) Short sales of securities.

(3) Investments in commodities or commodity contracts.

(4) Direct loans or extending lines of credit to any interested party.

(5) Letter stock.

(6) Unregistered securities (except 144A securities and limited partnerships).

With Board approval, global managers may use financial-futures contracts and options thereon, currency-forward contracts and options thereon, and options on physical securities and currencies. Also for these managers, initial and variation margin on financial futures and related options are allowed.

DIVERSIFICATION

Investments shall be diversified with the intent to minimize the risk of large losses to the System. The total portfolio will be constructed and maintained to provide prudent diversification through equity, fixed income, real estate, and alternative investments.

VOLATILITY

Consistent with the desire for adequate diversification, it is expected that the volatility of the System's total portfolio will be similar to that of the market. It is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of a commitment-weighted composite of market indices (e.g., Russell 3000 Index for stocks and Lehman Brothers Aggregate Bond Index for bonds, etc).

LIQUIDITY NEEDS

It is expected that contributions will exceed benefit payments for the foreseeable future. Therefore, there is no present need for investment managers to maintain liquid reserves for payment of retirement benefits.

PROXY VOTING

It shall be the policy of the System to allow the investment manager to vote all proxies. Nevertheless, each investment manager is required to advise the Board on any issues that should require special consideration.

EXECUTION OF SECURITIES TRADES

The System expects the purchase and sale of securities to be directed through brokerage firms offering the best price and execution. Orders shall be placed through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to or below the lowest non-Louisiana brokerage firm.

ALTERNATIVE INVESTMENT GUIDELINES

In recognition of the increasing opportunities in today's and tomorrow's investment universe, the Board may consider the following representative investment vehicles:

(a) Real Estate

(b) Private Equity

(c) Options

(d) Derivatives (Futures, Swaps, etc.)

The system shall diversify its interests in alternative investments by investing in various classes, geographic regions, and vintage years.

The system will whenever possible, obtain a seat on the advisory board of each investment. Staff and/or board members review investments at limited partnership annual meetings. Staff and/or Board members attend Advisory Committee meetings and/or annual meetings.

The Board, when appropriate, will adopt objectives, rules, and guidelines necessary to adequately monitor the performance of the assets committed to the above investment vehicles. Upon Board approval, these objectives, rules, and guidelines will be added to the investment policy.

SECURITIES LENDING GUIDELINES

The System may engage in the lending of securities subject to the following guidelines:

(1) Collateral on loans is set at a minimum 102 per-

cent of the market value of the security plus accrued interest.

(2) Collateral on loans of international securities is set at a minimum 105 percent of the market value of the security plus accrued interest.

(3) Securities of the System are not released until the custodian bank receives payment for the book-entry withdrawal of the loaned security.

(4) Funds from the lending of securities accrue to the System's account and not to investment manager's since they would not be involved in the process.

(5) The System's Investment Department may engage in the lending of all applicable securities.

INTERNAL CASH AND CASH EQUIVALENTS GUIDELINES

Cash and cash equivalents include daily cash balances above day-to-day needs and funds set aside for portfolio strategy reasons. Short-term securities managed by the System's Investment Department are subject to the approval of the director in accordance with the guidelines and restrictions set forth by the Board.

Short-term investments may be invested in:

(1) U.S. Treasury bills, other issues of the U.S. government, issues of federal agencies, and government-sponsored enterprises with a maturity of one year or less.

(2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100 percent of the amount of their purchase agreement.

(3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10 percent of outstanding short-term obligations. The maximum maturity will be 90 days.

(4) Certificates of deposit limited to Louisiana banks, savings and loans, and credit unions provided that:

   (a) Maximum amount in any one bank will be limited to $1 million.

   (b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury.

   (c) Maximum amount limited to 5 percent of capitalization.

   (d) Maximum maturity is 366 days.

(5) Money market funds adhering to restrictions (1) through (4) above.

(6) Issues of commercial debt market with maturities of one year or less and having a rating of A or better. The obligations of any single issuer may not exceed 10 percent of the total outstanding short-term obligations of the System.

CONTROL PROCEDURES

REVIEW OF LIABILITIES

All major liability assumptions regarding number of Plan participants, payroll, benefit levels, and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the System's assumptions and actual experience.

REVIEW OF INVESTMENT OBJECTIVES

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the Investment Policy.

REVIEW OF INVESTMENT MANAGERS

The Board will require each investment manager to report monthly in a manner agreed upon by the Board, staff, consultant, and manager.

The Board will meet at least annually, and preferably more frequently, with its investment managers and consultants. Additionally, with or without the investment managers, the Board will review investment results at least quarterly.

These reviews will focus on:

(1) Manager adherence to the policy guidelines.

(2) A comparison of manager results versus appropriate financial indices.

(3) A comparison of manager results using similar policies (in terms of commitment to equity, style, diversification, volatility, etc.).

(4) The opportunities available in both equity and debt markets.

(5) Material changes in the manager organizations, such as investment philosophy, personnel changes, acquisitions, or losses of major accounts, etc.

The managers will be responsible for advising the Board of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results that are consistent with the System's investment policy. A long-term average annual return of 3.9 percent above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25 percent), which ever is higher is reasonable in light of the policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Board recognizes that this real-return objective may not be meaningful during some periods. To ensure that investment opportunities available over a specific period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. The Board expects the total fund to perform in the top third of a universe of total funds having similar size and investment policies. To stay abreast of what other state and local plans are achieving, the System's performance will also be compared to the results of other public plans. Each manager is expected to perform in the top half of his or her respective equity manager or fixed income manager universe and in the top quartile of his or her investment manager style universe. Additionally, each manager will be compared/evaluated versus their specific style benchmarks. This performance should be achieved over rolling three-year periods or over the length of each manager's contract, whichever comes first. Short-term results will also be monitored. For purposes of this evaluation, universes maintained by the System's consultant, will be used.

INVESTMENT SUMMARY
AS OF JUNE 30, 2003 AND 2002

	JUNE 30, 2003		JUNE 30, 2002	
	FAIR VALUE	% TOTAL FAIR VALUE	FAIR VALUE	% TOTAL FAIR VALUE
Domestic bonds:				
U S Treasury & Government Agency securities	$ 464,328,392	4.475%	$ 562,512,466	5.352%
Corporate bonds	873,438,893	8.418%	823,039,313	7.831%
Miscellaneous bonds	366,767,616	3.535%	516,574,481	4.915%
Total domestic bonds	1,704,534,901	16.428%	1, 902,126,260	18.098%
International bonds	416,432,668	4.013%	472,011,350	4.491%
Domestic stocks:*				
Common	4,460,991,355	42.993%	4,582,552,778	43.602%
Preferred	7,948,525	0.077%	4,229,694	0.040%
Total domestic stocks	4,468,939,880	43.070%	4,586,782,472	43.642%
International stocks*				
Common	1,022,419,898	9.854%	1,070,124,499	10.182%
Preferred	11,235,300	0.108%	5,113,806	0.049%
Total international stocks	1,033,655,198	9.962%	1,075,238,305	10.231%
Domestic short-term investments	434,080,034	4.183%	470,234,146	4.474%
Alternative investments:				
Private equity investments	1,541,367,296	14.855%	1,345,497,841	12.802%
Real estate investments	451,697,323	4.353%	381,611,202	3.631%
Mezzanine financing investments	325,414,623	3.136%	276,398,521	2.631%
Total alternative investments	2,318,479,242	22.344%	2,003,507,564	19.064%
Total investments	$10,376,121,923	100.000%	$10,509,900,097	100.000%

* The index portfolio at June 30, 2003 is $687.6 million which is 12.5% of total equity which has a market value of $5.50 billion.

LIST OF LARGEST ASSETS HELD
AT JUNE 30, 2003

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
US TREASURY & GOVERNMENT AGENCY SECURITIES				
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.000%	09/24/03	$42,580,000	$42,482,066
U S TREASURY BONDS	5.250%	11/15/28	29,850,000	32,489,859
FEDERAL NATIONAL MORTGAGE ASSOCIATION	0.000%	01/09/04	27,580,000	27,439,342
U S TREASURY BONDS	5.250%	02/15/29	17,225,000	18,783,324
U S TREASURY NOTE	6.250%	05/15/30	14,615,000	18,195,675
U S TREASURY NOTE	3.500%	11/15/06	17,000,000	17,919,020
FEDERAL HOME LOAN MORTGAGE CORPORATION	0.000%	11/01/32	16,367,998	17,248,256
FEDERAL NATIONAL MORTGAGE ASSOCIATION MTN	2.030%	04/28/05	15,000,000	15,046,950
FEDERAL HOME LOAN BANKS	2.040%	01/14/05	15,000,000	15,004,650
STUDENT LOAN MKTG ASSOCIATION	2.050%	04/25/05	14,500,000	14,543,355
STUDENT LOAN MKTG ASSOCIATION	2.125%	04/25/05	14,000,000	14,009,660
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISC	6.375%	08/15/07	18,150,000	12,863,690
U S TREASURY NOTE	5.500%	02/15/08	10,730,000	12,228,874
U S TREASURY NOTE	3.250%	08/15/07	11,400,000	11,898,750
U S TREASURY BONDS	6.125%	08/15/29	9,700,000	11,852,236
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISC	5.500%	08/01/17	11,328,520	11,768,135
U S TREASURY BONDS	0.000%	08/15/13	7,950,000	11,552,384
SMALL BUSINESS ADMINISTRATION	6.340%	08/01/21	9,418,759	10,534,316
U S TREASURY NOTE	2.250%	07/31/04	10,230,000	10,361,046
FEDERAL HOME LOAN MORTGAGE CORPORATION	6.500%	03/01/32	8,849,920	9,209,652
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISC	0.000%	03/26/04	9,050,000	8,983,935
FEDERAL NATIONAL MORTGAGE ASSOCIATION DISC	3.875%	09/01/33	8,000,000	8,102,500
U S TREASURY STRIP	0.000%	08/15/14	12,000,000	7,615,920
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	5.500%	05/15/33	6,999,306	7,303,336
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION POOL	0.000%	06/15/33	7,000,000	7,190,316
CORPORATE BONDS				
ALTER BARGE	6.000%	03/01/26	$9,388,000	$10,498,507
CANAL BARGE INC	5.875%	11/14/26	9,400,000	10,458,534
REINAUER MARITIME CO LLC	5.875%	11/30/26	9,400,000	10,416,140
ALLIED WASTE NORTH	10.000%	08/01/09	7,725,000	8,207,813
PECO ENERGY	7.625%	03/01/10	5,000,000	6,092,100
ECHOSTAR DBS CORP	9.375%	02/01/09	5,600,000	5,971,000
DIRECTV HOLDINGS/FINANCE	8.375%	03/15/13	5,340,000	5,954,100
ILLINOIS POWER	5.650%	12/25/10	5,000,000	5,621,750
PUBLIC SVC NEW HAMPSHIRE	5.730%	11/01/10	5,000,000	5,512,550
CITGO PETROLEUM	11.375%	02/01/11	4,700,000	5,240,500
FARMERS EXCHANGE CAPITAL	7.050%	07/15/28	5,560,000	4,997,161
CONSUMERS FNDG LLC	3.800%	04/20/08	4,821,144	4,971,660
GENERAL AMERICAN TRANS MTN BE	6.670%	11/14/03	5,000,000	4,962,800
ARGOSY GAMING CO	10.750%	06/01/09	4,365,000	4,779,675
AMERICAN TOWER SYS CORP	9.375%	02/01/09	4,735,000	4,758,675
CSX TRANSN INC	6.400%	04/15/13	4,000,000	4,604,760
BURLINGTON NORTHN SANTA FE CP	6.727%	07/15/22	3,905,245	4,539,652
HOUGHTON MIFFLIN	9.875%	02/01/13	4,030,000	4,372,550
GEORGIA PACIFIC CP	9.375%	02/01/13	3,890,000	4,288,725

LIST OF LARGEST ASSETS HELD
AT JUNE 30, 2003

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE) [continued]

CORPORATE BONDS (continued)				
NEXTEL COMM STEP UP	0.000%	10/31/07	4,140,000	4,284,900
RELIANT ENERGY LSE	3.840%	09/15/07	4,153,421	4,283,340
CONTINENTAL AIRLINES	7.256%	03/15/20	4,144,994	4,101,098
CROWN CASTLE INTERNATIONAL	10.750%	08/01/11	3,745,000	4,082,050
ALBRITTON COMMUNICATIONS CORP	7.750%	12/15/12	3,950,000	4,078,375
CENTRAL GARDEN & PET CO	9.125%	02/01/13	3,820,000	4,068,300
MISCELLANEOUS BONDS				
CSFB MORTGAGE SEC	6.500%	03/25/32	$13,117,938	$13,440,508
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	6.500%	07/15/28	12,470,456	13,280,537
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	6.250%	08/15/27	12,000,000	12,461,400
FEDERAL HOME LOAN MORTGAGE CORPORATION SERIES C	6.500%	06/15/27	12,000,000	12,195,240
SMALL BUSINESS ASSOCIATION	5.780%	12/01/21	9,364,453	10,218,959
WASHINGTON MUTUAL	6.750%	12/26/31	9,606,565	10,058,939
SMALL BUSINESS ASSOCIATION	5.760%	10/01/21	9,218,688	10,054,178
SMALL BUSINESS ASSOCIATION	5.340%	11/01/21	9,207,107	9,886,132
MASTR ASSET SECURITIZATION TR	5.500%	07/25/33	9,686,000	9,825,992
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	6.250%	10/15/26	9,658,251	9,747,107
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	6.000%	02/15/29	9,130,000	9,519,486
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION REMIC TRUST	5.481%	11/16/15	8,590,813	9,160,813
BA MORTGAGE SECS INC	7.250%	09/25/29	8,862,387	8,917,599
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	4.691%	06/16/16	8,251,029	8,804,838
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	0.000%	01/15/32	7,000,000	8,711,500
SMALL BUS ADMIN GTD DEV PTC	5.950%	02/01/19	7,761,580	8,520,740
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION REMIC TRUST	0.000%	11/16/18	8,104,313	8,324,146
COUNTRYWIDE FUNDING CO	6.750%	05/25/24	7,594,297	7,582,677
CHASE MORTGAGE FIN CO	7.250%	02/25/30	7,228,977	7,252,616
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	7.500%	02/20/27	6,375,555	6,784,993
PP&L TRANSITION BOND	7.150%	06/25/09	5,000,000	5,974,450
RESIDENTIAL FDG MORTGAGE SECS	6.750%	05/25/28	5,251,020	5,256,324
FEDERAL NATIONAL MORTGAGE ASSOCIATION	8.000%	07/25/22	4,704,086	5,185,737
FEDERAL HOME LOAN MORTGAGE CORPORATION REMIC SERIES	6.000%	07/15/14	5,000,000	5,149,750
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	2.866%	02/16/20	4,535,893	4,586,650

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD AT JUNE 30, 2003

LARGEST INTERNATIONAL BOND HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
ITALY	ITALY (REPUBLIC OF)	4.000%	07/15/05	$ 24,580,000	$29,237,105
GERMANY	BUNDESOBLIGATION	4.500%	08/17/07	23,690,000	28,956,529
SWEDEN	SWEDISH GOVERNMENT	5.000%	01/28/09	201,500,000	26,733,339
NEW ZEALAND	NEW ZEALAND GOVERNMENT BOND	6.000%	11/15/11	40,040,000	24,552,508
GERMANY	GERMANY (FED REPUBLIC)	4.750%	07/04/28	18,770,000	21,658,106
GERMANY	DEUTSCHLAND REPUBLIC	5.500%	01/04/31	15,400,000	19,736,107
GERMANY	GERMANY (FED REPUBLIC)	4.500%	07/04/09	12,770,000	15,642,630
GERMANY	GERMANY (FED REPUBLIC)	4.000%	07/04/09	12,540,000	14,986,481
ITALY	ITALY (REPUBLIC OF)	5.500%	11/01/10	11,250,000	14,564,888
SWEDEN	SWEDISH (GOVERNMENT OF)	4.000%	12/01/08	92,000,000	14,358,065
HUNGARY	HUNGARY (REPUBLIC OF)	6.750%	02/12/13	3,272,600,000	14,166,055
CANADA	CANADA GOVERNMENT	6.000%	06/01/11	17,170,000	14,024,495
AUSTRALIA	NEW SOUTH WALES TR	7.000%	12/01/10	16,850,000	12,559,894
AUSTRALIA	QUEENSLAND TREAS	8.000%	09/14/07	16,200,000	12,151,982
SWITZERLAND	UBS AG	0.000%	03/13/06	1,210,100,000	11,698,215
GERMANY	BUNDESREPUBLIK	5.250%	07/04/10	9,090,000	11,580,535
GERMANY	GERMANY (REPUBLIC OF)	4.750%	07/04/08	8,170,000	10,158,905
GERMANY	BUNDESREPUBLIK	6.250%	01/04/30	7,060,000	9,940,476
GERMANY	BUNDESOBLIGATION	3.000%	04/11/08	7,890,000	9,068,684
GERMANY	BUNDESREPUBLIK	4.500%	01/04/13	7,390,000	8,929,339
GERMANY	GERMANY (REPUBLIC OF)	6.500%	07/15/03	5,750,000	6,627,941
JAPAN	DEVEL BK JAPAN	1.050%	06/20/23	800,000,000	6,496,584
FRANCE	FRANCE (GOVERNMENT OF)	5.000%	04/25/12	4,810,000	6,048,334
SINGAPORE	FLEXTRONICS INTERN	9.875%	07/01/10	5,220,000	5,715,900
GERMANY	GERMANY (REPUBLIC OF)	5.000%	07/04/11	4,280,000	5,371,564

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD
AT JUNE 30, 2003

LARGEST DOMESTIC COMMON STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
MICROSOFT CORP	838,200	$45,849,540
EXXON MOBIL CORP	1,065,094	43,583,646
FEDERAL NATIONAL MORTGAGE ASSOC	582,220	42,938,725
CITIGROUP INC	1,104,704	42,807,280
CHEVRONTEXACO CORP	384,495	34,027,808
PFIZER INC	893,725	31,280,375
PRAXAIR INC	539,700	30,746,709
CONAGRA FOODS INC	1,094,877	30,273,349
JP MORGAN CHASE & CO	883,330	29,962,554
AMERICAN INTERNATIONAL GROUP	433,766	29,595,854
KIMBERLY CLARK CORP	461,700	28,625,400
JOHNSON & JOHNSON	525,018	27,437,441
BANK OF AMERICA CORP	385,913	27,152,839
VIACOM INC 'B'	562,003	24,936,073
SBC COMMUNICATIONS INC	800,190	24,405,795
VERIZON COMMUNICATIONS	606,974	24,370,006
FREDDIE MAC	395,700	24,216,840
PHILIPS PETRO	396,360	23,337,677
UNITED TECHNOLOGIES CORP	343,600	23,330,440
PHILIP MORRIS COS INC NEW	531,600	23,220,288
FRANKLIN RESOURCES	543,800	23,187,632
DELL COMPUTER A2	880,500	23,016,270
MERCK & CO	453,300	22,955,112
FLEET BOSTON FIN CORP	708,758	22,928,321
GENERAL ELECTRIC CO AMER	782,200	22,722,910

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD
AT JUNE 30, 2003

LARGEST INTERNATIONAL COMMON STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	SHARES	FAIR VALUE
FRANCE	NESTLE SA	122,813	$25,341,431
FRANCE	UBS AG	403,557	22,448,800
UNITED KINGDOM	HSBC HLDGS	1,597,551	18,875,044
FRANCE	WORLD INVEST EMG MKTS FD	1,534,498	17,690,409
FRANCE	CREDIT SUISSE	650,776	17,127,582
GERMANY	MUENCHNER RUECKVER	161,969	16,512,910
NETHERLANDS	ROYAL DUTCH PETROL	353,826	16,423,383
FINLAND	NOKIA AB (OY)	893,979	14,721,533
JAPAN	NIPPON TEL & TEL	3,712	14,560,450
ITALY	ENI	939,721	14,212,199
BELGIUM	FORTIS FORTIS	792,780	13,697,219
UNITED KINGDOM	HBOS	973,066	12,596,661
GERMANY	ALLIANZ AG	142,056	11,807,413
JAPAN	HONDA MOTOR CO	309,300	11,720,260
UNITED KINGDOM	ASTRAZENECA GROUP	286,608	11,492,507
UNITED KINGDOM	LLOYDS TSB GROUP	1,598,620	11,349,751
FRANCE	NOVARTIS AG	282,670	11,185,348
BERMUDA	ACCENTURE	613,900	11,105,451
UNITED KINGDOM	COMPASS GROUP	2,043,675	11,019,138
NETHERLANDS	PHILIPS ELECTRONICS	579,082	11,012,273
GERMANY	DEUTSCHE TELEKOM	702,356	10,719,113
UNITED KINGDOM	VODAFONE GROUP	5,451,759	10,660,442
FRANCE	ZURICH FIN SERVS	87,742	10,461,285
GERMANY	DEUTSCHE BANK AG	160,079	10,382,588
UNITED KINGDOM	DIAGEO	900,550	9,614,624

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS
AT JUNE 30, 2003

LARGEST DOMESTIC PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
CSC HOLDINGS INC	44,450	$4,556,125
PACIFIC & ATLANTIC HOLDINGS INC	74,661	2,613,135
HERCULES TR II	1,280	755,200
MCLEODUSA INC	2,629	19,034
NTL EUROPE INC SERIES A	2,493	4,986
WEIRTON STEEL CORP ZERO CPN	4,500	45
ZIFF DAVIS SERA	40,000	0
ERMIS MARITIME HOLDINGS INC	11,754	0
ZIFF DAVIS SERA SERIES E 1	239	0
XO COMMUNICATIONS INC	3	0

LARGEST INTERNATIONAL PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPITON	SHARES	FAIR VALUE
GERMANY	HENKEL KGAA	113,500	$7,026,544
KOREA	SAMSUNG ELECTRONIC	20,200	2,883,401
BRAZIL	BANCO BRADESCO	148,443,000	551,034
BRAZIL	BANCO ITAU HOLDING	6,971,700	462,966
CANADA	SHAW COMMUNICATION	12,580	311,355

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD AT JUNE 30, 2003

LARGEST DOMESTIC SHORT-TERM INVESTMENT HOLDINGS (BY FAIR VALUE)

DESCRIPTION	PAR VALUE	FAIR VALUE
PYRAMID DIRECTED ACCOUNT CASH	$347,040,034	$347,040,034
DREYFUS CASH MANAGEMENT PLUS	40,659,000	40,659,000
FEDERATED PRIME OBLIGATION FUND	38,671,000	38,671,000
ONE SWEEP REPURCHASE AGREEMENT	7,710,000	7,710,000

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD AT JUNE 30, 2003

LARGEST ALTERNATIVE INVESTMENTS HOLDINGS (BY FAIR VALUE)

DESCRIPTION	FAIR VALUE
PRIVATE EQUITY INVESTMENTS	
APOLLO INVESTMENT FUND IV, L.P.	$188,846,682
HICKS, MUSE, TATE & FURST EQUITY FUND IV, L.P.	165,019,864
HICKS, MUSE, TATE & FURST EQUITY FUND V, L.P.	160,846,542
DOUGHTY HANSON & CO. III LIMITED PARTNERSHIP NUMBER 3	148,698,841
WARBURG PINCUS EQUITY PARTNERS, L.P.	144,331,575
HICKS, MUSE, TATE & FURST EQUITY FUND III, L.P.	133,638,801
DLJ MERCHANT BANKING PARTNERS III, L.P.	103,622,825
HEARTLAND INDUSTRIAL PARTNERS, L.P.	94,044,187
CARLYLE PARTNERS III, L.P.	60,623,241
APOLLO INVESTMENT FUND III, L.P.	53,638,429
DEUTSCHE EUROPEAN PARTNERS IV L.P.	45,859,211
SECOND CINVEN FUND US LIMITED PARTNERSHIP	37,904,075
APOLLO INVESTMENT FUND V, L.P.	36,174,437
COMPASS PARTNERS EUROPEAN EQUITY FUND, L.P.	33,462,476
CREDIT SUISSE FIRST BOSTON EQUITY PARTNERS, L.P.	31,196,067
WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.	24,157,574
PHAROS CAPITAL PARTNERS, L.P.	20,089,913
BRERA CAPITAL PARTNERS LIMITED PARTNERSHIP	18,039,132
SPECIAL PRIVATE EQUITY FUND	16,799,850
BEAR STEARNS MERCHANT BANKING PARTNERS II	14,856,429
HORSLEY BRIDGE FUND VII, L.P.	9,517,145
REAL ESTATE INVESTMENT TRUSTS	
OLYMPUS REAL ESTATE FUND II, L.P.	$78,069,042
WESTBROOK REAL ESTATE FUND III, L.P.	70,763,016
WESTBROOK REAL ESTATE FUND IV, L.P.	65,493,970
OLYMPUS REAL ESTATE FUND III, L.P.	48,760,765
OLYMPUS CO-INVESTMENT (APARTMENT REIT)	44,922,756
DLJ REAL ESTATE CAPITAL PARTNERS II, L.P.	39,399,772
ING REALTY PARTNERS, L.P.	33,189,000
DOUGHTY HANSON & CO EUROPEAN REAL ESTATE NUMBER ONE	23,721,395
STARWOOD GLOBAL OPPORTUNITY FUND VI	21,771,100
ING REALTY PARTNERS II, L.P.	15,916,000
WESTBROOK SHP, L.L.C.	9,690,507
MEZZANINE FINANCING INVESTMENTS	
TCW/CRESCENT MEZZANINE PARTNERS III, L.P.	$56,458,301
PRUDENTIAL CAPITAL PARTNERS, L.P.	45,735,773
GLEACHERS MEZZANINE FUND, L.P.	44,097,367
STARWOOD OPPORTUNITY FUND IV, L.P.	40,878,041
BLACKSTONE MEZZANINE PARTNERS	33,728,942
DLJ REAL ESTATE MEZZANINE CAPITAL PARTNERS, L.P.	30,283,596
DLJ INVESTMENT PARTNERS II, L.P.	27,000,473
PENINSULA FUND III, L.P.	18,339,443
THE 1818 MEZZANINE FUND II, L.P.	17,936,817
AUDAX MEZZANINE FUND, L.P.	10,955,870

A complete list of portfolio holdings is available upon request.

NET EARNINGS ON INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

	2003		2002	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	$ 106,991,750		$ 60,354,475	
Common and preferred stocks	342,449,133		(632,578,315)	
Alternative investments	38,149,218	$487,590,101	(273,916,077)	$(846,139,917)
Net appreciation (depreciation) in international investments:				
Bonds	17,334,488		72,916,785	
Common and preferred stocks	(1,698,756)		19,552,252	
Short-term investments	0	15,635,732	10,737	92,479,774
Domestic interest income:				
Bonds	112,855,438		126,690,338	
Short-term investments	7,318,607	120,174,045	15,037,842	141,728,180
International interest income:				
Bonds	30,524,875		30,864,045	
Short-term investments	220,389	30,745,264	1,139,966	32,004,011
Domestic common and preferred dividends		59,353,555		64,226,682
International common and preferred dividends		28,041,533		23,023,499
Securities lending income:				
Fixed	10,328,175		11,509,543	
Equity	3,271,443		4,623,007	
International	3,003,165	16,602,783	4,827,454	20,960,004
Gain (loss) on sale of domestic securities, net:				
Bonds	(42,815,863)		(111,548,264)	
Common and preferred stocks	(497,886,993)		(164,866,491)	
Alternative investments	43,754,753	(496,948,103)	(18,453,485)	(294,868,240)
Gain (loss) on sale of international securities, net:				
Bonds	5,590,769		(10,657,367)	
Short-term investments	(40)		0	
Common and preferred stocks	(152,184,291)	(146,593,562)	(185,087,643)	(195,745,010)
Gain (loss) on international exchange transactions, net		127,127,210		(43,217,155)
Alternative investments		44,050,485		137,200,613
Commission rebate income		1,026,354		1,649,282
Gross earnings (loss)		**286,805,397**		**(866,698,277)**
Charges against earnings:				
Securities lending expenses:				
Fixed	9,749,608		11,104,163	
Equity	249,933		249,706	
International	824,609	10,824,150	2,677,010	14,030,879
International tax expense		2,530,171		2,618,482
Alternative investments expense		31,682,592		41,418,046
Custodian fees		800,000		800,000
Performance consultant fees		279,786		252,000
Trade cost analysis fees		40,000		40,000
Advisor fees		19,283,122		22,812,775
Total charges		**65,439,821**		**81,972,182**
Net income (loss) on investments		**$221,365,576**		**$(948,670,459)**

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank
Comparative Rates of Return on Total Fund[1] - Year Ended June 30, 2003		
Teachers' Retirement System of Louisiana	2.7%	76
Comparison indices:		
Median Large Fund Return	4.0%	50
Comparative Rates of Return on Domestic Equities[1] - Year Ended June 30, 2003		
Teachers' Retirement System of Louisiana	(2.7%)	74
Comparison indices:		
Median Equity Only Large Fund Return	(0.1%)	50
Standard and Poor's 500 Index	0.3%	43
Comparative Rates of Return on Domestic Bonds[1] - Year Ended June 30, 2003		
Teachers' Retirement System of Louisiana	11.3%	56
Comparison indices:		
Median Bond only Public Fund Return	11.9%	50
Lehman Brothers Aggregate Bond Index	10.4%	58
Comparative Rates of Return on International Equities[2] – Year Ended June 30, 2003		
Teachers' Retirement System of Louisiana	(5.6%)	47
Comparison indices:		
Median International Equity Only Return	(6.0%)	50
E.A.F.E. Index (after tax)	(6.5%)	53
Comparative Rates of Return on International Bonds[3] – Year Ended June 30, 2003		
Teachers' Retirement System of Louisiana	25.7%	31
Comparison indices:		
Median International Bond Only Return	23.8%	50
Salomon Brothers Non-US Government Bond Index	17.9%	84

The performance for the past five years as compared to other public plans in the universe of plans maintained by Holbein Associates, the System's investment performance consultant, is as follows:

Three-year period ending June 30, 2003	(3.1%)	70
Five-year period ending June 30, 2003	2.6%	63
Ten-year period ending June 30, 2003	7.9%	65

[1] The large fund universe consists of 105 pension plans with assets greater than $1 billion. The average fund has assets of $1.4billion.

[2] The universe for international equity assets consists of all portfolios that have an international equity mandate.

[3] The universe for international bond assets consists of all portfolios that have an international bond mandate.

RATES OF RETURN

	ANNUAL YEARS ENDING JUNE 30					ANNUALIZED	
	1999	2000	2001	2002	2003	3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	9.5%	14.3%	(4.1%)	(7.6%)	2.7%	(3.1%)	2.6%
Median Large Fund Return[1]	10.9%	10.7%	(4.7%)	(5.6%)	4.0%	(2.2%)	3.2%
Inflation (CPI)	2.0%	3.7%	3.1%	1.0%	2.2%	2.1%	2.4%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	15.2%	15.2%	1.4%	(14.2%)	(2.7%)	(5.4%)	2.4%
Median Equity Large Fund Return[1]	17.1%	8.6%	(12.9%)	(16.9%)	(0.1%)	(10.2%)	(0.5%)
Standard & Poor's 500 Index	22.8%	7.3%	(14.8%)	(18.0%)	0.3%	(11.2%)	(1.6%)
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	2.5%	3.4%	5.6%	4.3%	11.3%	7.0%	5.4%
Median Bond Large Fund Return[1]	3.2%	4.7%	11.2%	8.1%	11.9%	10.2%	7.6%
Lehman Brothers Aggregate Index	3.1%	4.6%	11.2%	8.6%	10.4%	10.1%	7.5%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	6.1%	34.1%	(24.6%)	(9.7%)	(5.6%)	(13.7%)	(1.8%)
Median International Equity Only[2]	7.8%	21.2%	(20.9%)	(8.0%)	(6.0%)	(11.1%)	0.7%
E.A.F.E. Index (after tax)	7.6%	17.2%	(23.5%)	(9.5%)	(6.5%)	(13.5%)	(4.0%)
INTERNATIONAL BONDS							
Teachers' Retirement System of Louisiana	6.7%	(1.4%)	(9.4%)	25.5%	25.7%	12.6%	8.5%
Median International Bond Only Return[3]	4.1%	2.5%	(2.2%)	13.5%	23.8%	10.3%	N/A
Citibank World Government Bond Bond ex-us index	4.9%	2.4%	(7.4%)	15.7%	17.9%	8.1%	6.3%

[1] The large fund universe consists of 105 pension plans with assets greater than $1 billion. The average fund has assets of $1.4 billion.

[2] The universe for international equity assets consists of all portfolios that have an international equity mandate.

[3] The universe for international bond assets consists of all portfolios that have an international bond mandate.

SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED JUNE 30, 2003

		COMMISSION	
	SHARES TRADED	DOLLAR AMOUNT	PER SHARE
Institutional brokers	56,919,549	$2,637,037	$0.046
Bear Stearns			
A. G. Edwards & Sons			
Merrill Lynch			
Morgan Keegan			
UBS Financial Services			
Raymond James			
Smith Barney			
Small/medium Louisiana brokers	16,482,688	766,003	0.046
A. G. Edwards & Sons			
Legg Mason			
Prudential Securities			
Sisk Investment			
Sisung Securities			
Small/medium out-of-state brokers	9,008,635	295,280	0.033
Abel Noser			
Concord			
First Southwest			
Specialty brokers	17,156,340	733,281	0.043
Cantor Fitzgerald			
Dain Rauscher Pierce			
Jefferies & Company			
Goldman Sachs			
Recapture brokers	29,829,210	1,309,368	0.044
Abel Noser			
Capital Institutional Services			
Donaldson & Company			
Lynch, Jones & Ryan			
State Street Brokerage			
Minority brokers	20,176,434	947,902	0.047
Francis Financial			
GRW			
Jackson Partners			
Magna Securities			
Pacific American			
Williams Capital			
External Managers	93,518,940	3,531,858	0.038
Subtotal	243,091,796	10,220,729	0.042
Rebate to Teachers' Retirement System of Louisiana		(779,985)	
Total	243,091,796	$ 9,440,744	$0.039

Actuarial Section

Hall Actuarial Associates

Charles G. Hall
F.C.A., M.A.A.A., A.S.A.
Enrolled Actuary

1433 Hideaway Court
Baton Rouge, La. 70806
(225) 924-6209

September 11, 2003

Board of Directors
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123

Ladies and Gentlemen:

Pursuant to your request, I have completed the annual valuation of the Teachers' Retirement System of Louisiana as of June 30, 2003. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The 2003 legislative session produced no bills which would affect funding or benefits. Notable changes in recent prior legislative sessions include the following Acts: Act 1031 of 1992 established the Experience Account which provides for the pre-funding of retiree COLA's by accumulating 50% of the excess investment income. The Texaco Settlement Fund was established July 1, 1995 to dedicate allocated assets to reduce the initial unfunded actuarial liability established by Act 81. Act 981 of 1997 eliminates the current twenty year retirement for new members hired after July 1, 1999. Act 402 of 1999 establishes that the Board shall grant a COLA not to exceed the lesser of the CPI-U or 3% from the Experience Account. Act 1172 of 2001 increases the permissible retiree COLA formula to 3%, provides a minimum one time COLA to retirees equal to $200 per month, not to exceed a benefit of $1000 per month. Survivors and beneficiaries minimum benefit is increased to $600 and $300 per month.

The funding objective of the Retirement System was established by Constitutional Amendment Number 3 during the 1987 Legislative Session and requires the following:

a) fully fund all current normal costs determined in accordance with the prescribed statutory funding method; and

b) liquidate the unfunded liability as of June 30, 1988 over a forty year period with subsequent changes in unfunded liabilities amortized over period(s) specified by statute.

On the basis of the current valuation, the total contribution rate payable by the employers for the year commencing July 1, 2002 should be set equal to 14.7% of payroll.

When compared to the prior year's employer's rate of 14.0%, the current employer's rate of 14.7% reflects a significant increase to the employer's rate from the prior year. The current contribution rate, together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

Hall Actuarial Associates

Board of Trustees
TEACHERS' RETIREMENT SYSTEM
September 11, 2003

The methodology for determining the actuarial value of assets approved by the Board of Trustees is consistent with the prior plan year. The current method values all assets on a basis which reflects a four-year moving weighted average of the relationship between market value and cost value. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending on June 30, 2003 were in the amount of $10,738,114,209. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of $-1,088,630,751, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $-180,974, and the side-fund assets from the Texaco Settlement Fund of $162,031,438 yields assets for funding purposes of $11,664,894,495.

In performing the June 30, 2003 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Teachers' Retirement System of Louisiana. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents or compared with data for the same participant utilized in prior valuations. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the June 30, 2003 actuarial valuation and supporting statistical schedules of this certification, which have been reformatted and comprises all the schedules of the Actuarial Section in the annual Financial Statement, have been prepared in accordance with the actuarial methods specified in Louisiana Revised Statutes Title II Section 22(13) and assumptions which are appropriate for the purposes of this valuation. The funding method prescribed is the Projected Unit Credit Cost Method. The actuarial assumptions and methods used for funding purposes comply and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. The same actuarial assumptions and methods were employed in the development of the Trend Data Schedule, the Schedule of Funding Progress and the Schedule of Employer Contributions which were prepared for the Financial Section of this report. The System is required to conduct an experience study every five years. The most recent study covers the five year observation period of 1997-2001.

Excluding the statutory requirement to recognize negative Experience Account balances in the assets for funding purposes, I certify to the best of my knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principals and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents my best estimate of the funding requirement to achieve the Retirement System's Funding Objective.

The actuary trend data schedules in the Financial Section was obtained from information received from this firm and all supporting schedules in the Actuarial Section were prepared by this firm.

Respectfully submitted,

Charles G. Hall

Charles G. Hall, FCA,MAAA,ASA
Consulting Actuary

Summary of Assumptions

The following assumptions were adopted by the Board of Trustees of the Teachers' Retirement System of Louisiana (TRSL) based on the 1997-2001 actuarial experience study with supplemental revision in 1990 and other Board action.

I. General Actuarial Method

Actuarial Funding Method (Projected Unit Credit): The unfunded accrued liability on June 30, 1988 is amortized over a forty-year period commencing in 1989. The amortization payment reflects a 4 percent increase for the first five years, reducing by .5 percent at the end of each quinquennial period. Changes in unfunded accrued liabilities occurring after June 30, 1988 are amortized as a level dollar amount as follows:

	ACT 81 Effective 6/30/88	AS AMENDED ACT 257 Effective 6/30/92
Experience Gains/(Losses)	15 years	Later of 2029 or 15 years
Actuarial Assumptions	30 years	Later of 2029 or 30 years
Actuarial Methods	30 years	Later of 2029 or 30 years
Benefit Changes	determined by enabling statute	

Employer contribution requirements for normal costs and amortization of the unfunded accrued liabilities are determined as a percentage of payroll. Discrepancy between dollars generated by percentage of payroll versus the required dollar amount are treated as a short-fall credit/(debit) and applied to the following year's contribution requirement.

Asset Valuation Method: Assets are valued on a basis which reflects a four-year moving weighted average value between market value and cost value. Prior to July 1, 1997, fixed income securities were valued at amortized cost.

Valuation Data: The administrative staff of TRSL furnishes the actuary with demographic data relating to the active life membership and retired life members. Retired life members included inactive members who are entitled to a deferred reciprocal or vested benefit. The book value and market value of System assets are provided by the administrative staff of TRSL. All data is reviewed for reasonableness and consistency from year to year, but is not audited by the actuary.

II.Economic Assumptions

Investment Return: 8.25 percent per annum, compounded annually.

Employee Salary Increases: Incorporated in the following salary scales is an explicit 4.5 percent portion attributable to the effects on salaries, based upon years of service:

Regular Teachers - range	3.20% - 7.80%
School Lunch - range	2.50% - 6.50%
University – range	3.50% - 9.00%

		Teachers	School Lunch A	School Lunch B	University
Duration	1 yr.	7.80%	7.80%	6.50%	9.00%
	5 yr.	6.80%	6.50%	6.00%	6.50%
	10 yr.	6.50%	4.00%	5.20%	6.20%
	15 yr.	5.80%	6.00%	4.00%	6.20%
	20 yr.	5.50%	4.50%	3.20%	5.50%
	25 yr.	5.20%	4.00%	3.20%	4.50%
	30 yr.	3.80%	3.20%	2.50%	4.50%

The active member population is assumed to remain constant.

III. Decrement Assumptions

Mortality Assumption: Pre-retirement deaths and post-retirement life expectancies are projected in accordance with the experience of the 1983 Sex Distinct Graduated Group Annuity Mortality Table, with female ages set at attained age plus one.

Disability Assumption: Rates of total and permanent disability were projected by age in accordance with the 1997-2001 disability experience of the Retirement System. Rates were projected separately for School Lunch Employees. Mortality after disability are based on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

	Teachers	School Lunch A	School Lunch B	University
Age 25	.01%	.00%	.00%	.01%
30	.03%	.00%	.00%	.01%
35	.06%	.01%	.05%	.01%
40	.10%	.01%	.13%	.05%
45	.18%	.70%	.40%	.10%
50	.24%	2.00%	.80%	.05%
55	.47%	2.00%	3.00%	2.00%

Termination Assumptions: Voluntary withdrawal rates are derived from the 1997-2001 termination experience study.

	Teachers	School Lunch A	School Lunch B	University
Age 25	7.0%	0.0%	16.0%	14.0%
30	8.0%	1.0%	9.0%	12.0%
35	6.0%	1.0%	4.0%	14.0%
40	3.0%	1.0%	4.0%	9.0%
45	2.0%	1.0%	3.0%	4.0%
50	2.0%	1.0%	2.0%	2.0%

Furthermore, for members terminating with ten (10) or more years of service, it is assumed that 80 percent will not withdraw their accumulated employee contributions.

Retirement Assumptions: Retirement rates were projected based upon the 1997-2001 experience study.

	Teachers		School Lunch A		School Lunch B		UNIVERSITY	
Age 50 yr.	3%	0%	1%	0%	0%	0%	3%	0%
51 yr.	3%	5%	1%	0%	0%	0%	3%	5%
52 yr.	3%	15%	3%	0%	0%	0%	4%	10%
53 yr.	5%	15%	3%	0%	0%	50%	5%	10%
54 yr.	10%	35%	3%	0%	0%	50%	9%	10%
Age 55 yr.	23%	55%	10%	10%	50%	12%	15%	20%
56 yr.	23%	10%	10%	37%	33%	12%	18%	5%
57 yr.	40%	10%	15%	15%	33%	12%	24%	5%
58 yr.	40%	10%	20%	15%	33%	12%	34%	5%
59 yr.	26%	15%	35%	25%	33%	12%	20%	6%
Age 60 yr.	26%	20%	35%	52%	33%	2%	20%	9%
61 yr.	26%	7%	30%	52%	33%	2%	20%	2%
62 yr.	33%	5%	40%	25%	55%	2%	20%	2%
63 yr.	33%	5%	50%	15%	55%	2%	20%	2%
64 yr.	33%	5%	50%	15%	40%	2%	20%	2%
Age 65 yr.	33%	5%	40%	15%	40%	2%	30%	2%
66 yr.	40%	5%	40%	15%	40%	2%	30%	2%
67 yr.	40%	5%	32%	15%	40%	2%	30%	2%
68 yr.	36%	5%	32%	15%	40%	2%	30%	2%
69 yr.	36%	5%	32%	15%	25%	2%	30%	5%
70 yr.	36%	5%	32%	15%	25%	2%	30%	2%

SUMMARY OF UNFUNDED ACTUARIAL LIABILITIES/SALARY TEST
(in millions of dollars)

VALUATION DATE	(1) ACTIVE MEMBER CONTRIBUTION	(2) RETIREES TERM. VESTED INACTIVE	(3) ACTIVE MEMBERS EMPLOYER FIN. PORTION	ACTUARIAL VALUATION ASSETS	PORTION OF ACTUARIAL ACCRUED LIABILITIES COVERED BY ASSETS		
					(1)	(2)	(3)
1994	1,481.7	4,552.1	3,428.6	5,699.6	100%	93%	0%
1995	1,489.5	5,119.8	3,496.0	6,275.3	100%	93%	0%
1996	1,495.4	5,917.2	3,820.2	7,056.6	100%	94%	0%
1997	1,572.6	6,408.6	4,095.4	7,752.6	100%	97%	0%
1998	1,641.6	7,218.8	4,324.6	9,071.7	100%	100%	5%
1999	1,684.3	7,929.4	4,299.5	10,092.1	100%	100%	11%
2000	1,714.8	8,659.1	4,222.5	11,368.7	100%	100%	41%
2001	1,764.2	9,063.2	4,216.8	12,062.1	100%	100%	29%
2002	1,774.2	9,958.0	4,531.0	12,019.5	100%	100%	2%
2003	1,770.1	10,776.8	4,626.4	11,826.9	100%	93%	0%

SUMMARY OF ACTUARIAL AND UNFUNDED ACTUARIAL LIABILITIES
(in millions of dollars)

VALUATION DATE	ACTUARIAL ACCRUED LIABILITIES	ACTUARIAL VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED AAL	ACTIVE MEMBER PAYROLL	UNFUNDED AAL AS A % OF ACTIVE PAYROLL
1994	$ 9,928.5	$ 5,699.6	57.4	$ 4,228.8	$ 2,198.3	192.4%
1995	10,570.3	6,275.3	59.4	4,294.9	2,199.1	195.3%
1996	11,232.8	7,056.6	62.8	4,176.1	2,254.3	185.3%
1997	12,077.6	7,752.6	64.2	4,325.1	2,337.5	185.0%
1998	13,185.2	9,071.7	68.8	4,113.4	2,485.1	165.5%
1999	13,913.4	10,092.1	72.5	3,821.3	2,569.5	148.7%
2000	14,596.4	11,368.7	77.9	3,227.7	2,563.6	125.9%
2001	15,390.4	12,062.1	78.4	3,328.3	2,582.8	128.9%
2002	16,263.2	12,019.5	73.9	4,517.2	2,777.7	162.6%
2003	17,173.3	11,826.9	68.9	5,346.4	2,977.9	179.5%

NOTE: Information on this page was provided by Hall Actuarial Associates.

ACTUARIAL VALUATION BALANCE SHEET
AS OF JUNE 30, 2003 AND 2002

	2003	2002
ASSETS		
PRESENT ASSETS CREDITABLE TO:		
Members' Savings Account	$ 1,669,410,222	$ 1,836,215,941
Annuity Reserve Account	10,157,515,714	10,183,336,873
TOTAL PRESENT ASSETS	11,826,925,936	12,019,552,814
PRESENT VALUE OF PROSPECTIVE CONTRIBUTIONS PAYABLE TO:		
Members' Savings Account	2,273,689,838	2,269,339,239
Annuity Reserve Account		
Normal	1,849,146,858	1,929,476,315
Accrued Liability	3,826,069,274	4,582,606,469
TOTAL PROSPECTIVE CONTRIBUTIONS	7,948,905,970	8,781,422,023
TOTAL ASSETS	$ 19,775,831,906	$ 20,800,974,837
LIABILITIES		
PRESENT VALUE OF PROSPECTIVE BENEFITS PAYABLE ON ACCOUNT OF:		
Current Retiree Members	$ 10,186,811,854	$ 9,870,025,101
Current Active Members	8,999,080,101	10,842,986,694
Deferred Vested & Reciprocal Members	589,939,951	87,963,042
TOTAL LIABILITIES	$19,775,831,906	$ 20,800,974,837

NOTE: Information on this page was provided by Hall Actuarial Associates.

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(in thousands of dollars)

	FISCAL YEAR ENDED			
	2003	2002	2001	2000
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	$4,517,175	$3,618,734	$3,518,048	$4,068,119
Interest on Unfunded Liability	372,667	298,545	290,238	335,619
Investment Experience (gains) decreases UAL	1,598,190	1,639,264	898,529	(916,367)
Plan Experience (gains) decreases UAL	428,616	5,169	(393,754)	(158,160)
Employer Amortization Payments (payments) decreases UAL	(258,894)	(204,299)	(206,753)	(236,736)
Employer Contribution Variance (excess contributions) decreases UAL	9,704	(20,606)	(41,310)	(32,610)
Experience Account Allocation (allocations) decreases UAL	(799,095)	(819,632)	(449,264)	458,183
Other – Miscellaneous gains and Losses from transfers or Acts Of the Legislature	(360,001)	0	0	0
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	$5,508,362	$4,517,175	$3,518,734	$4,068,119

NOTE: Information on this page was provided by Hall Actuarial Associates.

AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

JUNE 30, 2003

	DATE 6/30	DESCRIPTION	AMORTIZATION METHOD	AMORTIZATION PERIOD	INITIAL LIABILITY	YEARS REMAIN	REMAINING BALANCE	MID-YEAR PAYMENT
1)	1993	Initial Liability	I	36	$4,922,538,457	26	$6,381,339,653	$383,239,248
2)	1993	Change in Liability	I	36	(633,788,393)	26	(821,612,475)	(49,342,954)
3)	1994	Change in Liability	I	35	(222,094,335)	26	(279,434,083)	(16,781,760)
4)	1995	Change in Liability	I	34	(9,030,124)	26	(11,034,882)	(662,713)
5)	1996	Change in Liability	I	33	(187,637,521)	26	(222,874,117)	(13,384,981)
6)	1997	Change in Liability	I	32	61,791,993	26	71,399,476	4,287,984
7)	1998	Change in Liability	I	31	(272,354,123)	26	(306,409,139)	(18,401,780)
8)	1999	Change in Liability	I	30	(323,105,520)	26	(354,263,825)	(21,275,752)
9)	2000	Change in Liability	I	29	(616,343,889)	26	(659,265,631)	(39,593,013)
10)	2001	Change in Liability	I	28	55,510,598	26	57,988,535	3,482,573
11)	2002	Change in Liability	I	27	825,200,291	26	842,880,340	50,620,222
12)	2003	TSF Payment	I	26	(96,277,696)	26	(96,277,696)	(5,782,076)
13)	2003	Change in Liability	I	26	963,552,515	26	963,552,515	57,867,338
		TOTAL OUTSTANDING BALANCE					5,565,988,671	$334,272,336

EMPLOYER'S CREDIT BALANCE

1999	Contribution Variance	L	5	(38,284,189)	1	(8,916,199)	$ (9,276,704)
2000	Contribution Variance	L	5	(32,610,436)	2	(14,610,801)	(7,901,888)
2001	Contribution Variance	L	5	(41,310,389)	3	(26,719,123)	(10,009,988)
2002	Contribution Variance	L	5	(20,606,578)	4	(17,111,519)	(4,993,213)
2003	Contribution Variance	L	5	9,730,820	5	9,730,820	2,357,891
	TOTAL EMPLOYER'S CREDIT BALANCE					(57,626,822)	$(29,823,902)
	TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY					$5,508,361,849	

Effective July 1, 1992, Amortization Periods changed in accordance with Act 257.

NOTE: Information on this page was provided by Hall Actuarial Associates.

MEMBERSHIP DATA

Data regarding the membership of TRSL for valuation were furnished by TRSL.

	2003		2002	
ACTIVE MEMBERS	CENSUS	AVERAGE SALARIES	CENSUS	AVERAGE SALARIES
Regular Teachers	75,412	$32,306	77,193	$32,296
University Members	6,917	49,305	4,855	50,214
School Lunch A	688	18,758	817	17,545
School Lunch B	1,941	13,516	2,001	12,190
Post DROP	2,688	44,722	2,490	42,492
TOTAL	87,646	$33,299	87,356	$32,518
Males (%)	17.1%		17.1%	
Females (%)	82.9%		82.9%	

Valuations' salaries were $2,977,885,311 for 2003 and $2,777,667,107 for 2002.

	2003	2002
INACTIVE MEMBERS	CENSUS	CENSUS
Due Refunds	7,852	10,881
Vested & Reciprocals	5,720	624

	2003		2002	
ANNUITANTS AND SURVIVORS	CENSUS	AVERAGE ANNUAL ANNUITIES	CENSUS	AVERAGE ANNUAL ANNUITIES
Retirees	43,050	$19,234	41,231	$18,888
Disabilities	3,698	10,292	3,622	10,311
Survivors	4,155	14,291	4,200	13,695
DROP	2,722	27,153	5,103	26,140
TOTAL	53,625	$18,636	54,156	$18,299

NOTE: Information on this page was provided by Hall Actuarial Associates.

HISTORICAL MEMBERSHIP DATA

HISTORY OF ACTIVE MEMBERSHIP DATA FOR LAST 10 YEARS

YEAR ENDED 6/30	NUMBER OF ACTIVE MEMBERS	PERCENTAGE CHANGE IN MEMBERSHIP	ANNUAL ACTIVE MEMBER PAYROLL (Thousands)	PERCENTAGE CHANGE IN PAYROLL
1994	86,079	1.10%	$2,198,302	1.0%
1995	84,671	(1.64%)	2,199,137	0.0%
1996	84,849	0.21%	2,254,304	2.5%
1997	86,401	1.83%	2,337,574	3.7%
1998	87,193	0.92%	2,485,058	1.1%
1999	87,129	(0.07%)	2,569,480	3.4%
2000	87,361	0.27%	2,563,634	(0.2%)
2001	86,829	(1.14%)	2,582,830	0.7%
2002	87,356	1.01%	2,777,667	10.0%
2003	87,646	1.00%	2,977,885	4.8%

HISTORY OF ANNUITANTS AND SURVIVOR ANNUITANT MEMBERSHIP FOR LAST 10 YEARS

YEAR ENDED 6/30	NUMBER OF ANNUITANTS	ADDITIONS	DELETIONS	PERCENTAGE CHANGE IN MEMBERSHIP	ANNUAL ANNUITIES (Thousands)	PERCENTAGE CHANGE IN ANNUITIES
1994	36,441	2,266	1,182	3.07%	$467,689	4.24%
1995	37,952	2,778	1,267	4.14%	530,856	13.50%
1996	39,302	2,678	1,328	3.56%	559,883	5.50%
1997	40,676	2,925	1,551	3.50%	588,928	5.20%
1998	42,445	3,404	1,635	4.35%	651,822	10.70%
1999	43,955	3,061	1,551	3.56%	697,376	7.00%
2000	45,668	3,344	1,631	3.90%	744,801	6.80%
2001	47,404	3,424	1,688	3.80%	802,202	7.70%
2002	49,053	3,480	1,831	3.23%	873,678	8.90%
2003	50,903	3,455	1,605	3.77%	924,735	5.80%

NOTE: Information on this page was provided by Hall Actuarial Associates.

Principle Provisions of the Plan

The Teachers' Retirement System of Louisiana (TRSL) was enacted by Act No. 83 in 1936. Initially, the plan covered classroom teachers (Regular Plan), but membership has expanded to participating agencies, and the merger of School Lunch Employees. Employees of school food services that have not terminated their agreement with the Department of Health, Education and Welfare participate in Plan A. Food service programs of school without agreements enroll employees in Plan B.

The purpose of the plan is to provide benefits to members and their dependents at retirement or in the event of death, disability or termination of employment. TRSL is a defined benefit plan and is funded on an actuarial reserve basis to fund benefits as prescribed by law.

Administration

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of seventeen members; one elected member from each of the nine congressional districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, two elected retired members, and four ex officio members. Elected members serve staggered four-year terms. The Treasurer, Chairman of the House Retirement Committee, Chairman of the Senate Retirement Committee and State Superintendent of Public Education serve as ex officio members.

The Board of Trustees appoints a Director who is responsible for the operation of the System. The Board also retains other consultants as deemed necessary. Administrative expenses are paid entirely from investment earnings.

Member Contributions

Members contribute a percentage of their gross compensation, depending on plan participation:

REGULAR PLAN	PLAN A	PLAN B
8%	9.1%	5%

Member contributions have been tax-deferred for federal income tax purposes since July 1, 1990. Therefore, contributions after the effective date are not considered as income for federal income tax purposes until withdrawn through refund or through payment of benefits.

Employer Contributions

All participating employers, regardless of plan participation, contribute a percentage of their total gross payroll to the System. The employer percentage is actuarially determined and is sufficient to pay annual accruals plus an amortization charge which liquidates the System's unfunded liability as required by law. The rate is determined annually and recommended by the Public Employees' Retirement System's Actuarial Committee to the State Legislature.

Termination

A member who terminates covered employment, regardless of plan membership, may request a refund of the member's contributions without interest. Upon re-employment, a member may reinstate the credit forfeited through termination of previous membership by repaying the refunded contributions plus interest. A member who terminates covered employment with 5 years of service may, in lieu of a refund of contributions, elect to receive a monthly annuity upon attainment of age 60.

Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and met both age and service eligibility requirements.

Normal Retirement

Regular Plan - A member may retire with a 2.5 percent annual accrual rate at age 55 with 25 years of service, age 65 with 20 years of service or at any age with 30 years of service. Members may retire with a 2 percent annual accrual rate at age 60 with 5 years of service or at any age with 20 years of service.

Note: Members hired after June 30, 1999 may retire with a 2.5 percent annual accrual rate at age 60 with 5 years of service or at any age with 20 years of service actuarially reduced.

Plan A - A member may retire with a 3.0 percent annual accrual rate at age 55 with 25 years of service, age 60 with 5 years of service or 30 years of service, regardless of age.

Plan B - A member may retire with a 2.0 percent annual accrual rate at age 55 with 30 years of service, or age 60 with 5 years of service. Benefits are reduced by 3 percent for each year under age 62 at retirement unless the member has 25 years of creditable service.

Benefit Formula

For all plans, retirement benefits are based on a formula which multiplies the final average compensation by the applicable accrual rate, and by the years of creditable service. Final average compensation is obtained by dividing total compensation for the highest successive thirty-six month period.

Payment Options

A retiring member is entitled to receive the maximum benefit payable until the member's death. In lieu of the maximum benefit, the member may elect to receive a reduced benefit payable in the form of a Joint and Survivor Option, or a reduced benefit with a lump sum payment which cannot exceed 36 monthly benefit payments.

Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible member may begin participation on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of DROP, the member may continue employment and earn additional accruals to be added to the fixed pre-DROP benefit.

Upon termination of employment, the member is entitled to the fixed benefit plus post-DROP accruals, plus the individual DROP account balance which can be paid in a lump sum, or an additional annuity based upon the account balance.

Disability Retirement Benefits

Active members with five or more years of service credit are eligible for disability retirement benefits if certified by the medical board to be disabled from performing their job.

Regular Plan - An eligible member shall be entitled to a pension equal to 2.5 percent of average compensation; however, in no event shall the disability benefit be less than the lesser of (a) 40 percent of the state minimum salary for a beginning teacher with a bachelor's degree, or (b) 75 percent of average compensation.

Plan A - An eligible member shall be entitled to a service retirement benefit, but not less than 60 percent, nor more than 100 percent of final average compensation.

Plan B - An eligible member shall be entitled to a service retirement benefit, but not less than 30 percent, nor more than 75 percent of final average compensation.

Survivor Benefits

A surviving spouse with minor children of an active member with 5 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) $600 per month, or (b) 50 percent of the member's benefit calculated at the 2.5 percent accrual rate for all creditable service.

Each minor child (maximum of 2) shall receive an amount equal to 50 percent of the spouse's benefit. Benefits to minors cease at attainment of age 18, marriage or age 21 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) $600 per month, or (b) 50 percent of the member's benefit calculated at the 2.5 percent accrual rate for all creditable service.

Post-Retirement Increases

Cost-of-living adjustments (COLA's) are permitted provided there are sufficient funds in the Experience Account to fund the increase in the retiree reserves. The Experience Account is credited with 50 percent of the excess investment income over the actuarial valuation rate and is debited 50 percent of the deficit investment income and distributions for COLA's approved by the Board of Trustees as provided by law.

A surviving spouse of a Plan B active member with 20 years of creditable service and the member was at least age 50 is eligible for an Option 2 benefit.

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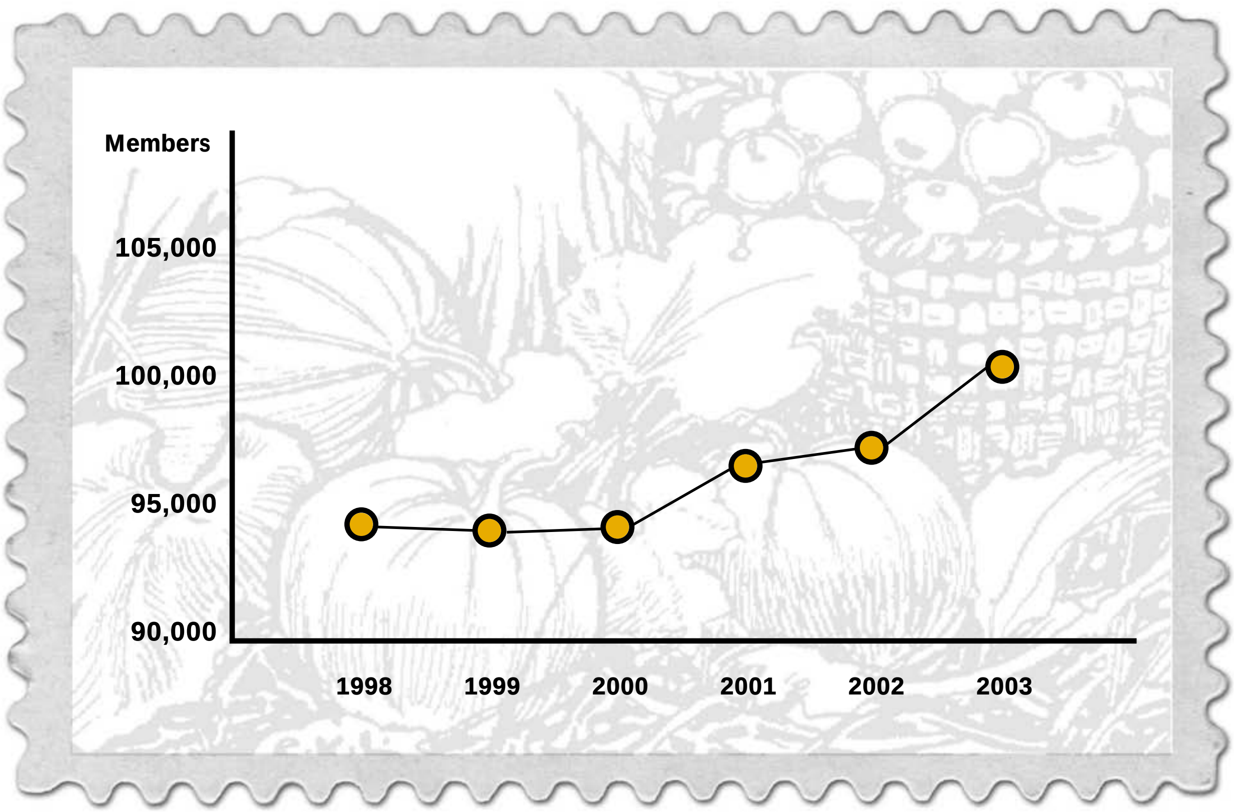
Statistical Section

NUMBER OF ACTIVE, TERMINATED VESTED AND NONVESTED MEMBERS

Fiscal Year	Members	% Increase Each Year
1997-1998	94,651	
1998-1999	94,219	(0.5%)
1999-2000	94,504	0.3%
2000-2001	97,293	3.0%
2001-2002	98,861	1.6%
2002-2003	101,218	2.4%

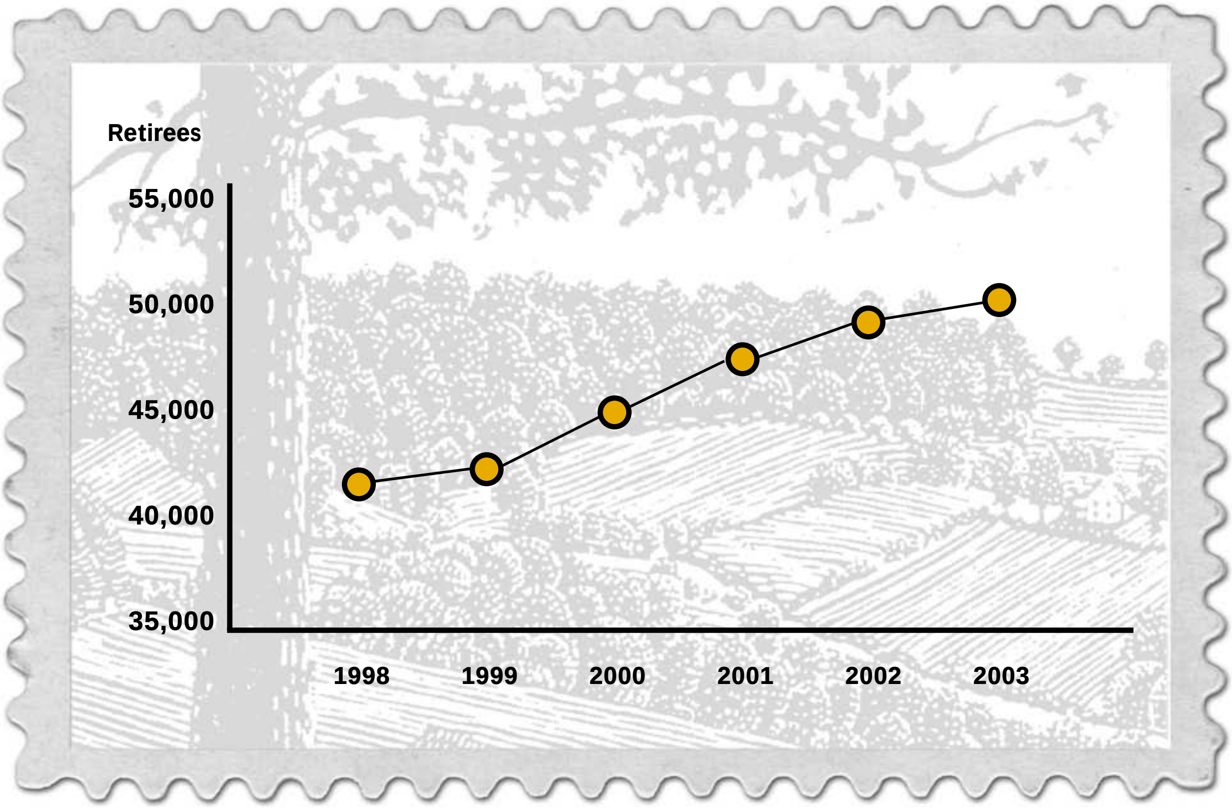
Number of Active, Terminated and Nonvested Members



NUMBER OF SERVICE RETIREES, DISABILITY RETIREES, AND BENEFICIARIES RECEIVING BENEFITS

Fiscal Year	Retirees	% Increase Each Year
1997-1998	42,445	
1998-1999	43,955	3.6%
1999-2000	45,668	3.9%
2000-2001	47,404	3.8%
2001-2002	49,053	3.5%
2002-2003	50,903	3.8%

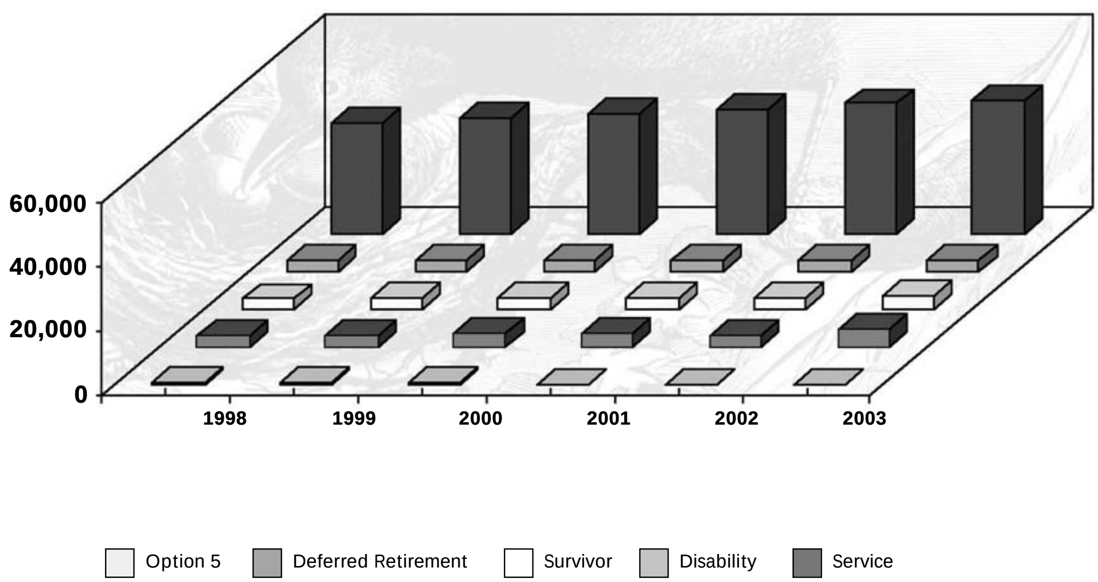
Number of Service, Disability Retirees, and Beneficiaries Receiving Benefits



NUMBER OF BENEFIT RECIPIENTS

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1997-1998	35,866	3,311	3,268	3,698	461	46,604
1998-1999	37,341	3,354	3,260	4,038	654	48,647
1999-2000	38,715	3,505	3,448	3,893	247	49,808
2000-2001	40,313	3,555	3,536	3,695	266	51,365
2001-2002	41,566	3,622	3,865	5,496	248	54,797
2002-2003	43,050	3,698	4,155	2,722	437	54,062

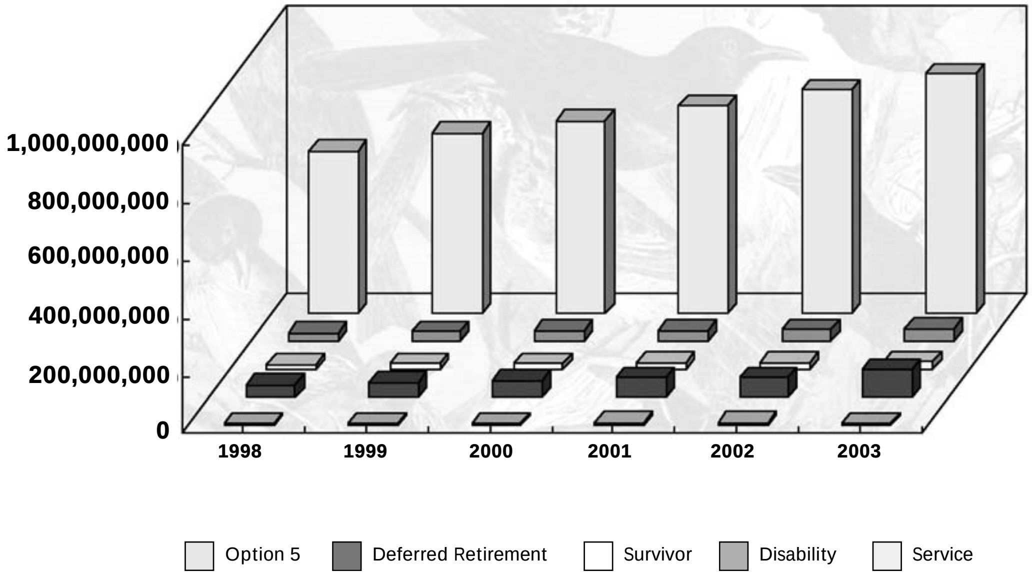
Number of Benefit Recipients



BENEFIT EXPENSES

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1997-1998	$562,679,269	$30,580,395	$18,348,237	$46,266,624	$ 6,272,739	$ 664,147,264
1998-1999	622,387,271	33,825,395	20,295,237	51,764,526	7,055,920	735,328,349
1999-2000	665,449,247	36,165,720	21,699,432	60,169,167	7,699,980	791,183,546
2000-2001	717,799,621	39,010,849	23,406,509	69,087,607	9,675,320	858,979,906
2001-2002	773,311,519	42,027,800	25,216,680	69,718,252	10,319,090	920,593,341
2002-2003	826,661,700	44,927,266	26,956,360	96,539,409	8,242,718	1,003,327,453

Benefit Expenses



AVERAGE MONTHLY PENSION BENEFIT

Fiscal Year	Average Monthly Benefit	% Increase Each Year
1997-1998	$1,201	
1998-1999	1,283	6.8%
1999-2000	1,320	2.9%
2000-2001	1,400	6.1%
2001-2002	1,588	13.4%
2002-2003	1,644	3.5%

NUMBER OF REFUNDS OF CONTRIBUTIONS

Fiscal Year	Number of Refunds	% Increase Each Year
1997-1998	4,534	
1998-1999	4,160	(8.2%)
1999-2000	3,648	(12.3%)
2000-2001	3,848	5.5%
2001-2002	5,191	34.9%
2002-2003	5,422	4.5%

NUMBER OF STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
1997-1998	116	
1998-1999	122	5.2%
1999-2000	127	4.1%
2000-2001	134	5.5%
2001-2002	143	6.7%
2002-2003	160	11.9%

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Net Investment Income	Other Operating Revenues	Total
1997-1998	$208,275,106	$422,452,766	$27,318,857	$1,606,741,489	$ 741,679	$2,265,529,897
1998-1999	216,102,491	442,793,009	30,017,065	931,939,036	811,363	1,621,662,964
1999-2000	224,684,434	423,690,949	29,274,452	1,524,405,440	1,365,976	2,203,421,251
2000-2001	226,754,298	401,243,346	27,869,220	(595,314,707)	988,233	61,540,390
2001-2002	246,119,537	400,478,248	27,196,232	(948,670,459)	1,787,499	(273,088,943)
2002-2003	251,297,401	421,838,213	29,499,096	221,365,576	4,976,629	928,976,915

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Depreciation Expense	Total
1997-1998	$ 664,147,264	$21,360,841	$ 6,173,891	$531,364	$ 692,213,360
1998-1999	735,328,349	21,238,599	6,613,935	430,497	763,611,380
1999-2000	791,183,546	22,458,244	7,369,407	364,259	821,375,456
2000-2001	858,979,906	26,948,712	8,220,487	435,128	894,584,233
2001-2002	920,593,341	23,432,296	8,886,231	475,734	953,387,602
2002-2003	1,003,327,453	22,287,120	10,688,003	490,780	1,036,793,356

SCHEDULE OF PARTICIPATING EMPLOYERS

SCHOOL BOARDS

Acadia Parish School Board
Allen Parish School Board
Ascension Parish School Board
Assumption Parish School Board
Avoyelles Parish School Board
Beauregard Parish School Board
Bienville Parish School Board
Bossier Parish School Board
Caddo Parish School Board
Calcasieu Parish School Board
Caldwell Parish School Board
Cameron Parish School Board
Catahoula Parish School Board
Claiborne Parish School Board
Concordia Parish School Board
DeSoto Parish School Board
East Baton Rouge Parish School Board
East Carroll Parish School Board
East Feliciana Parish School Board
Evangeline Parish School Board
Franklin Parish School Board
Grant Parish School Board
Iberia Parish School Board
Iberville Parish School Board
Jackson Parish School Board
Jefferson Parish School Board
Jefferson Davis Parish School Board
Lafayette Parish School Board
Lafourche Parish School Board
LaSalle Parish School Board
Lincoln Parish School Board
Livingston Parish School Board
Madison Parish School Board
Morehouse Parish School Board
Natchitoches Parish School Board
Orleans Parish School Board
Ouachita Parish School Board
Plaquemines Parish School Board
Pointe Coupee Parish School Board
Rapides Parish School Board
Red River Parish School Board
Richland Parish School Board
Sabine Parish School Board
Saint Bernard Parish School Board
Saint Charles Parish School Board
Saint Helena Parish School Board
Saint James Parish School Board
Saint John the Baptist Parish School Board
Saint Landry Parish School Board
Saint Martin Parish School Board
Saint Mary Parish School Board
Saint Tammany Parish School Board
Tangipahoa Parish School Board
Tensas Parish School Board
Terrebonne Parish School Board
Union Parish School Board
Vermilion Parish School Board
Vernon Parish School Board
Washington Parish School Board
Webster Parish School Board
West Baton Rouge Parish School Board
West Carroll Parish School Board
City of Baker School Board
Zachary Community School Board
West Feliciana Parish School Board
Winn Parish School Board
Bogalusa City Schools
Monroe City Schools

COLLEGES AND UNIVERSITIES -

River Parish Community College
Louisiana Community and Tech College System
Louisiana Tech University
Northwestern State University of Louisiana
Louisiana State University-Baton Rouge
University of New Orleans
Louisiana State University Medical Center-New Orleans
Nicholls State University
Southeastern Louisiana University
University of Louisiana at Lafayette
Grambling State University
Southern University and A&M College-Baton Rouge
Southern University and A&M College-New Orleans
Southern University Shreveport-Bossier City
Delgado Community College
McNeese State University
University of Louisiana at Monroe
Louisiana State University-Shreveport
Louisiana State University Medical Center-Shreveport
Elaine P. Nunez Community College
Bossier Parish Community College
Baton Rouge Community College
South Louisiana Community College
Louisiana Delta Community College

CHARTER SCHOOLS

New Vision Learning Academy
Saint Landry Charter School
Glenco Charter School
Right Step Academy of Excellence
Northwood Preparatory High School
The Street Academy Charter School
Tensas Charter School
Avoyelles Public Charter School Inc
Baton Rouge Charter High School
Delhi Charter School
Belle Chasse Academy

STATE AGENCIES

Louisiana Department of Education
Louisiana School for the Visually Impaired
Louisiana School for the Deaf
Teachers' Retirement System of Louisiana
Louisiana School Employees' Retirement System
Louisiana State Employees' Retirement System
Louisiana Department of Social Services
Hammond Developmental Center
Southwest Louisiana Developmental Center
Pinecrest Developmental Center

Louisiana Department of Agriculture and Forestry

Louisiana Division of Administration

Louisiana State Senate

Louisiana House of Representatives

Louisiana Department of Wildlife and Fisheries

Louisiana Department of Health and Hospitals

University Medical Center-Lafayette

Louisiana Department of Insurance

Louisiana Department of Military

Office of the Legislative Auditor

Office of the Lieutenant Governor

Washington-Saint Tammany Regional Medical Center

Louisiana Department of Labor

Louisiana Department of Public Safety

Louisiana Department of Corrections

Louisiana Department of Environmental Quality

Louisiana Department of Transportation and Development

Secretary of State

Department of Revenue and Taxation

Louisiana State Law Institute

Louisiana Department of Justice

Louisiana Department of Culture, Recreation and Tourism

Office of Student Financial Assistance

Board of Supervisors – University of Louisiana System

EA Conway Medical Center

Huey P. Long – Medical Center

Louisiana Special Education Center

Louisiana School for Math, Science, and Arts

Louisiana State Board of Elementary and Secondary Education

Special Education District #1

Louisiana Board of Regents

W. O. Moss Regional Hospital

Louisiana Universities Marine Consortium

Louisiana Systemic Initiative Program

Leonard J. Chabert Medical Center

Earl K. Long Medical Center

Ware Youth Center

Southeast Louisiana Hospital

Louisiana State University/Lallie Kemp Medical Center

Eastern Louisiana Mental Health System

Charity Hospital – New Orleans

Louisiana Technical College

Louisiana State Universities – Health Sciences Center

Villa Feciliana Medical Complex

OTHER

Louisiana Association of Educators

Louisiana High School Athletic Association

Saint Tammany Federation of Teachers

Louisiana Federation of Teachers

Rapides Federation of Teachers/School Employees

Associated Professional Educators of Louisiana

Louisiana Educational Television Authority

Court of Appeal, Fourth Circuit

Jefferson Parish Council

UTNO Health and Welfare Fund

Jefferson Parish Human Services Authority

Saint Bernard Port, Harbor and Terminal District

Webster Parish Sales Tax Commission

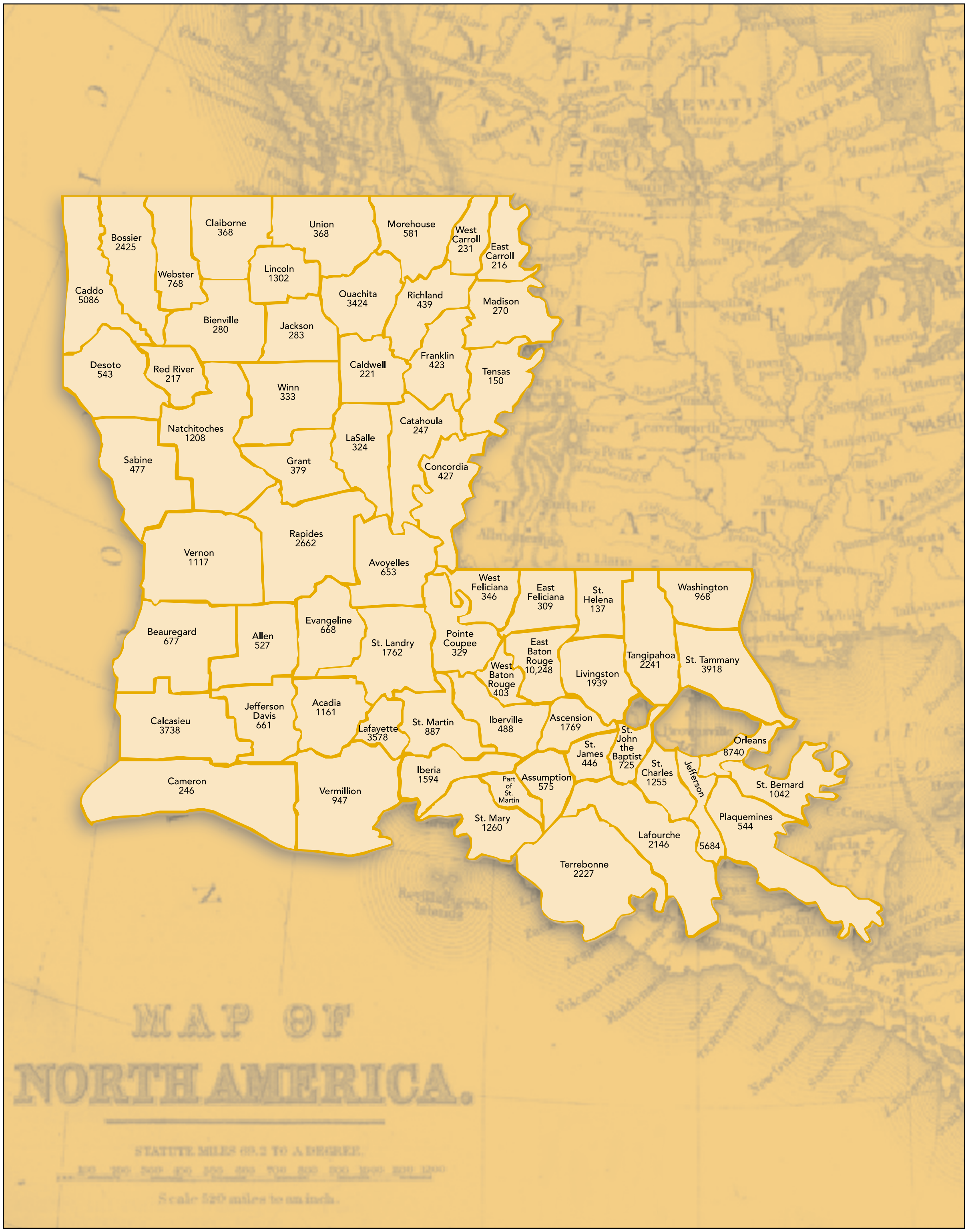
New Orleans Center for Creative Arts

Monroe Federation of Teachers and School Employees

East Baton Rouge Federation of Teachers

United Teachers of New Orleans

TRSL ACTIVE MEMBERS STATEWIDE
TOTAL ACTIVE MEMBERS - 89,612



TRSL RETIRED MEMBERS WORLDWIDE
TOTAL NUMBER OF RETIREES - 50,903

U.S. OVERSEAS MILITARY BASES	9
U.S. POSSESSIONS	
GUAM	1
PUERTO RICO	2
VIRGIN ISLANDS	1
FOREIGN COUNTRIES	
AUSTRALIA	4
BARBADOS	1
CZECH REPUBLIC	2
CANADA	4
CENTRAL AMERICA	1
ENGLAND	1
GERMANY	5
GREECE	2
IRELAND	1
ISRAEL	1
MEXICO	4
PAKISTAN	1
PHILIPPINES	1
SPAIN	1
SWEDEN	1
SWITZERLAND	1
THAILAND	1
UNITED KINGDOM	2
UNITED ARAB EMIRATES	1

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Alternative Retirement Plans Section

OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan (ORP) was created by Louisiana. Revised Statutes 11:921 and implemented on July 1, 1990. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement. Participants who are eligible for membership in the Teachers' Retirement System of Louisiana (TRSL) can make an irrevocable election to participate in the ORP, a defined contribution plan, rather than the TRSL defined benefit plan.

The ORP was modified by legislation passed in the 1995 session. The new act allowed ORP members to continue their participation in the ORP if they assumed a position at a school board or other agency that was covered by TRSL even though that agency was not an institution of higher education. Prior to the passage of this legislation, ORP members who terminated employment at an institution of higher education were ineligible to continue their ORP membership if they were employed outside higher education. This presented an inequity for those members as they were ineligible to ever participate in the regular retirement plan of TRSL.

The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the Board of Trustees of Teachers' Retirement System of Louisiana. Monthly contributions, remitted by both the employers and the employees, are invested to provide the employees with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employees' working lifetime.

Employees participating in the ORP select individual annuity contracts which may be fixed or variable or both. In the fixed annuity, contributions are allowed to accumulate over a period of years until retirement and earn interest at varying amounts dependent upon prevailing market rates. As a conservative investment, the fixed annuity provides for both the return of principal and payments of interest.

Although the variable annuity may involve additional risk, it can also provide the employees with more opportunities to enhance their investment returns. Contributions can be invested in a variety of assets, such as stock funds, bond funds, money market accounts, etc. As the cash value of the variable annuity is dependent upon the investment results of the selected funds, a member's account value can fluctuate from year to year.

At June 30, 2003, and 2002, employees joining ORP consisted of:

	2003	2002
Members of TRSL joining ORP	81	120
New employees joining ORP	1,155	1,366
	1,236	1,486

At June 30, 2003, and 2002, the amounts transferred to ORP were:

	2003	2002
Amounts previously held in TRSL reserves	$ 261,042	$ 518,337
Contributions	66,827,780	62,094,879
	$67,088,822	$62,613,216

At June 30, 2003, and 2002, member and employer contribution rates were:

Member	2003	2002
Member contribution rate (applicable for ORP transfers)	7.900%	7.900%
Member contribution rate (administrative fee - TRSL)	0.100%	0.100%
	8.000%	8.000%

Employer	2003	2002
Employer contribution rate (normal cost is applicable for ORP transfers)	6.749%	6.773%
Unfunded rate (retained by TRSL)	6.351%	6.327%
	13.100%	13.100%

DEFERRED RETIREMENT OPTION PLAN

The Deferred Retirement Option Plan (DROP) was first implemented on July 1, 1992 with the passage of Louisiana Revised Statutes 11:786. Under DROP, a member is allowed to accumulate retirement benefits in a special reserve fund and still continue employment and draw full salary. During this period of employment, no contributions are made to TRSL either by the member or by the employing agency. After termination of employment, the member not only receives regular monthly retirement benefits, but also receives the amount accumulated in the DROP fund, either as a total distribution or as an additional monthly annuity.

In the original DROP, participation in the program could not exceed two years; however, the DROP was modified on January 1, 1994, to allow for a three-year period of participation. This longer period of participation permits the members to accumulate additional funds in planning for eventual retirement from the work force.

All monthly deposits to the DROP accounts are sheltered from taxes until withdrawal from the account after termination of employment. If the withdrawal is made in a single sum or for a period of less than ten years, the member has the option of rolling over the withdrawn funds to an individual retirement account (I.R.A.), individual retirement annuity, or another qualified plan. Certain restrictions apply. A careful study of all provisions of the DROP should be made by the member in order to determine what is best for his particular situation. TRSL suggests that members consult their tax accountants before making a withdrawal selection.

All information printed above is presented as a summary only and is not intended to be a substitute for any language contained in the law.

	2003	2002	Percent Increase (Decrease)
Members Entering DROP	1,499	2,063	(27%)
Disbursements	$ 96,539,409	$ 69,718,252	38%
DROP Reserves at June 30	$693,950,930	$666,416,351	4%

INITIAL LUMP SUM BENEFIT (ILSB)

The ILSB program became effective on January 1, 1996. Retiring members who had not participated in the Deferred Retirement Option Plan (DROP) could choose the ILSB alternative, which provides both a one-time single sum payment of up to 36 months of a regular maximum monthly retirement benefit and a reduced monthly retirement benefit for life. The amount of the monthly benefit for life is based upon the amount of the single sum payment, the member's age at the time of retirement, and an actuarial reduction.

As with the DROP program, the member has several choices pertaining to the distribution of the single-sum payment.

- The member may receive the entire amount less twenty percent federal income tax withholding.
- The member may roll over the entire amount to an individual retirement account, an individual retirement annuity, or another qualified plan.
- The member may begin a period of monthly or annual withdrawals of the amount. However, all withdrawals are subject to the same tax laws that apply to the DROP.

	2003	2002	Percent Increase (Decrease)
Members choosing ILSB	165	163	1%
Disbursements	$8,242,718	$10,319,090	(20%)
ILSB Reserves at June 30	$6,384,265	$5,969,371	7%

DROP/ILSB ACCOUNT INTEREST RATES

FISCAL YEAR ENDING JUNE 30	1998	1999	2000	2001	2002	2003
INTEREST RATE	20.28%	13.49%	17.13%	(.45%)	(6.34%)	(6.05%)

EXCESS BENEFIT PLAN

The Excess Benefit Plan was created as a separate, unfunded, non-qualified plan, and is intended to be a qualified governmental excess benefit arrangement as defined in Section 415 (m)(3) of the Internal Revenue Code. This plan became effective January 1, 2000.

A member, whose TRSL benefit exceeds the maximum benefit allowed under Section 415 of the Code, is paid an excess monthly benefit from the Excess Benefit Plan in an amount equal to the lesser of the member's unrestricted benefit less the maximum 415 benefit, or the amount by which the member's monthly benefit from the pension plan has been reduced because of the limitations as provided for in Revised Statue 11:784.1 of the Louisiana Revised Statues.

The Excess Benefit Plan is administered by the Board of Trustees of Teachers' Retirement System of Louisiana. The board has the same rights, duties and responsibilities for this plan as for the pension plan.

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, monthly contributions made by the employer are reduced by the amount necessary to pay that month's excess retirement benefits. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, the excess benefit plan may never receive a transfer of assets from the pension plan.

	2003	2002
Number of Excess Benefit Recipients	12	9
Total Benefits Paid	$202,972	$178,078

Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123