TRSL Teachers' Retirement System of Louisiana

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF THE STATE OF LOUISIANA
FISCAL YEAR ENDED JUNE 30, 2004

Teachers' Retirement System of Louisiana

Comprehensive Annual Financial Report

A Component Unit of the State of Louisiana
For the Fiscal Year Ended
June 30, 2004

Bonita B. Brown
Director

Office Location
Teachers' Retirement System of Louisiana
8401 United Plaza Boulevard, Third Floor
Baton Rouge, Louisiana 70809
Phone: (225) 925-6446

Mailing Address
Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123
www.trsl.org

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

This public document was published at a cost of $13,646.32. One thousand five hundred copies of this document were published by the Teachers' Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, to make public the System's financial operations under the authority of LSA-R.S. 11:832B. Printing of this material was purchased in accordance with the provisions of Title 43 of the Louisiana Revised Statutes.

CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal 7
Board of Trustees and Ex Officio Members 12
Administrative Staff 13
Professional Consultants 14
Organizational Chart 16
Certificate of Achievement for Excellence in
Financial Reporting 17
Public Pension Standards Achievement Award 18
Summary of 2003-2004 Legislative Acts
and Resolutions 19
Plan Summary 21

FINANCIAL SECTION

Independent Auditor's Report 26
Management's Discussion and Analysis 28
Basic Financial Statements:
Statements of Plan Net Assets 35
Statements of Changes in Plan Net Assets 36
Notes to the Financial Statements 37
Required Supplementary Information:
Schedule of Funding Progress 46
Schedule of Employer Contributions 47
Notes to the Schedules of Trend Information 48
Supporting Schedules:
Schedules of Budgetary Expenses 50
Schedules of Administrative Expenses 51
Schedules of Investment Expenses 52
Schedules of Board Compensation 53
Schedules of Building Maintenance Expenses . . . 54
Schedules of Payments to Non-Investment
Related Consultants 55

INVESTMENT SECTION - (UNAUDITED)

Report on Investment Activity 58
Investment Policy 59
Investment Summary 66
List of Largest Assets Held 67
Net Earnings on Investments 74
Investment Performance Measurements 75
Rates of Return 76
Summary Schedule of Commissions Paid To Brokers . 77

ACTUARIAL SECTION - (UNAUDITED)

Actuary's Certification Letter 80
Summary of Assumptions 82
Summary of Unfunded
Actuarial Liabilities/Salary Test. 84
Summary of Actuarial and
Unfunded Actuarial Liabilities. 84
Actuarial Valuation Balance Sheet. 85
Reconciliation of Unfunded Actuarial Liabilities 86
Re-Amortization of Unfunded
Actuarial Accrued Liability 87
Membership Data 88
Historical Membership Data 89
Principle Provisions of the Plan 90

STATISTICAL SECTION - (UNAUDITED)

Number of Active, Terminated Vested and
Nonvested Members 94
Graph-Number of Active, Terminated
Vested and Nonvested Members 94
Number of Service Retirees, Disability
Retirees, and Beneficiaries Receiving Benefits . . . 95
Graph-Number of Service Retirees, Disability
Retirees, and Beneficiaries Receiving Benefits . . . 95
Number of Benefit Recipients 96
Graph-Number of Benefit Recipients 96
Benefit Expenses 97
Graph-Benefit Expenses 97
Average Monthly Pension Benefit 98
Number of Refunds of Contributions 98
Number of Staff Positions. 98
Revenues By Source. 99
Expenses By Type 99
Schedule of Participating Employers 100
Map-State of Louisiana (Total Active Members) 102
Map-Location of TRSL Retirees Worldwide 103

ALTERNATIVE RETIREMENT PLANS SECTION - (UNAUDITED)

Optional Retirement Plan 106
Deferred Retirement Option
Plan/Initial Lump Sum Benefit 107
La Deferred Retirement Option
Plan/La Initial Lump Sum Benefit 108
Excess Benefit Plan 108

This page left intentionally blank.

INTRODUCTORY SECTION

Bonita B. Brown, Director

TRSL
Teachers' Retirement System of Louisiana

www.trsl.org
225.925.6446
Post Office Box 94123
Baton Rouge, LA 70804-9123

Bonita B. Brown, Director

October 1, 2004

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

Dear Board Members:

I am pleased to again present the Comprehensive Annual Financial Report of the Teachers' Retirement System of Louisiana (TRSL/the "System") for the fiscal year ended June 30, 2004, as required by the Louisiana Revised Statute 11:832(B). This statute 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 (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The Comprehensive Annual Financial Report is divided into the following six sections:

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; the Public Pension Standards Achievement Award*, a summary of 2003-2004 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, net earnings on investments, investment performance measurements, annual rates of return, and a schedule of commissions paid to brokers.

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

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 Plans (DROP/LaDROP), the Initial Lump-Sum Benefit (ILSB/LaILSB), 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 (the “Board”) 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 allocation of funds.

MAJOR INITIATIVES AND LEGISLATIVE ACTIONS

For the Year:

Act 588 of the 2004 legislative session 1) restructured the state’s recent debt to the retirement system, 2) changed the amortization period for gains, losses and changes in experience from 15 years or to 2029, whichever is greater, to a 30-year period, 3) zeroed out the negative balance in the Employee Experience Account of $1.067 billion, 4) prevented the Experience Account from ever being negative again, 5) provided for future cost-of-living adjustments to be paid from the Experience Account, and 6) set a minimum employer contribution rate of 15.5 percent. Due to the impact this legislation had on the membership, System and the state of Louisiana, it was the only legislation proposed by the Board of Trustees.

After more than a decade of trying legislation, Act 747 of 2004 was enacted that guarantees every retiree will receive no less than the amount of his employee contributions. Previously, TRSL was the only system in the State of Louisiana that did not have this provision in place.

Act 275 requires every state retirement system to submit its annual operating budget to the Joint Legislative Committee on the Budget for review and approval.

Act 851 requires state retirement systems to submit reports on utilization of Louisiana broker-dealers in investments.

Act 868 requires persons who have or who are seeking to obtain a contractual or other relationship with a state or statewide public retirement system to disclose certain expenditures.

A web-based employer inquiry system implementation was successfully completed. One of the great enhancements of this new system is the ability of employers to view their current employer account balances on-line. The employers now have immediate access to all contribution charges and payments applied to their contribution accounts. New features also include employer ability to change active member addresses and make corrections on-line to monthly contribution report data.

We have implemented the LaDROP/LaILSB programs (Act 962 of 2003) that 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, now 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.

For the Future:

TRSL staff has embarked on a mission to modify and enhance current reporting procedures and processes used to certify service credit and sick leave days used. “Project Form 6”, as it is called, will be a combined effort of several TRSL departments and the employers as well. The goal of this project is to simplify the reporting requirements while still ensuring the accuracy of the information reported, thereby enhancing the retirement process for our members. Phase 1 entails educating and working with employers on reporting salary and full-time earnings. This is a vital piece in the calculation of service credit. Although this will take a few years before it is finalized, employers as well as TRSL members will benefit from our efforts.

Our Information Technology staff continues to provide enhancements to the reporting process for our employers. Future programs include the on-line processing of membership enrollment applications and terminations.

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 uses 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 controls 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 employs advanced computer technology, continuing education for staff, and numerous checks and balances within the control environment, which includes 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. In addition to the trustees' review and approval, the budget must be reviewed and approved by the Joint Legislative Committee on the Budget. An independent certified public accounting firm reviews the financial statements to ensure that they conform to generally accepted accounting principles and performs an annual financial and compliance audit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The MD&A beginning on page 28 provides an overview and analysis of the System's basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

INVESTMENTS

TRSL is the state's largest public retirement system and is responsible for the prudent management of $11.9 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 and bonds, real estate, private equity and mezzanine partnerships, 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 2004, our investment policy asset mix provided an 18.2 percent return with 5- and 10- year averages of 4.2 percent and 9.6 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 on 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 accrued liability as outlined in Louisiana Revised Statues 11:102 as they pertain to TRSL. The required contribution is converted to a percentage of total payroll.

The employer contribution rate established by the Public Retirement Systems' Actuarial Committee (PRSAC) was 13.8 percent for 2003-2004, and will be 15.5 percent for 2004-2005.

At June 30, 2004, the last valuation date, the System was 62.2 percent funded, compared to 67.8 percent funded at June 30, 2003, excluding the mineral revenue audit and settlement funds. This decline is primarily due to the recognition by Act 588 of the deficit in the Experience Account. The net assets held in trust to pay pension benefits at June 30, 2004, was $11.9 billion, which is a 13 percent increase from $10.5 billion held in trust at June 30, 2003.

Act 588 of 2004 made significant changes to prospective funding. The outstanding balances of changes in liabilities from 1993-2000 were re-amortized as a level dollar amount to 2029. The amortization period for changes in liabilities beginning with 2001 was extended to a 30-year period from the date of occurrence. A minimum employer rate of 15.5 percent and employer credit account were established for excess contributions. Following the recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC), the negative Experience Account Balance was removed from the valuation assets and the Experience Account balance was reset to zero.

SERVICE EFFORTS AND ACCOMPLISHMENTS

We strive to provide high quality service to our membership. Every department at TRSL 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 have successfully completed 80 percent of the migration efforts on two major projects. The first project is the migration from the HP3000 to HP-UX platform. The second migration is from the Novell server network to an all Windows-based network.
- The Communications Department implemented a new graphic identity system, including a major website expansion and redesign and updated the official System logo.
- The Human Resource Department implemented and maintained appropriate measures to ensure compliance with the Civil Service merit system principle of a uniform classification pay plan. This includes having 28 individual position audits (all of which were affirmed), and assisted department managers with reorganization of department responsibilities, which included position updates, reallocations, and board-approved new positions.
- Our Administrative Services Department ensured the proper handling and delivery of 176,568 retirement benefit checks to TRSL retirees. They also opened, sorted and delivered 153,036 pieces of incoming mail for staff.
- This past year, TRSL participated in a Cost Effective Measurement (CEM) peer study. This study compares several areas, such as costs for service delivery, service levels and complexity of plans among similar "pension systems." We are very proud of our administrative cost of $66 per active member and annuitant. This is far below our peer average of $80 per active member and annuitant.
- More than 616,548 benefit payments totaling over $1 billion were made, including retiree benefit payments, DROP payments, and refunds of contributions. The accounting staff posted over 79,042 updates to member records in their efforts to ensure benefit accuracy.

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 auditors are 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, 2003. This was the thirteenth 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.

TRSL has also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2003. This is the second consecutive year that TRSL has received this award. This award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial and historical information.

In addition, TRSL has received the *Public Pension Standards 2003 Award*. This achievement is presented by the Public Pension Coordinating Council to public employee retirement systems in recognition of the achievement of high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. TRSL is proud to have received this award for the fourth time and is the only public retirement system in Louisiana to have received it.

TRSL again received awards for contributions made by our staff to the community. As a result of our donation of nearly $6,400 to the 2004 WalkAmerica Campaign, the TRSL staff was recognized by the March of Dimes for making the largest donation of any participating state entity. TRSL was among the top ten of all participating contributors.

ACKNOWLEDGMENTS

We would like to take this opportunity to thank our Board of Trustees for their relentless work and perseverance throughout the year, and particularly during this past legislative session. We also thank the staff for their continued commitment, dedication and support. This teamwork is essential for the overall success of the System.

Sincerely,

Bonita B. Brown
Director

Charlene T. Wilson
Chief Financial Officer

Board of Trustees

Jerry J. Baudin, Ph.D.
Board Chair
Baton Rouge, Louisiana
Colleges & Universities
Term expires 12/31/06

Sheryl R. Abshire
Board Vice Chair
Lake Charles, Louisiana
7th District
Term expires 12/31/06

Anne H. Baker
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/05

William C. Baker, Ed.D.
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/06

Charles P. Bujol
Plaquemine, Louisiana
Superintendents
Term expires 12/31/06

Syble T. Jones
Alexandria, Louisiana
School Food Service Employees
Term expires 12/31/05

Lawrence J. Moody, Jr.
Harvey, Louisiana
1st District
Term expires 12/31/06

Eula M. Beckwith
New Orleans, Louisiana
2nd District
Term expires 12/31/07

Clyde F. Hamner
Houma, Louisiana
3rd District
Term expires 12/31/07

Sally F. Cox
Shreveport, Louisiana
4th District
Term expires 12/31/07

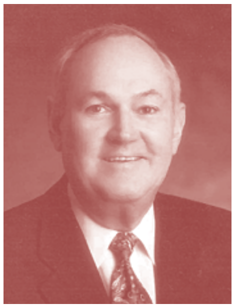
Sheryl B. Sherlock
Walker, Louisiana
5th District
Term expires 12/31/04

Joyce P. Haynes
Opelousas, Louisiana
6th District
Term expires 12/31/04

Ex Officio Members

Honorable
Lambert Boissiere, Jr.
Chairman,
Senate Retirement Committee

Honorable
John N. Kennedy
State Treasurer



Honorable
Cecil J. Picard
State Superintendent of Education

Honorable
Pete Schneider, III
Chairman,
House Retirement Committee

Administrative Staff

Bonita B. Brown, CPA
Director

Graig A. Luscombe
Assistant Director

Dana L. Vicknair
Assistant Director

Dan Bryant
Chief Investment Officer

William T. Reeves, Jr.
General Counsel

Liz Guidry-Saizan
Executive Services Assistant

Charlene T. Wilson
Accountant Administrator

Stuart Cagle, CPA
Audit Manager

Douglas Smith
Information Systems Center Manager

Linda Strawbridge
Retirement Benefits Administrator

Keith Kent
Administrative Manager

Debbie Cannon
Communications Director

Doris Dumas
Education Field Manager

Trudy Berthelot
Human Resource Director

Professional Consultants

ACTUARY

Hall Actuarial Associates
1624 LaSalle Parc
Baton Rouge, LA 70806

AUDITORS

Hawthorn, Waymouth &
Carroll, L.L.P.
Certified Public Accountants
Suite 200
8555 United Plaza Boulevard
Baton Rouge, LA 70809

TAX CONSULTANT

Postlethwaite & Netterville,
APAC, CPA
Suite 1001
8550 United Plaza Boulevard
Baton Rouge, LA 70809

LEGAL CONSULTANTS

Avant & Falcon
P O Box 2667
Baton Rouge, LA 70821

Jones, Day, Reavis and Pogue
P O Box 660623
Dallas, TX 75266

Law Offices of Randy P. Zinna
8732 Quarters Lake Road
Baton Rouge, LA 70809

Long Law Firm, L.L.P.
Suite 500
4041 Essen Lane
Baton Rouge, LA 70809

Investor Responsibility Support
Services Inc.
Suite 9
100 Granite Drive
Media, PA 19063-5134

MEDICAL EXAMINERS

Richard Burroughs
Baton Rouge General Medical
Center Foundation
Suite 200 A
8490 Picardy Avenue
Baton Rouge, LA 70809

Anthony Ioppolo, M.D.
Physicians Plaza 1
Suite 250
16777 Medical Center Drive
Baton Rouge, LA 70816

W. J. Laughlin, M.D.
Suite 1000
8080 Bluebonnet Boulevard
Baton Rouge, LA 70810

H. Guy Riche', Jr., M.D.
Suite 319
929 Government Street
Baton Rouge, LA 70802

Lawrence D. Wade, M.D.
Suite 1-C
3060 Valley Creek Drive
Baton Rouge, LA 70808

INTERNATIONAL EQUITY ADVISORS

Artisan Partners Limited Partnership
Suite 2950
100 Pine Street
San Francisco, CA 94111

New Star Institutional Managers
Limited
1 Knightsbridge Green
London SW1X7NE

TT International Investment
Management
2nd Floor
Martin House
5 Martin Lane
London EC4R ODP

LARGE CAP VALUE EQUITY ADVISORS

Bear Stearns Asset
Management, Inc.
29th Floor
383 Madison Avenue
New York, NY 10019

Deutsche Asset Management
27th Floor
1325 Avenue of the Americas
New York, NY 10019

LSV Asset Management
169 East Avenue
Norwalk, CT 06851

UBS Global Asset Management Inc.
UBS Tower
One North Wacker Drive
Chicago, IL 60606

MID CAP VALUE EQUITY ADVISORS

Ariel Capital Management, LLC
Suite 2900
200 East Randolph Drive
Chicago, IL 60601

EBS Asset Management
Suite 210
7777 Washington Village Drive
Dayton, OH 45459

SMALL CAP VALUE EQUITY ADVISORS

The Boston Company Asset
Management, Inc.
13th Floor
One Boston Place - 024-013A
Boston, MA 02108-4402

Rothschild Asset Management Inc.
1251 Avenue of the Americas
New York, NY 10020

Systematic Financial
Management, L.P.
7th Floor
300 F.W. Burr Boulevard
Teaneck, NJ 07666

LARGE CAP GROWTH EQUITY ADVISORS

Atlanta Capital Management
Company, L.L.C.
Two Midtown Plaza
Suite 1600
1349 West Peachtree Street
Atlanta, GA 30309

Goldman Sachs Asset Management
Suite 500
2502 Rocky Point Drive
Tampa, FL 33607

The Smith Asset Management Group, L.P.
Suite 850
200 Crescent Court
Dallas, TX 75201

MID CAP GROWTH EQUITY ADVISORS

Columbus Circle Investors
Metro Center
One Station Place
Stamford, CT 06902

Eagle Asset Management
880 Carillon Parkway
PO Box 10520
St. Petersburg, FL 33733-0520

SMALL CAP GROWTH EQUITY ADVISORS

The Bank of New York
One Wall Street
New York, NY 10286

TCW Asset Management Company
865 South Figueroa Street
Los Angeles, CA 90017

DOMESTIC INVESTMENT GRADE FIXED INCOME ADVISORS

Peregrine Capital Management, Inc.
Suite 1850
800 LaSalle Avenue
Minneapolis, MN 55402

Banc One Investment Advisors Corporation
Suite B2
1111 Polaris Parkway
Mail Code OH1-0211
Columbus, OH 43240

Earnest Partners, L.L.C.
Suite 2300
75 Fourteenth Street
Atlanta, GA 30309

HIGH YIELD FIXED INCOME ADVISORS

Fountain Capital Management, L.L.C.
Suite 220
10801 Mastin Boulevard
Overland Park, KS 66210

Nicholas-Applegate Capital Management
29th Floor
600 West Broadway
San Diego, CA 92101

Seix Investment Advisors
300 Tice Boulevard
Woodcliff Lake, NJ 07677

Shenkman Capital Management, Inc.
461 Fifth Avenue
New York, NY 10017

MORTGAGE-BACKED FIXED INCOME ADVISOR

TCW Asset Management Company
Suite 1800
865 South Figueroa Street
Los Angeles, CA 90017

GLOBAL FIXED INCOME ADVISORS

Julius Baer Investment Management Inc.
Bevis Marks House
Bevis Marks
London, EC3A 7NE

Brandywine Asset Management
3 Christina Centre
Suite 1200
201 North Walnut Street
Wilmington, DE 19801

EQUITY INDEX ADVISORS

RhumbLine Advisers
30 Rowes Wharf
Boston, MA 02110-3326

SECURITIES LENDING ADVISORS

Bear Stearns & Company
Suite 200
300 Crescent Court
Dallas, TX 75201

Boston Global Advisors, Inc.
Oliver Street Tower
Suite 1700
125 High Street
Boston, MA 02110-2704

Custodial Trust Company
101 Carnegie Center
Princeton, NJ 08540-6231

Maxcor Financial, Inc.
19th Floor
One Seaport Plaza
New York, NY 10038-3526

GLOBAL CUSTODIAN

Mellon Bank
135 Santilli Highway
MZ # 026-0313
Everett, MA 02149

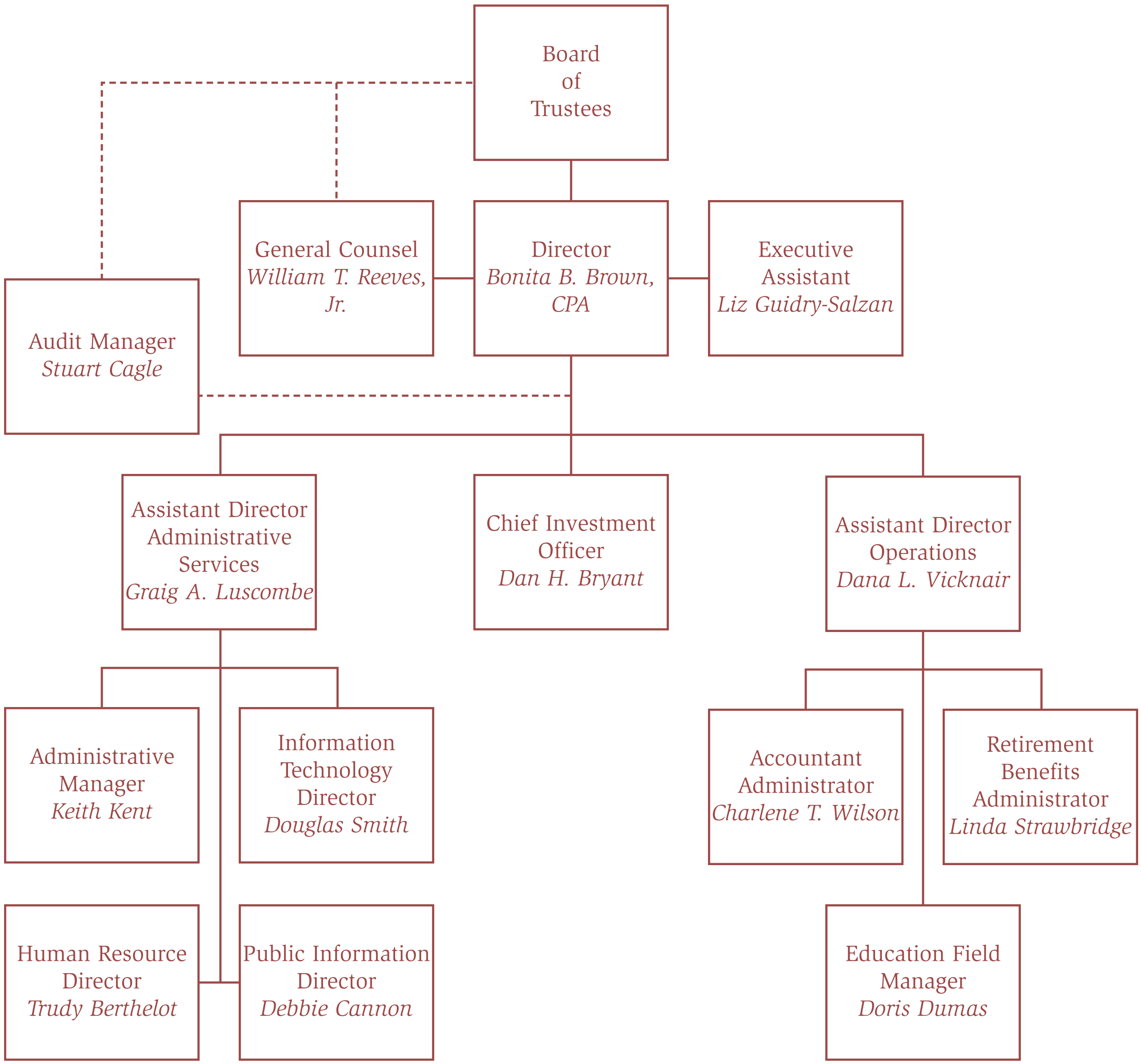
INVESTMENT PERFORMANCE CONSULTANTS

Holbein Associates, Inc.
Suite 901
15770 Dallas Parkway
Dallas, TX 75248

Hamilton Lane Advisors, L.L.C.
GSB Building
9th Floor
One Belmont Avenue
Bala Cynwyd, PA 19004

R.V. Kuhns & Associates, Inc.
Suite 2200
805 SW Broadway
Portland, OR 97205

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, 2003

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

Public Pension Coordinating Council

Public Pension Standards

2003 Award

Presented to

Teachers' Retirement System of Louisiana

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

Summary of 2003-2004 Legislative Acts and Resolutions

The following is a brief synopsis of 2003-2004 legislative action which affects members of Teachers' Retirement System of Louisiana.

A. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA - TITLE 11

1. **Act 747 [Enacts R.S. 11:769]**

   This Act guarantees that the total payment of retirement benefits must at least equal a member's accumulated contributions.

   (Effective July 6, 2003)

B. 2004 LEGISLATION AFFECTING STATE AND STATEWIDE PUBLIC RETIREMENT SYSTEMS OR MORE THAN ONE RETIREMENT SYSTEM - TITLES 11, 17

1. **Act 26 [Amends and reenacts Civil Code Articles 90, 891, 1243, 1352, 1724, and 3506(8); Code of Civil Procedure Articles 683(B) and (C), 732(B) and (C), 1732(3) and 4061.1(A)(3) and (C); Children's Code Articles 1106(A), (B), (C), and (D), 1107.5(E)(3)(a), 1132(A), 1141(A)(3), 1193(2) and (4), 1244(B) and (C), and 1281.3(5); Code of Evidence Articles 803(9), (11), and (19), and 804(B)(4)(a); R.S. 9:392(B), 398.2(A)(2) and (F), and 400(A)(6); R.S. 11:403(19), 701(19), 1732(20), 2178(E)(3), 3113(5)(a) and (b), and 3166(E)(2), R.S. 13:2561.4, 2562.4, and 2563.2(B), R.S. 14:78(B), R.S. 17:1685(F), R.S. 23:1021(3), R.S. 29:293(A), R.S. 33:1947(C)(2), R.S. 40:34(B)(1)(a)(iv) and (vii), (B) (1)(h)(vi), and (E)(1), 40(8) and (11), 41(B), 46(A), 46.1(B)(2), and R.S. 46:1802(3); and to repeal R.S. 9:391, 9:400(A)(5), and R.S. 13:914.1]**

   This Act provides for a change in terminology from "illegitimate child" to "child born outside of marriage" and from "legitimate child" to "child born of marriage."

   (Effective August 15, 2004)

2. **Act 207 [Amends and reenacts R.S. 11:185(C)]**

   This Act changes the educational requirements of the boards of trustees of state and statewide retirement systems to include system-specific training.

   (Effective July 1, 2004)

3. **Act 275 [Amends and reenacts R.S. 39:81 and enacts R.S. 11:176]**

   This Act requires every state retirement system to submit its annual operating budget to the Joint Legislative Committee on the Budget for review and approval. Currently, the TRSL Board of Trustees submits its annual operating budget to the Committee for review. However, this act will require that the Committee now approve TRSL's budget, which means that TRSL will not be able to make any expenditures for day-to-day operations of the system that are not approved by the Committee.

   (Effective July 1, 2004)

4. **Act 280 [Amends and reenacts R.S. 42:1001, 1002(2), (4) and (5), 1003 through 1005, and 1008 through 1011, enacts R.S. 42:1002(12), (13) and (14), and repeals R.S. 42:1006 through 1007]**

   This Act allows state and local public agencies in Louisiana to hold divided referenda to allow individual employees who do not currently pay Medicare taxes to choose to do so.

   (Effective July 1, 2004)

5. **Act 588 [Amends and reenacts R.S. 11:102(A) and (B)(3)(d), 883.1(A), (B), (C)(1), and (D), and enacts R.S. 11:102(B)(5)]**

   This Act does several things: 1) it restructures the state's recent debt to the retirement systems, 2) changes the amortization period for losses from 15 years or to 2029, whichever is greater, to a 30-year period, 3) zeroes out the Experience Account (EA), 4) prevents the EA from ever again going into a negative balance, and 5) allows the future cost-of-living adjustments (COLAs) to be paid from the EA.

   (Effective June 30, 2004)

6. **Act 686 [Enacts R.S. 11:269]**

   This Act requires consultants and money managers to disclose relationships.

   (Effective July 5, 2004)

SUMMARY OF 2003-2004 LEGISLATIVE ACTS AND RESOLUTIONS continued

7. **Act 706 [Enacts R.S. 11:291(H)]**

   This Act requires overdue child support payments owed by a former spouse to be deducted from the former spouse's community property interest in the retirement benefit of a member or retiree of a state or statewide public retirement system.

   (Effective July 6, 2004)

8. **Act 851 [Amends and reenacts R.S. 11:266.1(D) and enacts R.S. 266.1(E)]**

   This Act requires state retirement systems to submit reports on the utilization of Louisiana broker-dealers in investments.

   (Effective July 12, 2004)

9. **Act 868 [Amends and reenacts R.S. 42:1157(A)(4) and enacts R.S. 42:1114.2]**

   This Act requires persons who have or who are seeking to obtain a contractual or other relationship with a state or statewide public retirement system to disclose certain expenditures.

   (Effective January 1, 2005)

10. **SENATE CONCURRENT RESOLUTION NO. 12**

    To require the four state public retirement systems to comply with the state of Louisiana policies, procedures and regulations governing travel, contracts and procurement.

11. **SENATE CONCURRENT RESOLUTION NO. 14**

    To direct the office of the legislative auditor to do an in-depth financial and compliance audit on the relationships between the state public retirement systems board and the investment advisors, consultants and managers.

12. **SENATE CONCURRENT RESOLUTION NO. 15**

    To provide for a study of the benefits, risks and issues involved in and the feasibility of establishing a defined contribution plan and modified defined benefit plan in the four state public retirement systems.

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. Notwithstanding the provisions of this Item or any other provision of law to the contrary, any non bargaining employee whose initial effective date of employment occurred on or before June 30, 2001, shall be eligible to irrevocably elect to terminate his membership in this system, provided such election to terminate membership is exercised on or before September 30, 2001. Any non-bargaining employee whose initial effective date of employment occurs on or after July 1, 2001, shall have the irrevocable option to not participate in this system, provided that such option to not participate must be made within sixty days after the effective date of his employment and any such employee who fails to exercise the option not to participate shall become a participating member of this system. For purposes of this Subitem, the phrase "non-bargaining employee" shall mean any employee of the Louisiana Association of Educators whose employment is not covered by a collective bargaining agreement. Notwithstanding any other provision of law to the contrary, any non-bargaining employee who retires from the Teachers' Retirement System and later is reemployed in a position covered by the provisions of this Chapter shall not have his retirement benefits reduced or suspended during such reemployment. 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. Nothwithstanding the provision of this Item or any other provision of law to the contrary, any director, secretary, staff member, or any other individual employed by the Louisiana High School Athletic Association on or after July 1, 2000, who does not have a valid Louisiana teacher's certificate shall not be required to participate in the system. Any person covered by a sub-item of this Item who has a valid Louisiana teacher's certificate shall be required to participate in the system provided the person satisfies all other eligibility criteria. 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% Actuarily 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)

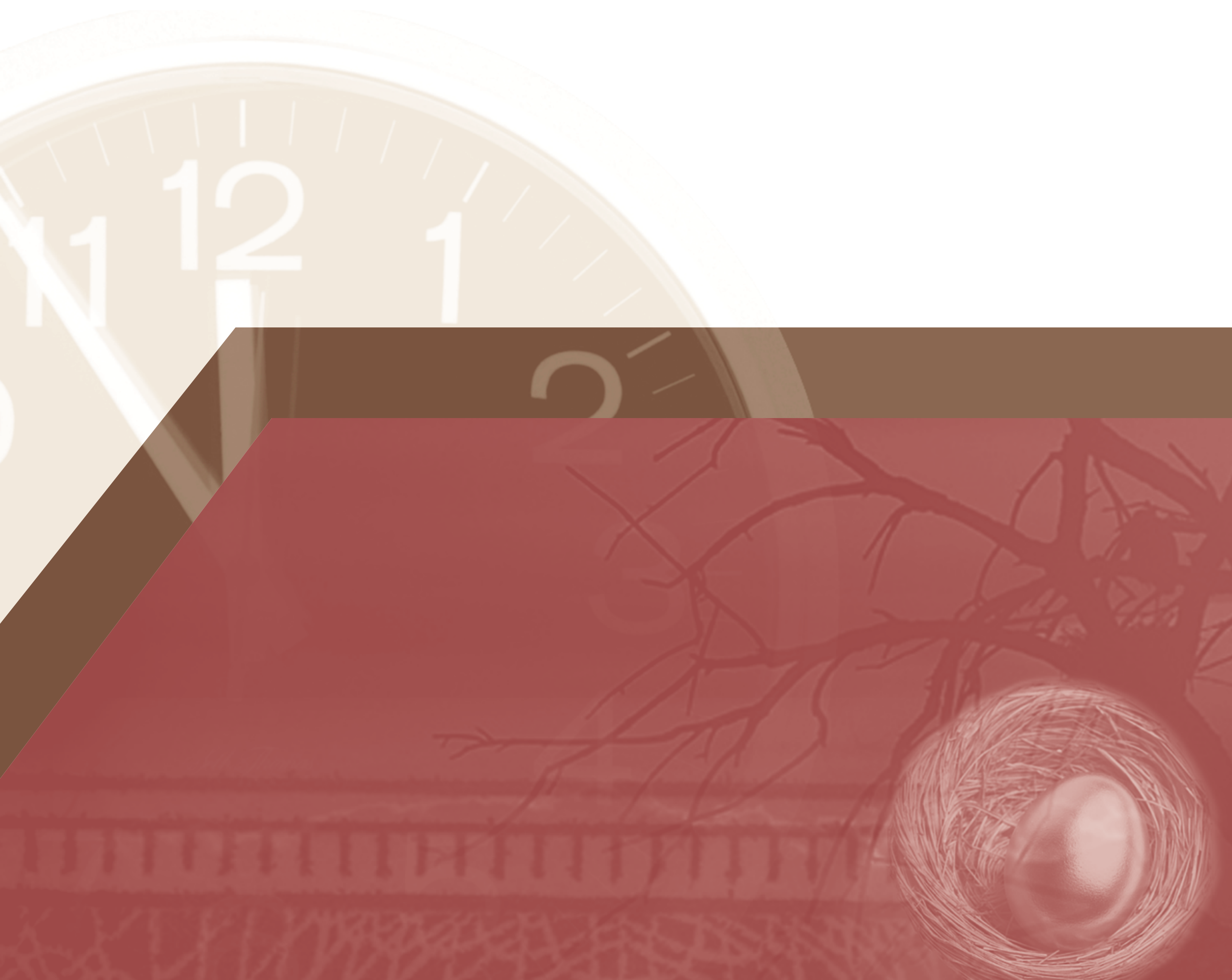
The ILSB program became effective January 1, 1996. Under this program, a retiring member who had not participated in the Deferred Retirement Option Plan could select an ILSB alternative. This alternative provides the retiree with a one-time payment of up to thirty-six months of a regular maximum monthly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

This page left intentionally blank.

FINANCIAL SECTION



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

J.CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

September 9, 2004

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, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended, which collectively comprise the System's basic financial statements. 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, 2004 and 2003, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 9, 2004, on our consideration of the Teachers' Retirement System of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Teachers' Retirement System of Louisiana's basic financial statements. 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' Retirement System of Louisiana. Such additional information has been subjected to the auditing procedures applied in our audit 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 Teacher's Retirement System of Louisiana'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 increased by $1.4 billion, or 13 percent.
- The rate of return on the market value of the System's investments was 18.2 percent for 2004 compared to 2.7 percent in 2003.
- The System's funded ratio decreased from 68.8 percent at June 30, 2003 to 63.1 percent as of June 30, 2004.
- The unfunded actuarial accrued liability increased from $5.3 billion in 2003 to $6.7 billion in 2004.
- Total benefit payments increased from $1.0 billion in 2003 to $1.1 billion in 2004.

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 report the System's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2004, and June 30, 2003.

The statements of changes in plan net assets report the results of the System's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statements 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 provides information regarding TRSL employee pension benefits.
- Note E describes the System's investments and includes information regarding bank balances, security collateralization, and investment credit risk.
- Note F provides information regarding securities lending transactions.
- Note G describes the various types of derivative investments in which the System may invest.
- Note H provides information on contingent liabilities.
- Note I provides information on a new pronouncement.
- Note J 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, 2004, is $11.9 billion, which is a 13 percent increase from the $10.5 billion held in trust at June 30, 2003.

CONDENSED COMPARATIVE STATEMENT OF PLAN NET ASSETS

	2004	2003	2002
Cash and cash equivalents	$ 30,677,716	$ 7,808,257	$ 38,505,718
Receivables	191,297,088	307,062,509	304,071,355
Investments (fair value)	11,774,998,309	10,376,121,923	10,509,900,097
Securities lending collateral	1,938,170,626	3,536,684,192	3,127,751,681
Capital Assets	4,923,034	4,999,004	5,118,502
Total assets	13,940,066,773	14,232,675,885	13,985,347,353
Accounts payable and other liabilities	108,499,255	175,314,083	229,101,621
Securities lending collateral	1,938,170,626	3,536,684,192	3,127,751,681
Total liabilities	2,046,669,881	3,711,998,275	3,356,853,302
Net assets held in trust	$ 11,893,396,892	$ 10,520,677,610	$ 10,628,494,051

Changes in Plan Net Assets

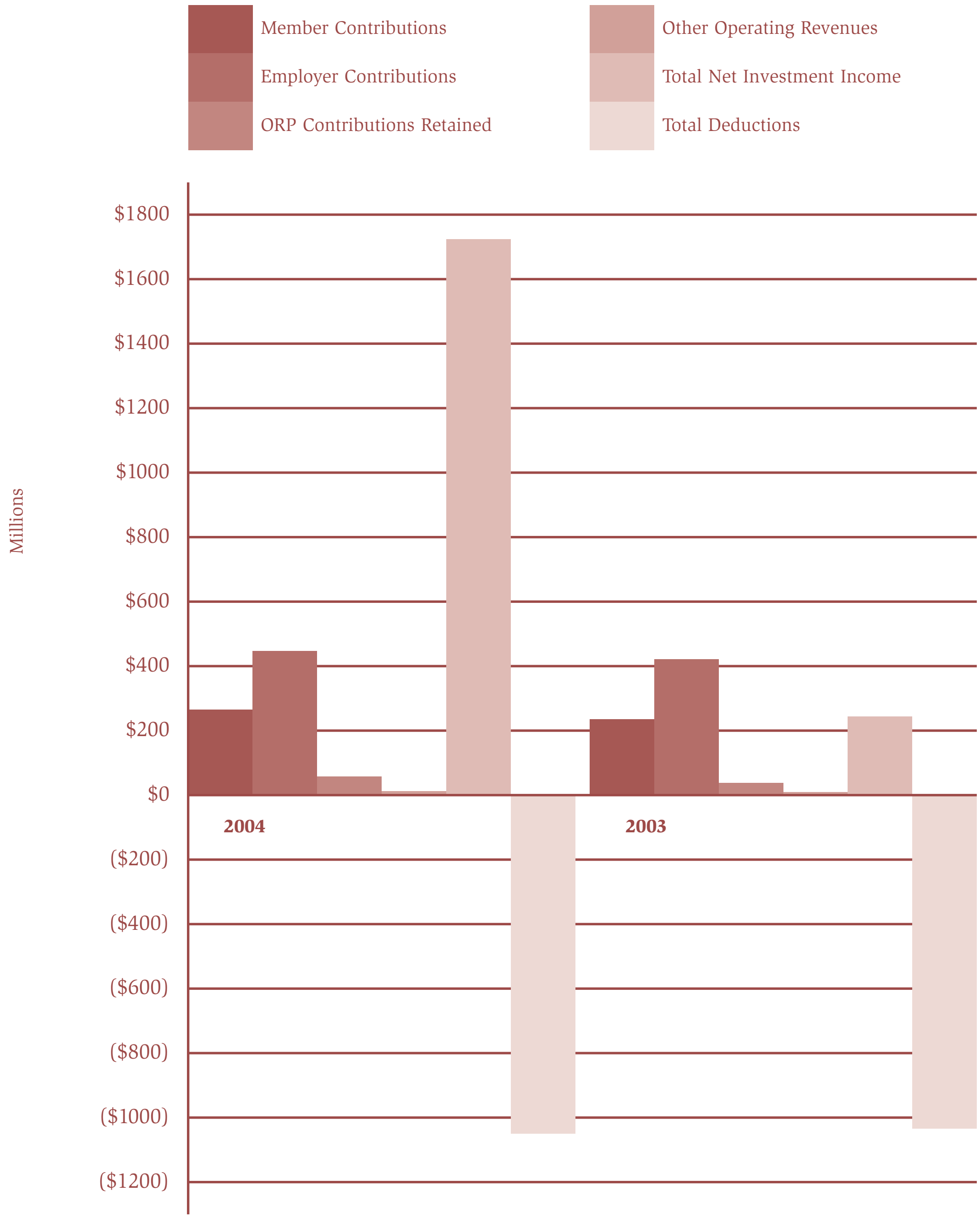
Additions to TRSL's plan net assets were derived from member and employer contributions and investment income. Member contributions increased $13,701,730 (5 percent) while employer contributions increased $22,266,137 (5 percent). Since the employee contribution rate is established by law, the increase in member contributions is attributable to normal salary increases received by active members as well as 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 (PRSAC) adjust employer contributions annually. The employer rate was increased to 13.8 percent for 2004. Employer contributions is attributable to the increase (.7 percent) in the employer contribution rate from 2003 plus 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 $1,738,551,936 in 2004 compared to a net investment gain of $221,365,576 in 2003. This is directly related to the continuing rebound of the financial markets during the first three quarters of the fiscal year.

Deductions from plan net assets totaled $1,113,398,337 in fiscal year 2004, an increase of $76,604,981 or 7 percent, over fiscal year 2003. For 2004 the major increase is attributable to the increase in benefit payments, which increased by 7 percent. Approximately 1,200 retirees were added to the benefit payroll records. Refunds of contributions increased by $4,517,701 or 20 percent over 2003. This increase is directly related to the increase in the number of retirees returning to work. Retirees who return-to-work must contribute unsheltered employee contributions. They gain no additional service credit or benefits. When they terminate employment, they can request a refund of their unsheltered contributions. Since most retirees work nine months (during the school year), they are allowed to refund their contributions (which were made during the return to work) every summer. Administrative expenses increased by approximately $100,000 in 2004 compared to 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS continued

CONDENSED COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS			
	2004	2003	2002
Additions			
Member contributions	$ 264,999,131	$ 251,297,401	$ 246,119,537
Employer contributions	444,104,350	421,838,213	400,478,248
ORP contributions retained	35,244,313	29,499,096	27,196,232
Other operating revenues	3,217,889	4,976,629	1,787,499
Total net investment income (loss)	1,738,551,936	221,365,576	(948,670,459)
Total additions	2,486,117,619	928,976,915	(273,088,943)
Deductions			
Benefit and refunds	1,102,103,488	1,025,614,573	944,025,637
Administrative expenses	10,786,450	10,688,003	8,886,231
Other operating expenses	508,399	490,780	475,734
Total deductions	1,113,398,337	1,036,793,356	953,387,602
Net increase (decrease)	1,372,719,282	(107,816,441)	(1,226,476,545)
Net assets beginning of year	10,520,677,610	10,628,494,051	11,854,970,596
Net assets end of year	$ 11,893,396,892	$ 10,520,677,610	$ 10,628,494,051

Changes in Plan Net Assets

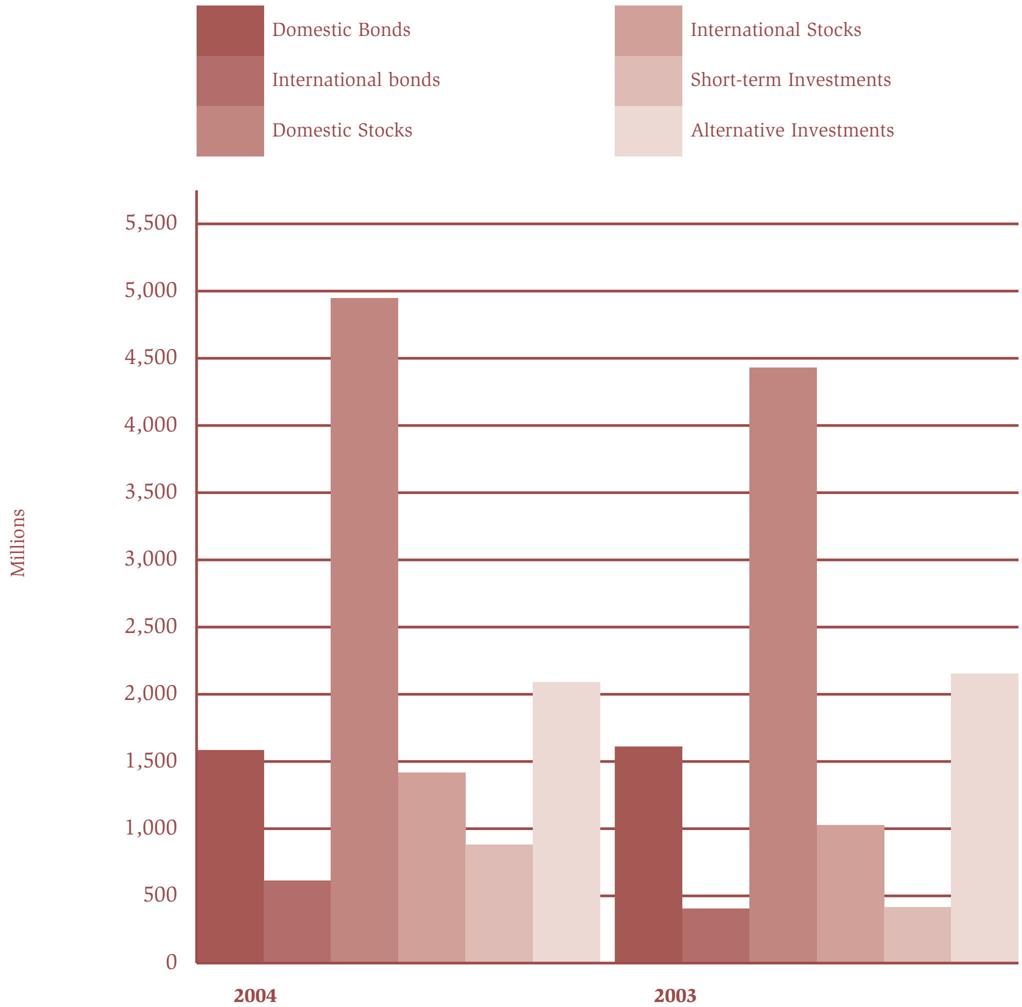


Investments

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, 2004, amounted to $11.8 billion, compared to $10.4 billion at June 30, 2003, which is an increase of approximately $1.4 billion or 13.5 percent. The System experienced a net gain on investments of $1.7 billion at June 30, 2004, compared to $221 million at June 30, 2003. Our market rate of return was 18.2 percent. This return ranks TRSL in the 15th percentile in the Independent Consultants' Cooperative Large Fund Universe, which exceeds the performance of 85 percent of other large public pension plans.

Fair Value			
	2004	2003	2002
Domestic bonds	$ 1,659,559,992	$ 1,704,534,901	$ 1,902,126,260
International bonds	560,651,839	416,432,668	472,011,350
Domestic stocks	4,926,745,546	4,468,939,880	4,586,782,472
International stocks	1,454,136,303	1,033,655,198	1,075,238,305
Short-term investments	910,719,505	434,080,034	470,234,146
Alternative investments	2,263,185,124	2,318,479,242	2,003,507,564
Total investments	$ 11,774,998,309	$ 10,376,121,923	$ 10,509,900,097

Investments at Market Value



FUNDED STATUS

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio decreased from 68.8 percent at June 30, 2003, to 63.1 percent as of June 30, 2004. The amount by which TRSL actuarial liabilities exceeded the actuarial assets was $6.6 billion at June 30, 2004, compared to $5.3 billion at June 30, 2003, thereby increasing the System's unfunded accrued liability by $1.3 billion. Act 588 of 2004 made significant changes to prospective funding. The outstanding balances of changes in liabilities from 1993 through 2000 were re-amortized as a level dollar amount to 2029. The amortization period for changes in liabilities beginning with 2001 were extended to a thirty year period from the date of occurrence. A minimum employer rate of 15.5 percent and employer credit account were established for excess contributions. Following the recommendation of Public Retirement Systems' Actuarial Committee (PRSAC), the negative Experience Account balance (negative $1.1 billion) was removed from the valuation assets as of June 30, 2004. This accounted for the majority of the increase to the unfunded accrued liability as of June 30, 2004. For the year ending June 30, 2004, the net realized actuarial rate of return was 9.85 percent, which was greater than the System's assumed actuarial rate of return of 8.25 percent. This resulted in a net investment experience gain of $166 million.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to Charlene T. Wilson, Chief Financial Officer, Teachers' Retirement System of Louisiana, PO Box 94123, Baton Rouge, Louisiana, 70804-9123.

STATEMENTS OF PLAN NET ASSETS AS OF JUNE 30, 2004 AND 2003

	2004	2003
Assets		
Cash and cash equivalents	$ 30,677,716	$ 7,808,257
Receivables		
Member contributions	48,885,390	47,231,216
Employer contributions	64,691,821	57,746,203
ORP contributions retained	2,319,164	2,040,857
Pending trades	33,712,000	157,176,524
Accrued interest and dividends	40,170,526	41,423,260
Other receivables	1,518,187	1,444,449
Total receivables	191,297,088	307,062,509
Investments, at fair value		
Domestic bonds	1,659,559,992	1,704,534,901
International bonds	560,651,839	416,432,668
Domestic common and preferred stocks	4,926,745,546	4,468,939,880
International common and preferred stocks	1,454,136,303	1,033,655,198
Domestic short-term investments	910,719,505	434,080,034
Alternative investments	2,263,185,124	2,318,479,242
Total investments	11,774,998,309	10,376,121,923
Securities lending collateral		
Collateral held under domestic securities lending program	1,593,822,121	3,064,894,429
Collateral held under international securities lending program	344,348,505	471,789,763
Total securities lending collateral	1,938,170,626	3,536,684,192
Building, at cost, net of accumulated depreciation of $2,022,124 and $1,891,276, respectively	3,127,099	3,240,290
Equipment, furniture and fixtures, at cost, net of accumulated depreciation of $2,392,783 and $2,123,097, respectively	937,545	900,324
Land	858,390	858,390
Total assets	13,940,066,773	14,232,675,885
Liabilities		
Accounts payable	7,096,770	6,214,751
Benefits payable	2,616,254	3,067,010
Refunds payable	4,875,048	4,730,334
Pending trades payable	92,991,945	160,488,115
Other liabilities	919,238	813,873
Total accounts payable and other liabilities	108,499,255	175,314,083
Securities lending collateral		
Obligations under domestic securities lending program	1,593,822,121	3,064,894,429
Obligations under international securities lending program	344,348,505	471,789,763
Total securities lending collateral	1,938,170,626	3,536,684,192
Total liabilities	2,046,669,881	3,711,998,275
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 46.)	$ 11,893,396,892	$ 10,520,677,610

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Additions		
Contributions		
Member contributions	$ 264,999,131	$ 251,297,401
Employer contributions	444,104,350	421,838,213
Total contributions	709,103,481	673,135,614
ORP contributions retained	35,244,313	29,499,096
Investment income:		
From investment activities		
Net appreciation (depreciation) in fair value of domestic investments	1,164,647,179	(9,358,002)
Net appreciation (depreciation) in fair value of international investments	323,405,540	(3,830,620)
Domestic interest	110,597,008	120,174,045
International interest	23,800,877	30,745,264
Domestic dividends	64,865,361	59,353,555
International dividends	41,800,161	28,041,533
Alternative investments income	81,696,047	44,050,485
Commission rebate income	1,078,487	1,026,354
Total investment income	1,811,890,660	270,202,614
Investment activity expenses:		
International investment expenses	(4,995,570)	(2,530,171)
Alternative investment expenses	(49,401,029)	(31,682,592)
Custodian fees	(786,062)	(800,000)
Performance consultant fees	(507,749)	(279,786)
Trade cost analysis fees	(40,000)	(40,000)
Advisor fees	(23,311,668)	(19,283,122)
Total investment expenses	(79,042,078)	(54,615,671)
Net income from investing activities	1,732,848,582	215,586,943
From securities lending activities		
Securities lending income	13,854,504	16,602,783
Securities lending expenses:		
Fixed	(6,053,776)	(9,749,608)
Equity	(249,934)	(249,933)
International	(1,847,440)	(824,609)
Total securities lending activities expenses	(8,151,150)	(10,824,150)
Net income from securities lending activities	5,703,354	5,778,633
Total net investment income	1,738,551,936	221,365,576
Other operating revenues	3,217,889	4,976,629
Total additions	2,486,117,619	928,976,915
Deductions		
Retirement benefits	1,075,298,667	1,003,327,453
Refunds of contributions	26,804,821	22,287,120
Administrative expenses	10,786,450	10,688,003
Depreciation expense	508,399	490,780
Total deductions	1,113,398,337	1,036,793,356
Net increase (decrease)	1,372,719,282	(107,816,441)
Net assets held in trust for pension benefits		
Beginning of year	10,520,677,610	10,628,494,051
End of year	$ 11,893,396,892	$ 10,520,677,610

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 to budgetary review and approval 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, 2004, and 2003, the number of participating employers was:

	2004	2003
School Boards	68	66
Colleges and Universities	24	24
State Agencies	57	54
Charter Schools	6	11
Other	17	17
Total	172	172

Membership of this plan consisted of the following at June 30, 2004, and 2003, the dates of the latest actuarial valuations:

	2004	2003
Retirees and beneficiaries receiving benefits	52,900	50,903
Deferred retirement option plan participants	3,409	2,722
Terminated vested employees entitled to but not yet receiving benefits	5,610	5,720
Terminated nonvested employees who have not withdrawn contributions	10,242	7,852
Current active employees:		
Vested	58,638	57,081
Nonvested	25,760	27,877
Post deferred retirement option plan participants	2,875	2,688
Total	159,434	154,843

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 90. Current membership in the ORP is 17,631.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 7.09 percent of the 13.8 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 6.71 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 the 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. For members eligible to enter the DROP prior to January 1, 2004, interest will be earned at a rate equal to the actuarial realized rate of 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 after participation ends. For members eligible to enter the DROP on or after January 1, 2004, interest will be earned at the liquid asset money market rate less one quarter of one percent administrative fee. 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 the 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 the maximum 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 recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. 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 and the Joint Legislative Committee on the Budget. 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 deductions 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, 2004 and 2003 includes the original Board of Trustees approved budget and appropriated State General Funds, as well as subsequent amendments as follows:

2004	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	$ 7,141,922	$45,953,086	$53,095,008
Amendments:			
Salaries		(134,503)	(134,503)
Related benefits		(8,061)	(8,061)
Professional services		(7,000,109)	(7,000,109)
	$ 7,141,922	$ 38,810,413	$45,952,335

2003	State General Funds	Self-Generated Revenue	Total
Final approved budget and appropriations	$ 6,865,667	$36,747,743	$43,613,410

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 for the years ended June 30, 2004, and 2003.

Plan	% of Earned Compensation 2004	2003
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, 2004, and 2003, are as follows:

Plan	% of Earned Compensation 2004	2003
TRSL Regular Plan	13.8%	13.1%
TRSL Plan A	13.8%	13.1%
TRSL Plan B	13.8%	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. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA (TRSL) EMPLOYEE PENSION BENEFITS

1. COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

The administration and staff at TRSL are required to participate in the pension plan if they are not already participating in the LASERS Pension Plan. The Teachers' Retirement System of Louisiana (TRSL) is a cost sharing multiple-employer defined benefit plan administered by the Teachers' Retirement System of Louisiana. TRSL provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Title 11, Chapter 2, of the Louisiana Revised Statutes assigns the authority to establish and amend benefits provisions to the TRSL Board of Trustees. The financial statements and required supplementary information are contained on pages 35 through 48.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute at an actuarially determined rate. The TRSL rate for the 2003-2004 fiscal year is 13.8 percent. The contribution requirements of plan members and TRSL are established and may be amended by the TRSL Board of Trustees. The contributions paid by TRSL for its administration and staff to the pension plan for the years ending June 30, 2004 and 2003 were $389,445 and $354,777, respectively.

2 DEFINED BENEFIT PENSION PLAN

All full-time Teachers' Retirement System of Louisiana employees who do not participate in the Teachers' Retirement System of Louisiana (TRSL) participate in the Louisiana State Employees' Retirement System (LASERS). LASERS is a single-employer defined benefit pension plan administered by the state of Louisiana. LASERS provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Louisiana State Legislature. The System was established and provided for within Title 11 Chapter 401 of the Louisiana Revised Statutes (LRS). LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling 1-800-256-3000.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their gross salary to the pension plan to which TRSL adds a 15.8 percent contribution as an employer's match. The contribution requirements of plan member and TRSL are established and may be amended by the LASERS' Board of Trustees. TRSL's Statutory and Actual contributions for the years ending June 30, 2004 and 2003 were $434,351 and $329,297, respectively.

DEFINED CONTRIBUTION PLAN

ORP participants who become employees of TRSL must continue participation in the ORP. The ORP is a defined contribution plan administered by the Teachers' Retirement System of Louisiana. The ORP was created by the 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. The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to approved providers. Additional information about the ORP can be found on page 106.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute 13.8 percent of the participating member's covered salary. TRSL transfers 7.9 percent for the employee contributions and 6.71 percent (normal cost) for the employer contributions to the member's chosen provider. The contributions paid by TRSL for participating TRSL employees for the years ending June 30, 2004 and 2003 were $5,116 and $4,521, respectively.

E. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

At June 30, 2004, the carrying amount of the System's cash and cash equivalents was $30,677,716, and the bank balance was $30,619,790, which was covered by federal depository insurance and/or by collateral held by the agents in the System's name. 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.

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, 2004, are categorized below 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, 2003, was the same as that shown for investments held at June 30, 2004:

Investments	Category 1	Category 2	Category 3	June 30, 2004 Carrying Amount (Fair Value)	June 30, 2003 Carrying Amount (Fair Value)
Investments—Categorized					
Domestic bonds					
Not on securities loan	$1,125,737,871			$ 1,125,737,871	$ 1,164,640,472
Domestic common and preferred stocks					
Not on securities loan	3,824,171,679			3,824,171,679	1,955,098,625
On securities loan for securities collateral or letters of credit	73,737,867			73,737,867	80,246,255
International bonds					
Not on securities loan	403,221,476			403,221,476	37,623,969
International common and preferred stocks					
Not on securities loan	1,267,218,161			1,267,218,161	940,674,133
Subtotal	$6,694,087,054	$ 0	$ 0	6,694,087,054	4,178,283,454
Investments—Not Categorized					
Investments held by brokers-dealers under securities loans with cash collateral					
Domestic bonds				533,822,121	539,894,429
Domestic common stock				1,028,836,000	2,433,595,000
International bonds				157,430,363	378,808,699
International common stock				186,918,142	92,981,065
Domestic money market funds				910,719,505	434,080,034
Real estate investments				494,342,545	451,697,323
Mezzanine financing investments				335,701,043	325,414,623
Private equity investments				1,433,141,536	1,541,367,296
Total				$11,774,998,309	$10,376,121,923

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 a maximum of 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 14 to 20 percent over a 10- to 12-year time frame. The total initial commitments as of June 30, 2004 and at June 30, 2003, were $4,375,000,000. The total amounts called for funding as of June 30, 2004, were $3,391,028,374 versus $3,280,096,924 as of June 30, 2003. Total distributions received by the System from the limited partnerships were $1,460,738,399 as of June 30, 2004 and were $1,062,445,239 as of June 30, 2003.

F. 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, 2004, and 2003, respectively.

G. DERIVATIVES

During fiscal years 2004 and 2003, 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.

H. 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.

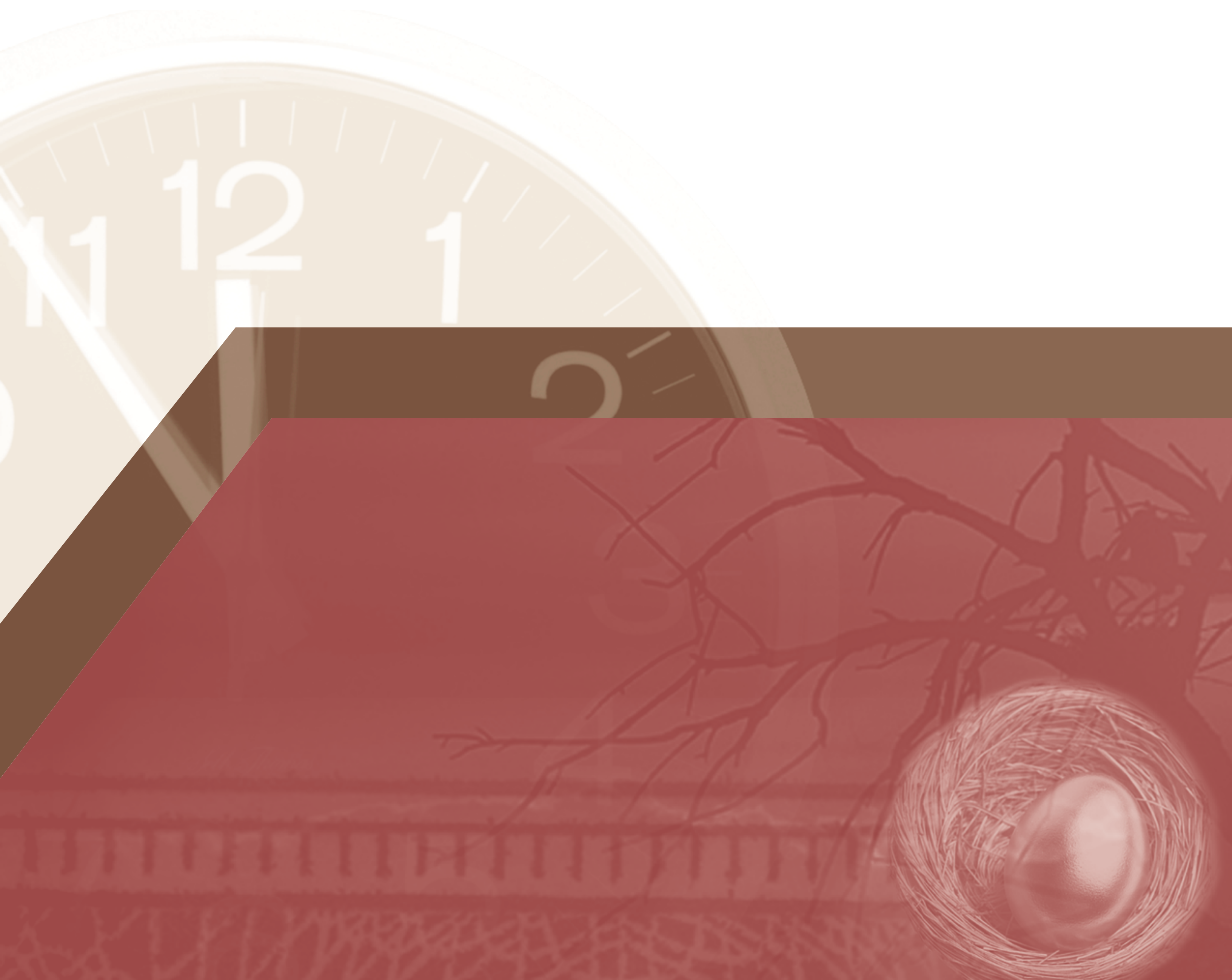
I. NEW PRONOUNCEMENT

Teachers' Retirement System of Louisiana will implement GASB Statement No. 40 for financial statements beginning after June 30, 2004. GASB Statement No. 40, Deposit and Investment Risk Disclosures updates the custodial credit risk disclosure requirements of GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk, and foreign currency risk. GASB 40 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2004.

J. 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)
06/30/99	$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	17,196,812	5,369,886	68.8%	2,977,885	180.3%
06/30/04	11,409,404	18,067,486	6,658,082	63.1%	3,017,087	220.7%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $870,674,073 from June 30, 2003, to June 30, 2004. There was a net experience loss of $19,366,717.

*UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes Texaco Settlement Fund Assets.

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
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%
2004	535,786,346	93.0%

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

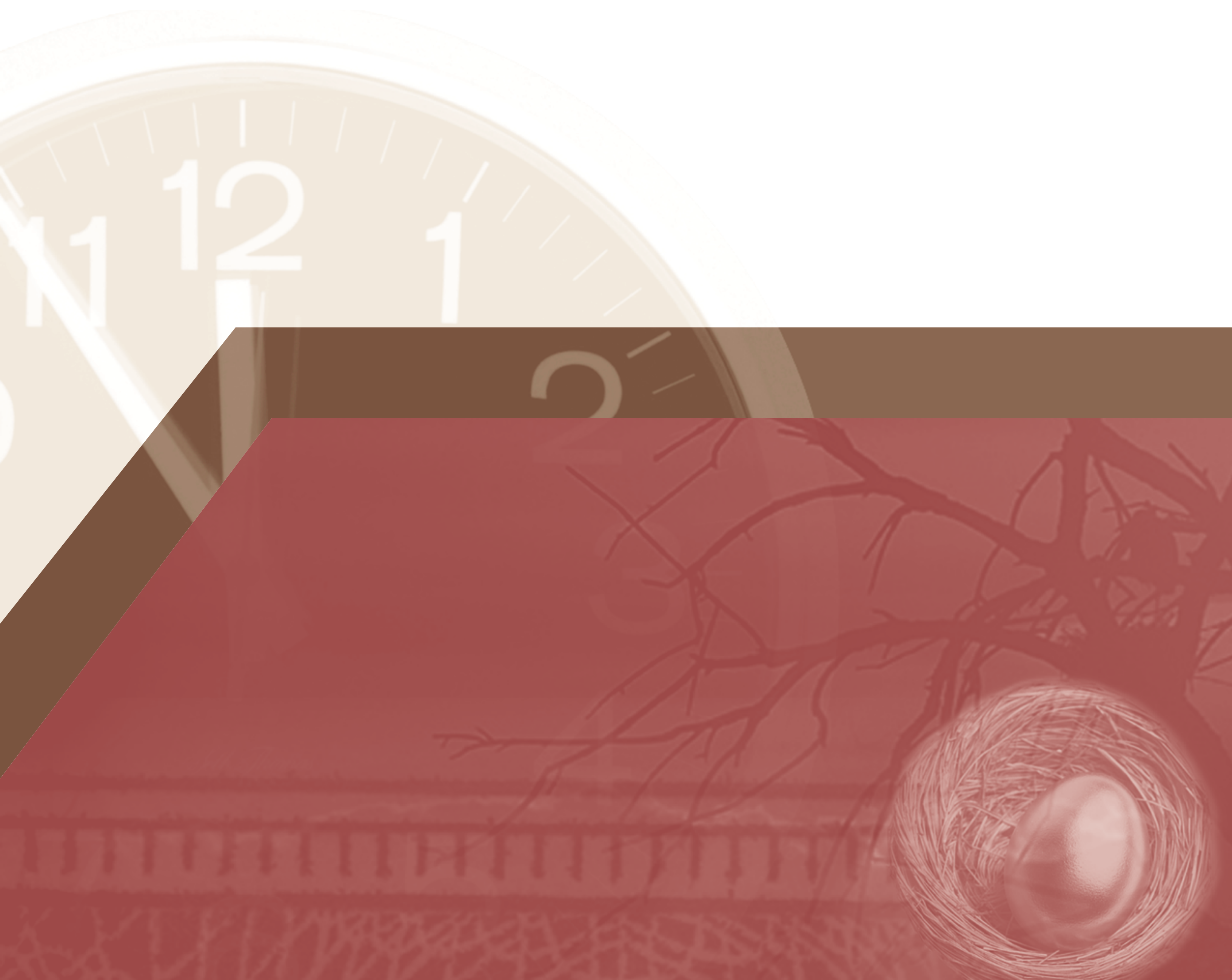
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF TREND INFORMATION

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, 2004
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	4-year weighted market average
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	3.20% → 9.00%
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, 2004 AND 2003

	2004			2003		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Appropriated:						
State general fund	$ 7,141,922	$ 1,077,288	$ (6,064,634)	$ 6,865,667	$ 6,424,440	$ (441,227)
Self-generated	38,810,413	35,864,358	(2,946,055)	36,747,743	31,493,617	(5,254,126)
Total revenues	45,952,335	36,941,646	(9,010,689)	43,613,410	37,918,057	(5,695,353)
Expenses:						
Salaries	7,823,725	7,664,805	158,920	7,625,192	6,803,848	821,344
Travel expenses	306,850	197,581	109,269	445,135	255,492	189,643
Operating services	3,237,432	2,135,438	1,101,994	3,083,657	2,192,648	891,009
Supplies	200,994	165,765	35,229	176,676	158,880	17,796
Office acquisitions	20,546	16,079	4,467	65,500	65,137	363
Professional services	832,450	553,166	279,284	1,449,140	1,170,563	278,577
Custodian fees	1,500,000	786,062	713,938	880,000	800,000	80,000
Performance consultant fees	709,000	507,749	201,251	279,786	279,786	0
Trade cost analysis fees	40,000	40,000	0	40,000	40,000	0
Advisor fees	23,503,640	23,311,668	191,972	21,951,214	19,283,122	2,668,092
Other charges - state general fund	7,141,922	1,077,288	6,064,634	6,865,667	6,424,440	441,227
Other charges - self-generated	46,200	22,320	23,880	46,200	15,238	30,962
Interagency transfers	85,709	31,296	54,413	82,289	26,197	56,092
Total expenses	45,448,468	36,509,217	8,939,251	42,990,456	37,515,351	5,475,105
Capital outlays	503,867	432,429	71,438	622,954	402,706	220,248
Total expenses and capital outlays	45,952,335	36,941,646	9,010,689	43,613,410	37,918,057	5,695,353
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, 2004 AND 2003

	2004	2003
Salaries:		
Salaries - regular	$ 5,935,893	$ 5,352,156
Salaries - overtime	90,272	78,479
Salaries - termination	41,233	18,834
Other compensation - wages: temporary	38,023	32,283
Other compensation - student labor	48,478	41,700
Other compensation - compensation of board members	21,750	19,350
Related benefits	1,489,156	1,261,046
Total salaries	**7,664,805**	**6,803,848**
Travel expenses	**197,581**	**255,492**
Operating services:		
Advertising	15,911	4,861
Printing	177,105	187,354
Insurance	41,763	34,183
Maintenance - equipment	403,909	361,242
Rentals - building	469,221	543,302
Rentals - equipment	186,756	216,320
Rentals - off-site storage	77,418	59,770
Dues and subscriptions	47,138	43,017
Telephone	164,692	129,304
Postage	397,477	448,190
Bank service charges	110,236	103,048
Mail services	28,337	39,597
Miscellaneous	15,475	22,460
Total operating services	**2,135,438**	**2,192,648**
Supplies	**165,765**	**158,880**
Office acquisitions	**16,079**	**65,137**
Professional services:		
Accounting and auditing	32,600	42,100
Management and consulting	191,346	13,250
Alternative contribution plan	0	795,540
Graphic web design	27,332	18,668
Cost effective management	25,000	0
Consulting interior design	0	6,403
Legal	50,336	21,597
Medical	20,153	25,219
Professional training	33,210	9,810
Professional election expense	11,305	80,323
Actuarial	95,804	94,940
Disaster testing	31,908	30,766
Professional travel	2,246	2,055
Investigative services	29,327	28,394
Design/annual report	0	161
Deaf interpreter services	2,599	1,337
Total professional services	**553,166**	**1,170,563**
Other charges:		
Educational expense	17,855	15,188
System condolence fund	166	50
Recruitment expense	3,174	0
Education supplies	1,125	0
Total other charges	**22,320**	**15,238**
Interagency transfers:		
Secretary of State - microfilm	11,015	8,765
Department of Civil Service	19,413	17,271
Office of Information Service	234	0
Bureau of Vital Statistics	634	161
Total interagency transfers	**31,296**	**26,197**
Total administrative expenses	**$10,786,450**	**$10,688,003**

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Investment activities expenses:		
International investment expenses	$ 4,995,570	$ 2,530,171
Alternative investment expenses*	49,401,029	31,682,592
Global custodian fees	786,062	800,000
Performance consultant fees	507,749	279,786
Trade cost analysis fees	40,000	40,000
Advisor fees	23,311,668	19,283,122
Total investment activities expenses	$79,042,078	$54,615,671
Securities lending activities expenses:		
Fixed	$ 6,053,776	$ 9,749,608
Equity	249,934	249,933
International	1,847,440	824,609
Total securities lending activities expenses	$ 8,151,150	$10,824,150

* TRSL's Alternative Investment Expenses include management fees charged by the general partners. Some investors treat these management fees as a part of the cost of the investment, while others treat management fees as an expense. The industry accepts both methods, thereby making the comparison of alternative investment expenses among investors impossible.

SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
BOARD OF TRUSTEES	NUMBER OF MEETINGS	AMOUNT	NUMBER OF MEETINGS	AMOUNT
Sheryl R. Abshire	24	$ 1,800	23	$ 1,725
Anne H. Baker	29	2,175	24	1,800
William C. Baker, Ed.D.	24	1,800	23	1,725
Jerry J. Baudin, Ph.D.	29	2,175	24	1,800
Eula Beckwith	24	1,800	22	1,650
Charles P. Bujol	21	1,575	21	1,575
Sarah F. Cox	29	2,175	22	1,650
Clyde F. Hamner	17	1,275	13	975
Joyce Haynes	24	1,800	22	1,650
Syble T. Jones, RD, LDN	24	1,800	24	1,800
Lawrence J. Moody, Jr.	27	2,025	18	1,350
Sheryl Sherlock	18	1,350	22	1,650
Total compensation		$ 21,750		$ 19,350

SCHEDULES OF BUILDING MAINTENANCE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Building maintenance expenses:		
Property management services	$ 11,700	$ 11,700
Payroll expenses	60,293	62,739
Heating and Air	37,527	43,486
Landscape maintenance	22,668	13,374
Elevator maintenance	2,041	1,655
Water and sewerage	5,793	4,385
Utilities	122,263	120,417
Telephone	3,626	2,940
Insurance	8,215	4,476
Pest control	601	510
Janitorial services	34,000	30,861
Waste systems	2,053	2,059
Fire protection	1,546	1,836
General repairs	36,361	21,006
Plumbing expenses	679	1,082
Electrical expenses	5,589	42,631
Window washing	1,525	1,761
Miscellaneous operating services	5,430	4,362
Security system	10,716	12,317
Janitorial supplies	454	537
Architect/engineering services/legal	14,276	11,909
Total building maintenance expenses	$387,356	$396,043

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

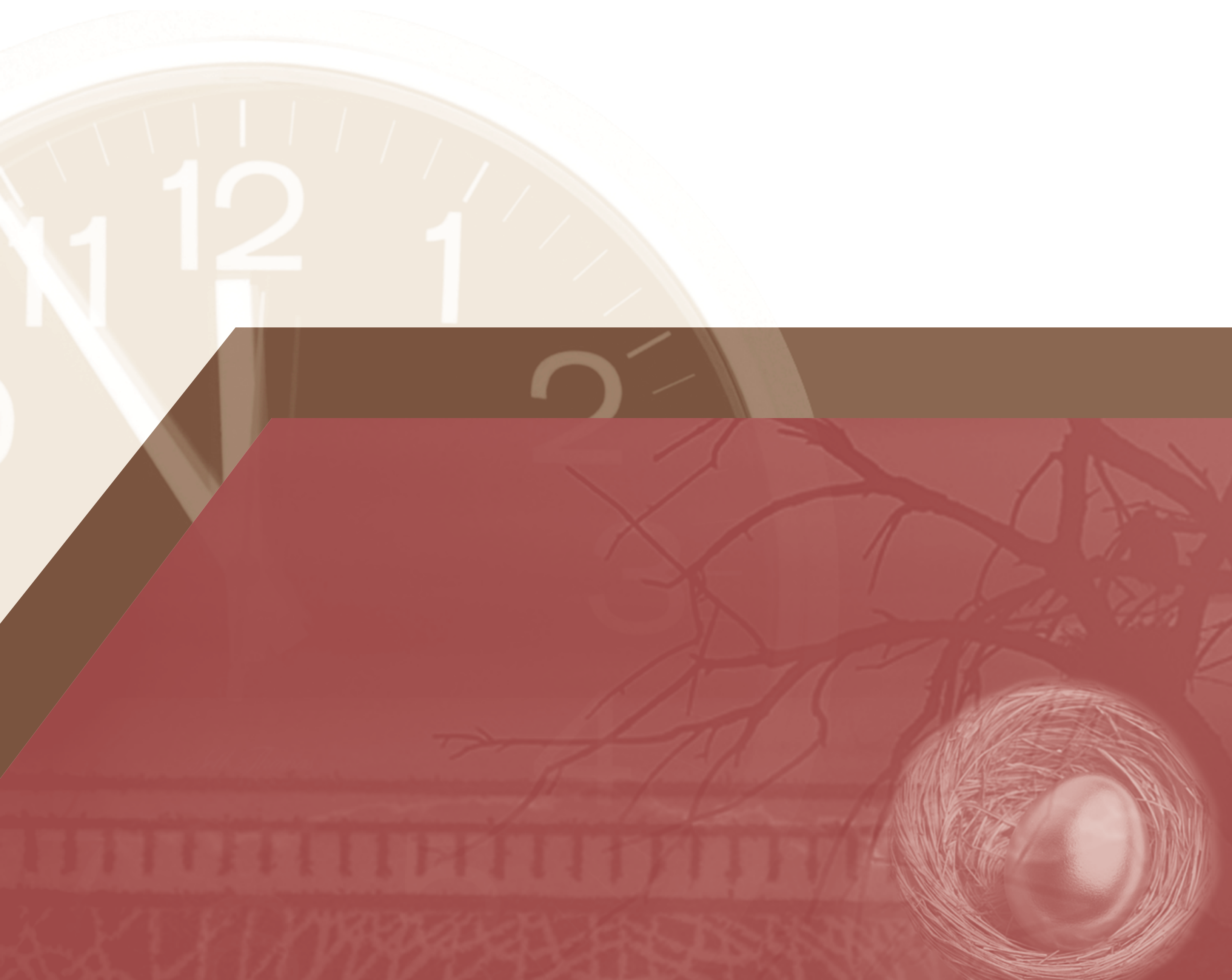
SCHEDULES OF PAYMENTS TO NON-INVESTMENT RELATED CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Accounting and auditing consultants	$ 32,600	$ 42,100
Auditors		
Hawthorn, Waymouth & Carroll, L.L.P.		
Medallion Consulting		
Postlethwaite & Netterville		
Management and consulting	254,983	827,458
Computer Consultants		
Speedware USA, Inc.		
Modiphy, Inc.		
Voice Retrieval		
Cost Effective Measurements		
Educational Technologies, Inc.		
Legal	75,456	45,598
Legal Consultants		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Avant & Falcon		
Bader & Bader		
Investigative Responsibility Support Services, Inc.		
Miscellaneous		
Medical	20,153	25,219
Medical Examiners		
Richard Burroughs, M.D.		
Anthony Ioppolo, M.D.		
W. J. Laughlin, M.D.		
H. Guy Riche', Jr., M.D.		
Lawrence D. Wade, M.D.		
Miscellaneous		
Professional Training	33,210	9,810
Computer Training		
Element K		
Hewlett Packard		
Actuarial	95,804	94,940
Actuary		
Hall Actuarial Associates		
Total	$512,206	$1,045,125

A summary schedule of commissions paid to brokers is shown on page 77.

This page left intentionally blank.

INVESTMENT SECTION



TRSL
Teachers' Retirement System of Louisiana

www.trsl.org
225.925.6446
Post Office Box 94123
Baton Rouge LA 70804-9123

September 17, 2004

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

The Teachers' Retirement System of Louisiana (System) completed the fiscal year ended June 30, 2004, with an 18.2% return on total assets. This one-year return ranks in the 15th percentile in the Independent Consultants' Cooperative Large Fund Universe, ahead of 85% of other public pension plans. Publicly traded assets (stocks and bonds) had a return of 18.1% while illiquid assets (real estate, private equity, and mezzanine debt) had a return of 19.6%. Total fund results over the past five- and ten-year periods are 4.2% and 9.6%, which rank in the 45th and 55th percentile, respectively. For the past ten years, the System's return of 9.6% exceeded the actuarial rate of 8.25% by 1.34% per year and exceeded the Consumer Price Index plus 3.9% by 3.2% per year. The performance results were calculated using the guidelines listed in the AIMR Performance Presentation Standard.

The System's equity portfolio consists of domestic and international securities. The domestic equity portfolio continues to perform well with returns of 22.1%, 3.6%, and 12.7% for the past one, five, and ten years, which exceeded the S&P 500 Index by 3.0%, 5.8%, and 1.0%, respectively. The portfolio continues to be well diversified across value and growth styles and across large-, mid-, and small-capitalization stocks. The international portfolio has had mixed results. It exceeded the MSCI EAFE Index by 2.2% over five years but lagged by 2.5% and 2.0% for the past one and ten years.

The System's fixed income portfolio has two components, domestic and global bonds. The domestic portfolio consists of investment grade bonds, mortgaged-backed, and high yield securities. The portfolio has had mixed results. It generated returns of 4.1%, 5.7%, and 6.9% over the past one, five, and ten years. The portfolio exceeded the Lehman Brothers Aggregate Index by 3.8% for the past year and lagged the index by 1.3% and 0.5% for the five and ten years. The global portfolio has performed well, with returns of 10.0%, 8.8%, and 7.2% that exceeded the Citigroup World Government Bond Index by 4.3%, 1.8%, and 0.6% for the past one, five, and ten years, respectively.

The alternative investment portfolio that consists of opportunistic real estate, private equity, and mezzanine debt further diversifies the total portfolio. The benchmark for this portfolio is the S&P 500 plus 4%. The alternative investment portfolio has generated returns of 19.6%, 5.4%, and 10.5% for the past one, five, and seven years. While it lagged the benchmark by 3.5% over the past year, it exceeded the benchmark by 2.5% and 1.2% per year for the last five and seven years.

In summary, total fund results of 18.2% were exceptional. The portfolio grew from \$10.376 billion to \$11.775 billion despite the negative cash flow (i.e., retirement benefits exceeded contributions) by \$369 million.

Sincerely,

Dan H. Bryant

Dan H. Bryant
Chief Investment Officer

DHB/mlv

Automated Toll-Free: 1.877.ASK.TRSL | TDD: 225.92
Teachers' Retirement System of Louisiana is an equal opportunity employer and complies with Americans with Disabilities Act.

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.

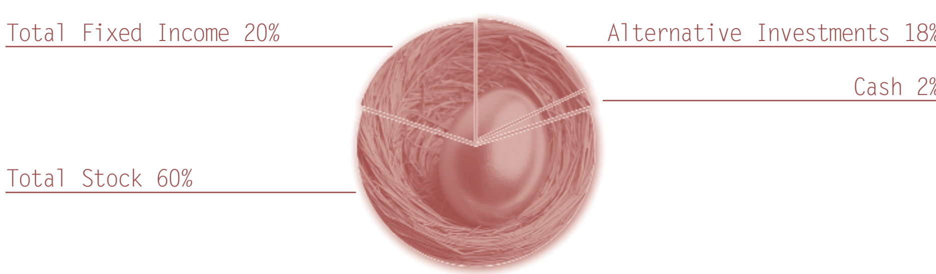
The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25 percent), whichever is higher. The Board realizes that market performance varies and that this return objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for investment managers are set forth in the Control Procedures section of this document.

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 percent 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 supranationals 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 percent 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 percent of the market value of the portfolio.

FIXED INCOME GUIDELINES FOR APPROVED GLOBAL FIXED INCOME MANAGERS

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 Citibank 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 Citibank 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. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.

(2) No more than 5 percent of the total outstanding shares of common stock for 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 the manager's 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, staff will maintain an allocation to cash to meet benefit payments. External managers should maintain cash levels that are within their investment guidelines (see Manager Cash Guidelines).

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. Staff will report to the Board annually summarizing the proxies that were voted by the investment managers.

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. Small-cap, international, fixed income, and index investment managers are through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to, or below, the lowest non-Louisiana brokerage firm.

Large-and mid-cap investment advisors place trade orders through the System's internal trading desk. This desk is charged with effectively executing trades using a pool of brokers that can provide the wide range of services required by the System. The internal trading desk is also charged with managing minority broker, Louisiana broker, and recapture broker programs.

Act 778 mandates that TRSL direct 10 percent of trades (equity and fixed income) to brokers that are incorporated in Louisiana. Another 10 percent must be directed to brokers that have an office in Louisiana but are incorporated outside Louisiana.

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 percent 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, the universes maintained by the System's consultant, will be used.

INVESTMENT SUMMARY
AS OF JUNE 30, 2004 AND 2003

	JUNE 30, 2004		JUNE 30, 2003	
	FAIR VALUE	% TOTAL FAIR VALUE	FAIR VALUE	% TOTAL FAIR VALUE
Domestic bonds:				
U S Treasury & Government Agency securities	$ 614,396,445	5.218 %	$ 464,328,392	4.475 %
Corporate bonds	678,633,501	5.763 %	873,438,893	8.418 %
Miscellaneous bonds	366,530,046	3.113 %	366,767,616	3.535 %
Total domestic bonds	1,659,559,992	14.094 %	1, 704,534,901	16.428 %
International bonds	560,651,839	4.761 %	416,432,668	4.013 %
Domestic stocks:*				
Common	4,922,448,687	41.805 %	4,460,991,355	42.993 %
Preferred	4,296,859	0.036 %	7,948,525	0.077 %
Total domestic stocks	4,926,745,546	41.841 %	4,468,939,880	43.070 %
International stocks*				
Common	1,431,270,464	12.156 %	1,022,419,898	9.854 %
Preferred	22,865,839	0.194 %	11,235,300	0.108 %
Total international stocks	1,454,136,303	12.350 %	1,033,655,198	9.962 %
Domestic short-term investments	910,719,505	7.734 %	434,080,034	4.183 %
Alternative investments:				
Private equity investments	1,433,141,536	12.171 %	1,541,367,296	14.855 %
Real estate investments	494,342,545	4.198 %	451,697,323	4.353 %
Mezzanine financing investments	335,701,043	2.851 %	325,414,623	3.136 %
Total alternative investments	2,263,185,124	19.220 %	2,318,479,242	22.344 %
Total investments	$11,774,998,309	100.000 %	$10,376,121,923	100.000 %

* The index portfolio at June 30, 2004 is $737.4 million which is 11.6% of total equity which has a market value of $6.38 billion.

LIST OF INVESTMENTS
AT JUNE 30, 2004

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES				
U S TREASURY BILL	0.000%	09/23/2004	$49,880,000	$49,637,987
U S TREASURY NOTES	2.625%	11/15/2006	19,700,000	19,564,266
FEDERAL HOME LN MTG CORP MTN	2.370%	02/03/2006	16,000,000	15,915,200
FEDERAL HOME LN MTG CORP MTN	2.150%	01/30/2006	16,000,000	15,828,640
FEDERAL HOME LN MTG CORP MTN	2.000%	02/23/2006	16,000,000	15,789,440
FEDERAL NATL MTG ASSN MTN	2.000%	03/29/2006	16,000,000	15,776,800
FEDERAL HOME LN BKS CONS BD	1.520%	07/14/2005	15,500,000	15,404,914
FEDERAL HOME LN MTG CORP MTN	2.000%	03/29/2006	15,210,000	14,997,483
FEDERAL NATL MTG ASSN MTN	2.400%	04/28/2006	15,000,000	14,869,011
FEDERAL HOME LN BKS CONS BD	1.750%	08/12/2005	14,000,000	13,893,740
FHLMC MULTICLASS CTF 2071 ZE	6.500%	07/15/2028	13,305,626	13,754,824
GNMA POOL #0620951	4.500%	09/15/2033	14,584,616	13,732,562
FEDERAL FARM CR BKS CONS BDS	2.430%	04/21/2006	13,200,000	13,092,296
FEDERAL NATL MTG ASSOC BDS	6.375%	08/15/2007	18,150,000	12,852,789
FNMA POOL #0724399	5.500%	08/01/2033	11,809,301	11,757,861
FHLMC POOL #B1-4038	4.500%	05/01/2019	11,954,210	11,705,823
FHLMC MULTICLASS MTG	4.000%	09/15/2018	12,880,039	11,097,192
FNMA POOL #0743506	4.098%	10/01/2033	11,300,153	11,061,606
U S TREASURY BONDS	12.000%	08/15/2013	7,750,000	9,967,359
FEDERAL HOME LN BKS CONS BD	1.550%	07/14/2005	10,000,000	9,941,737
FEDERAL NATL MTG ASSN MTN	1.600%	07/08/2005	10,000,000	9,922,500
GNMA II POOL #0080934	3.500%	06/20/2034	10,000,000	9,916,690
FHLMC POOL #P6-0104	5.500%	04/01/2018	9,182,725	9,528,509
SMALL BUS ADMIN GTD 01-20 H	6.340%	08/01/2021	8,661,400	9,194,509
FEDERAL NATL MTG ASSN MTN	2.370%	12/08/2005	8,950,000	8,919,453
CORPORATE BONDS				
GENERAL ELEC CO NT	1.710%	10/24/2005	$9,500,000	$9,508,835
CANAL BARGE INC US GOVT GTD BD	5.875%	11/14/2026	9,000,000	9,397,890
ALTER BARGE LINE INC SF BD	6.000%	03/01/2026	8,980,000	9,374,222
REINAUER MARITIME CO LLC US	5.875%	11/30/2026	9,000,000	9,282,600
DIRECTV HLDGS LLC SR NT	8.375%	03/15/2013	6,620,000	7,323,375
SANMINA SCI CORP SR SECD NT	10.375%	01/15/2010	5,587,000	6,397,115
CITGO PETE CORP SR NT	11.375%	02/01/2011	5,300,000	6,148,000
LA QUINTA PPTYS INC SR NT	8.875%	03/15/2011	4,720,000	$5,074,000
ALLBRITTON COMM CO SR SUB NT	7.750%	12/15/2012	5,100,000	5,023,500
HUNTSMANN LLC SR SECD NT	11.625%	10/15/2010	4,525,000	5,000,125
FORD MTR CR CO GBL LANDMARK	7.375%	02/01/2011	4,500,000	4,745,163
ALLIED WASTE N A INC SR NT	8.500%	12/01/2008	4,320,000	4,725,000
ALLIED WASTE NORTH AMER INC	9.250%	09/01/2012	4,210,000	4,715,200
CSX TRANSN INC 99 SER B	6.400%	04/15/2013	4,000,000	4,333,720
GENERAL MTRS ACCEP CORP NT	6.875%	09/15/2011	4,200,000	4,303,918
SINCLAIR BROADCAST GROUP INC	8.000%	03/15/2012	4,095,000	4,187,138
NEXTEL COMMUNS INC SR SERIAL	9.375%	11/15/2009	3,725,000	3,981,094
BRL UNVL EQUIP SR SECD NT	8.875%	02/15/2008	3,690,000	3,952,913
NEXTEL COMMUNICATIONS INC SR	9.500%	02/01/2011	3,450,000	3,864,000
RELIANT RES INC SR SECD NT	9.250%	07/15/2010	3,610,000	3,853,675
STONE CONTAINER CORP SR NT	8.375%	07/01/2012	3,635,000	3,798,575
XEROX CORP SR NT	9.750%	01/15/2009	3,330,000	3,787,875
TRIADS HOSPITALS INC	7.000%	11/15/2013	3,950,000	3,752,500
ECHOSTAR DBS CORP SR NT	10.375%	10/01/2007	3,495,000	3,735,281

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

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

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
MISCELLANEOUS BONDS				
FNMA GTD REMIC P/T TR 04-19 AB	4.000%	10/25/2017	$9,686,312	$9,472,050
MASTR ASSET SEC 03-6 CL 2A1	5.500%	07/25/2033	9,295,046	9,141,491
CABLEVISION SYS CORP SR 144A	8.000%	04/15/2012	6,925,000	6,855,750
MASTER ASSET SECS 03-7 1-A-1	5.500%	09/25/2033	6,481,905	6,584,448
CREDIT SUISSE FIRST BOSTON	6.500%	03/25/2032	6,335,970	6,558,426
NRG ENERGY 2ND PRIORITY 144A	8.000%	12/15/2013	5,665,000	5,721,650
PECO ENERGY TRANS TR 2000A A3	7.625%	03/01/2010	5,000,000	5,601,101
PP&L TRANSITION BD 99-1 BD A-8	7.150%	06/25/2009	5,000,000	5,537,522
QWEST CORP NT 144A	9.125%	03/15/2012	4,985,000	5,383,800
ILLINOIS PWR SPL 98-1 CL A7	5.650%	12/25/2010	5,000,000	5,282,713
AES CORP 2ND PRIORITY SR 144A	8.750%	05/15/2013	4,720,000	5,056,300
GNMA GTD REMIC P/T 04-50 C	5.315%	08/16/2030	4,500,000	4,527,765
PSNH FDG LLC NT CL A 2	5.730%	11/01/2010	4,206,635	4,408,470
BURLINGTON NORTHN TR 2001-1	6.727%	07/15/2022	3,854,125	4,320,590
DOT HEADQUARTERS II 2004 A-2	5.594%	12/07/2021	4,886,000	4,269,533
PETRODRILL FOUR LTD US GOVT	4.240%	01/15/2016	4,350,000	4,245,296
GNMA GTD REMIC P/T 03-48 AB	2.866%	02/16/2020	4,360,894	4,232,640
CALIFORNIA INFRAC 1997-1 A7	6.420%	12/26/2009	3,885,000	4,174,737
GENESIS HLTHCARE CORP SR 144A	8.000%	10/15/2013	3,970,000	4,049,400
CENTRAL GARDEN & PET CO SR NT	9.125%	02/01/2013	3,710,000	4,025,350
GNMA GTD REMIC P/T 2002-83 A	3.313%	04/16/2017	3,996,751	3,963,738
CONTINENTAL AIRLS 99-2 CL A-1	7.256%	03/15/2020	3,948,915	3,860,065
US TREASURY INFLATION INDEX NT	3.875%	01/15/2009	3,438,660	3,833,556
GNMA GTD REMIC P/T 01-58 A	4.009%	09/16/2016	3,750,734	3,807,445
GENERAL MTRS CORP P/T TR 91-A2	8.950%	07/02/2009	3,446,886	3,794,926

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

LARGEST INTERNATIONAL BOND HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
UNITED KINGDOM	UK TREASURY	5.000%	09/07/2014	$ 16,260,000	$29,310,585
SWEDEN	SWEDEN (KINGDOM)	5.000%	01/28/2009	195,760,000	27,063,032
GERMANY	GERMANY (FED REPUBLIC)	5.000%	02/17/2006	20,200,000	25,484,671
JAPAN	DEVELOPMENT BK OF JAPAN	1.400%	06/20/2012	2,600,000,000	23,600,514
GERMANY	GERMANY (FED REPUBLIC)	4.500%	08/17/2007	18,500,000	23,382,462
GERMANY	GERMANY (FED REPUBLIC)	4.750%	07/04/2008	17,049,000	21,750,759
NORWAY	NORWAY(KINGDOM) BDS	5.750%	11/30/2004	144,130,000	21,105,381
POLAND	POLAND (GOVERNMENT OF)	5.750%	06/24/2008	79,295,000	20,176,032
UNITED KINGDOM	UK TREASURY	8.000%	12/07/2015	7,670,000	17,421,705
CANADA	GOVERNMENT OF CANADA	0.000%	09/09/2004	21,660,000	15,799,250
GERMANY	GERMANY (FED REPUBLIC)	4.750%	07/04/2028	13,300,000	15,781,763
NEW ZEALAND	NEW ZEALAND GOVERNMENT	6.000%	11/15/2011	25,290,000	15,763,297
UNITED KINGDOM	UK TREASURY	8.500%	12/07/2005	8,170,000	15,568,963
GERMANY	GERMANY (FED REPUBLIC)	4.500%	07/04/2009	11,780,000	14,883,924
ITALY	ITALY (REPUBLIC OF) BTP	5.500%	11/01/2010	11,250,000	14,879,477
CANADA	GOVERNMENT OF CANADA	6.000%	06/01/2011	18,340,000	14,760,069
GERMANY	GERMANY (FED REPUBLIC)	3.000%	04/11/2008	12,000,000	14,418,032
JAPAN	JAPAN FIN CORP ME	1.350%	11/26/2013	1,620,000,000	14,329,313
JAPAN	DEVELOPMENT BANK OF JAPAN	1.600%	06/20/2014	1,560,000,000	14,045,933
JAPAN	UBS AG CNV BDS (JPY MIDCAP)	0.000%	03/13/2006	869,000,000	12,976,475
AUSTRALIA	QUEENSLAND TREASURY CORP	8.000%	09/14/2007	17,330,000	12,901,430
GERMANY	GERMANY (FED REPUBLIC)	4.000%	07/04/2009	10,240,000	12,655,340
SWEDEN	SWEDEN (KINGDOM)	3.500%	04/20/2006	92,790,000	12,429,114
AUSTRALIA	NEW STH WALES TSY GTD MTN AUD	7.000%	12/01/2010	16,850,000	12,365,677
MEXICO	MEXICO UTD MEX ST	9.000%	12/24/2009	147,400,000	12,264,030

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

LARGEST DOMESTIC COMMON STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
MICROSOFT CORP	3,264,400.000	$93,231,264
PFIZER INC	2,264,200.000	77,616,776
GENERAL ELEC CO	2,133,500.000	69,125,400
CITIGROUP INC	1,308,884.000	60,863,106
INTEL CORP	2,079,100.000	57,383,160
CISCO SYS INC	2,419,600.000	57,344,520
JOHNSON & JOHNSON	948,764.000	52,846,155
EXXON MOBIL CORP	1,113,600.000	49,454,976
DELL INC	1,332,200.000	47,719,404
JPMORGAN CHASE & CO	1,126,500.000	43,674,405
BANK OF AMERICA CORP	500,778.000	42,375,834
WAL MART STORES INC	694,500.000	36,641,820
FIRST DATA CORP	799,168.000	35,578,959
IBM CORP	379,700.000	33,470,555
PROCTER & GAMBLE CO COM	597,900.000	32,549,676
AMERICAN INTL GROUP INC	455,700.000	32,482,296
FREDDIE MAC CORP	508,300.000	32,175,390
PEPSICO INC	588,100.000	31,686,828
FANNIE MAE	394,000.000	28,115,840
COSTCO WHSL CORP	677,500.000	27,899,450
WYETH	760,500.000	27,499,680
BAXTER INTL INC	786,300.000	27,135,213
HEWLETT PACKARD CO	1,272,912.000	26,858,443
CENDANT CORP	1,077,700.000	26,382,096
3M CO	292,300.000	26,309,923

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

LARGEST INTERNATIONAL COMMON STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	SHARES	FAIR VALUE
SWITZERLAND	UBS AG	386,862.000	$27,260,118
LUXEMBOURG	WORLD INVEST EMERGING MKT FD	1,533,353.376	23,886,053
GERMANY	MUNCHENER RUCKVERSICHERUNGS	218,821.000	23,720,966
SWITZERLAND	CREDIT SUISSE GROUP	583,654.000	20,738,265
BERMUDA	ACCENTURE LTDA	745,800.000	20,494,584
SWITZERLAND	NESTLE SA	74,177.000	19,782,113
UNITED KINGDOM	ITV ORD	8,211,274.000	17,199,273
UNITED KINGDOM	TESCO ORD	3,439,812.000	16,608,939
NETHERLANDS	ROYAL DUTCH PETE CO	296,700.000	15,226,139
FRANCE	VIVENDI UNIVERSAL	542,619.000	15,052,045
SWEDEN	ERICSSON	5,071,700.000	14,946,567
FRANCE	AVENTIS	193,927.000	14,640,157
FRANCE	SANOFI-SYNTHELABO	230,261.000	14,595,661
GERMANY	ALLIANZ AG	131,781.000	14,274,300
FRANCE	TOTAL SA	73,695.000	14,049,882
BELGIUM	FORTIS GROUP	631,680.000	13,941,197
UNITED KINGDOM	BP PLC ORD	1,551,864.000	13,705,667
UNITED KINGDOM	BRITISH SKY BRDCSTG	1,189,136.000	13,413,418
ITALY	ENI EUR1	657,414.000	13,053,434
CANADA	RESEARCH IN MOTION LTD COM	190,600.000	13,046,570
SWITZERLAND	ROCHE HLDG AG GENUSSCHEINE	129,300.000	12,801,980
GERMANY	BAYERISCHE MOTOREN WERKE (BMW)	282,552.000	12,502,802
UNITED KINGDOM	HBOS ORD	987,901.000	12,227,387
SWITZERLAND	ZURICH FINANCIAL SERVICES	75,656.000	11,945,843
JAPAN	MIZUHO FINL GP NPV	2,548.000	11,558,998

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

LARGEST DOMESTIC PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
CROWN CASTLE INTL CORP	40,000.000	$1,800,000
SMURFIT STONE CONTAINER CORP	60,000.000	1,470,600
CALPINE CAP TR II	10,000.000	467,500
ISTAR FINL INC	13,150.000	305,606
TNP ENTERPRISES INC	200.000	224,000
PTV INC	2,356.000	17,199
ZIFF DAVIS HLDGS INC	239.000	11,950
AMATEK HOLDINGS LIMITED	156,306.000	1
ERMIS MARITIME HOLDINGS LTD	11,754.000	1
WEIRTON STL CORP	4,500.000	1
ZIFF DAVIS SER A	40,000.000	1
PACIFIC & ATLANTIC (HOLDINGS)	2,905.000	0

LARGEST INTERNATIONAL PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	SHARES	FAIR VALUE
GERMANY	HENKEL KGAA	90,896.0000	$7,761,109
GERMANY	PORSCHE AG	7,114.0000	4,760,819
GERMANY	PROSIEBENSATI MEDIA AG	228,112.0000	4,121,357
BRAZIL	TELESP CELULAR PARTICIPACOES	463,900.0000	3,655,532
BRAZIL	BCO BRADESCO SA	23,397.0000	1,068,994
BRAZIL	BCO ITAU HOLDING F	7,392,323.0000	687,436
BRAZIL	COMPANHIA DE BEBIDAS DAS AMERS	24,000.0000	481,680
CANADA	SHAW COMMUNICATIONS INC	12,580.0000	315,506
BRAZIL	TELE NORTE LESTE PARTICIPACOES	1,053.0000	13,406

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

DESCRIPTION	PAR VALUE	FAIR VALUE
TBC INC POOLED EMP DAILY	$823,064,252	$823,064,252
DREYFUS CASH MANAGEMENT PLUS	52,584,153	52,584,153
FEDERATED PRIME OBLIGATION FUND	27,432,000	27,432,000
BSDT-LATE MONEY DEPOSIT ACCT	7,639,100	7,639,100

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (continued)
AT JUNE 30, 2004

LARGEST ALTERNATIVE INVESTMENTS HOLDINGS (BY FAIR VALUE)

DESCRIPTION	FAIR VALUE
PRIVATE EQUITY INVESTMENTS	
APOLLO INVESTMENT FUND IV, L.P.	$180,519,669
DOUGHTY HANSON & CO. III LIMITED PARTNERSHIP NUMBER 3	150,954,559
HICKS, MUSE, TATE & FURST EQUITY FUND IV, L.P.	137,423,898
HICKS, MUSE, TATE & FURST EQUITY FUND III, L.P.	122,765,626
WARBURG PINCUS EQUITY PARTNERS, L.P.	119,691,886
DLJ MERCHANT BANKING PARTNERS III, L.P.	107,745,273
HEARTLAND INDUSTRIAL PARTNERS, L.P.	94,535,055
CARLYLE PARTNERS III, L.P.	91,844,441
HICKS, MUSE, TATE & FURST EQUITY FUND V, L.P.	53,128,800
WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.	45,200,820
APOLLO INVESTMENT FUND V, L.P.	40,912,483
APOLLO INVESTMENT FUND III, L.P.	40,561,740
COMPASS PARTNERS EUROPEAN EQUITY FUND, L.P.	40,548,007
SECOND CINVEN FUND US LIMITED PARTNERSHIP	37,298,356
BEAR STEARNS MERCHANT BANKING PARTNERS II	33,111,186
DEUTSCHE EUROPEAN PARTNERS IV L.P.	28,998,071
BRERA CAPITAL PARTNERS LIMITED PARTNERSHIP	24,475,722
CREDIT SUISSE FIRST BOSTON EQUITY PARTNERS, L.P.	23,425,986
PHAROS CAPITAL PARTNERS, L.P.	22,661,742
SPECIAL PRIVATE EQUITY FUND	21,305,800
HORSLEY BRIDGE FUND VII, L.P.	16,032,416
REAL ESTATE INVESTMENT TRUSTS	
WESTBROOK REAL ESTATE FUND IV, L.P.	$87,802,729
OLYMPUS REAL ESTATE FUND II, L.P.	66,463,226
WESTBROOK REAL ESTATE FUND III, L.P.	64,926,260
DLJ REAL ESTATE CAPITAL PARTNERS II, L.P.	60,644,527
OLYMPUS REAL ESTATE FUND III, L.P.	55,385,390
OLYMPUS CO-INVEST (APARTMENT REIT)	43,542,082
STARWOOD GLOBAL OPPORTUNITY FUND VI	29,374,251
ING REALTY PARTNERS, L.P.	27,600,000
ING REALTY PARTNERS II, L.P.	26,100,000
DOUGHTY HANSON & CO EUROPEAN REAL ESTATE NUMBER ONE	24,074,267
WESTBROOK SHP, L.L.C.	8,429,813
MEZZANINE FINANCING INVESTMENTS	
TCW/CRESCENT MEZZANINE PARTNERS III, L.P.	$64,433,295
PRUDENTIAL CAPITAL PARTNERS, L.P.	58,987,704
GLEACHER MEZZANINE FUND, L.P.	45,108,651
BLACKSTONE MEZZANINE PARTNERS	36,787,041
STARWOOD OPPORTUNITY FUND IV, L.P.	34,011,742
DLJ REAL ESTATE MEZZANINE CAPITAL PARTNERS, L.P.	26,805,078
THE 1818 MEZZANINE FUND II, L.P.	23,282,622
PENINSULA FUND III, L.P.	20,299,702
AUDAX MEZZANINE FUND, L.P.	13,451,957
DLJ INVESTMENT PARTNERS II, L.P.	12,533,251

A complete list of portfolio holdings is available upon request.

NET EARNINGS ON INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004		2003	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	$ (48,522,423)		$ 106,991,750	
Common and preferred stocks	448,031,181		342,449,133	
Alternative investments	(31,519,670)	$ 367,989,088	38,149,218	$ 487,590,101
Net appreciation (depreciation) in international investments:				
Bonds	(24,925,777)		17,334,488	
Common and preferred stocks	218,487,097	193,561,320	(1,698,756)	15,635,732
Domestic interest income:				
Bonds	105,331,648		112,855,438	
Short-term investments	5,265,360	110,597,008	7,318,607	120,174,045
International interest income:				
Bonds	23,613,259		30,524,875	
Short-term investments	187,618	23,800,877	220,389	30,745,264
Domestic common and preferred dividends		64,865,361		59,353,555
International common and preferred dividends		41,800,161		28,041,533
Securities lending income:				
Fixed	6,308,527		10,328,175	
Equity	3,181,837		3,271,443	
International	4,364,140	13,854,504	3,003,165	16,602,783
Gain (loss) on sale of domestic securities, net:				
Bonds	14,498,788		(42,815,863)	
Common and preferred stocks	464,067,500		(497,886,993)	
Short-term investments	318,091,803	796,658,091	43,754,753	(496,948,103)
Gain (loss) on sale of international securities, net:				
Bonds	3,873,347		5,590,769	
Short-term investments	35		(40)	
Common and preferred stocks	32,097,638	35,971,020	(152,184,291)	(146,593,562)
Gain (loss) on international exchange transactions, net		93,873,200		127,127,210
Alternative investments		81,696,047		44,050,485
Commission rebate income		1,078,487		1,026,354
Gross earnings (loss)		**1,825,745,164**		**286,805,397**
Charges against earnings:				
Securities lending expenses:				
Fixed	6,053,776		9,749,608	
Equity	249,934		249,933	
International	1,847,440	8,151,150	824,609	10,824,150
International tax expense		4,995,570		2,530,171
Alternative investments expense		49,401,029		31,682,592
Custodian fees		786,062		800,000
Performance consultant fees		507,749		279,786
Trade cost analysis fees		40,000		40,000
Advisor fees		23,311,668		19,283,122
Total charges		**87,193,228**		**65,439,821**
Net income (loss) on investments		**$1,738,551,936**		**$221,365,576**

INVESTMENT PERFORMANCE MEASUREMENTS [1,2]

	Rate of Return	Rank
Comparative Rates of Return on Total Fund - Year Ended June 30, 2004		
Teachers' Retirement System of Louisiana	18.2%	15
Comparison indices:		
Median Large Fund Return	16.2%	50
Comparative Rates of Return on Domestic Equities - Year Ended June 30, 2004		
Teachers' Retirement System of Louisiana	22.1%	54
Comparison indices:		
Median Equity Only Large Fund Return	23.4%	50
Standard and Poor's 500 Index	19.1%	75
Comparative Rates of Return on Domestic Bonds - Year Ended June 30, 2004		
Teachers' Retirement System of Louisiana	4.1%	23
Comparison indices:		
Median Bond only Public Fund Return	1.3%	50
Lehman Brothers Aggregate Bond Index	0.3%	75
Comparative Rates of Return on International Equities - Year Ended June 30, 2004		
Teachers' Retirement System of Louisiana	29.9%	60
Comparison indices:		
Median International Equity Only Return	31.7%	50
E.A.F.E. Index (after tax)	32.4%	35
Comparative Rates of Return on Global Bonds - Year Ended June 30, 2004		
Teachers' Retirement System of Louisiana	10.0%	5
Comparison indices:		
Median Global Bond Only Return	6.1%	50
Citigroup World Government Bond Index	5.7%	53
Trailing-year performance is compared to other public plans, is as follows:		
Three-year period ending June 30, 2004	3.9%	70
Five-year period ending June 30, 2004	4.2%	45
Ten-year period ending June 30, 2004	9.6%	55

[1] Investment return calculations were prepared using a time-weighted return in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

[2] The Independent Consultants' Cooperative Large Fund Universe consists of 82 pension plans with assets greater than $1 billion.

RATES OF RETURN [1]

	ANNUAL YEARS ENDING JUNE 30 2000	2001	2002	2003	2004	ANNUALIZED 3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	14.3%	(4.1%)	(7.6%)	2.7%	18.2%	3.9%	4.2%
Median Large Fund Return[2]	10.7%	(4.7%)	(5.6%)	4.0%	16.2%	4.4%	4.1%
Inflation (CPI)	3.7%	3.1%	1.0%	2.2%	3.3%	2.1%	2.7%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	15.2%	1.4%	(14.2%)	(2.7%)	22.1%	0.6%	3.6%
Median Equity Large Fund Return[2]	8.6%	(12.9%)	(16.9%)	(0.1%)	23.4%	2.0%	2.8%
Standard & Poor's 500 Index	7.3%	(14.8%)	(18.0%)	0.3%	19.1%	(0.7%)	(2.2%)
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	3.4%	5.6%	4.3%	11.3%	4.1%	6.6%	5.7%
Median Bond Large Fund Return[2]	4.7%	11.2%	8.1%	11.9%	1.3%	6.9%	7.1%
Lehman Brothers Aggregate Index	4.6%	11.2%	8.6%	10.4%	0.3%	6.4%	7.0%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	34.1%	(24.6%)	(9.7%)	(5.6%)	29.9%	3.5%	2.3%
Median International Equity Return[2]	21.2%	(20.9%)	(8.0%)	(6.0%)	31.7%	5.1%	4.3%
E.A.F.E. Index (after tax)	17.2%	(23.5%)	(9.5%)	(6.5%)	32.4%	3.9%	0.1%
GLOBAL BONDS							
Teachers' Retirement System of Louisiana	0.1%	(3.5%)	19.1%	20.6%	10.0%	16.5%	8.8%
Median Global Bond Only Return[2]	1.5%	1.5%	12.0%	16.7%	6.1%	12.3%	7.5%
Citigroup World Government Bond Index	2.4%	(7.4%)	15.7%	17.9%	5.7%	11.9%	7.0%

1 Investment return calculations were prepared using a time-weighted return in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

2 The Independent Consultants' Cooperative Large Fund Universe consists of 82 pension plans with assets greater than $1 billion.

SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED JUNE 30, 2004

	SHARES TRADED	COMMISSION DOLLAR AMOUNT	COMMISSION PER SHARE
Domestic			
Louisiana incorporated brokers	37,611,277	$ 1,732,736	$0.046
Cullen Investment Group			
Dorsey & Company, Inc.			
FBT Investments			
Francis Financial (Minority)			
Hibernia Southcoast			
Johnson Rice			
Sisk Investments			
Sisung Securities			
Louisiana domiciled brokers	63,277,906	2,288,065	0.036
A. G. Edwards & Sons			
Legg Mason			
Merrill Lynch			
Morgan Keegan			
Morgan Stanley			
Smith Barney			
UBS Financial			
Wachovia Securities			
Williams Capital (Minority)			
Minority brokers	12,570,190	609,197	0.048
GRW			
Jackson Partners			
Magna Securities			
Pacific American			
Out-of state brokers	58,920,512	2,331,814	0.039
Abel Noser			
Cantor Fitzgerald			
Citation*			
Concord			
Dain Rauscher Pierce			
A.G. Edwards & Sons			
First Southwest			
Jefferies & Company			
Raymond James			
External managers	115,980,273	3,793,620	0.032
Recapture brokers	22,094,923	994,545	
Abel Noser			
Donaldson & Company			
Lynch Jones & Ryan			
State Street Brokerage			
Rebate to Teachers' Retirement System of Louisiana		(663,831)	
Net recapture brokers		330,714	0.015
Total domestic	310,455,081	$11,086,146	$0.035

*Includes $187,197 in soft dollar commission for Citation to pay for Bloomberg Services and Zepher Associates Software.

SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS (continued)
FOR THE YEAR ENDED JUNE 30, 2004

	SHARES TRADED	COMMISSION DOLLAR AMOUNT	COMMISSION PER SHARE
International*			
Louisiana domiciled brokers	26,244,711	$ 148,685	$0.005
Merrill Lynch			
Morgan Stanley			
Smith Barney			
UBS Financial			
External managers	365,398,896	3,917,728	0.010
Subtotal international	391,643,607	4,066,413	0.010
Rebate to Teachers' Retirement System of Louisiana		(339,881)	
Total International*	391,643,607	3,726,532	0.009
Total Domestic and International	**702,098,688**	**$14,812,678**	$0.021

* The cost of trading international stocks is measured as a percent of the value of the stock traded. Most international stock values are low when measured in U.S. dollars. Therefore, the cost to trade such stocks is less than the cost to trade domestic stocks.

ACTUARIAL SECTION

Hall Actuarial Associates

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

1624 LaSalle Parc Dr.
Baton Rouge, La. 70806
(225) 928-7866

September 11, 2004

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, 2004. The valuation was prepared on the basis of the data submitted by the Retirement System office, the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

Act 588 of 2004 made significant changes to prospective funding. The outstanding balances of changes in liabilities from 1993 - 2000 were re-amortized as a level dollar amount to 2029. The amortization period for changes in liabilities beginning with 2001 were extended to a thirty year period from the date of occurrence. A minimum Employer rate of 15.5% and employer credit account were established for excess contributions. Following the recommendation of Public Employees' Retirement Systems Actuarial Committee, the negative Experience Account Balance was removed from the valuation assets. The Experience Account was reset to zero.

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 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, 2004 should be set equal to 15.3% of payroll.

When compared to the prior year's employer's rate of 14.9%, the current employer's rate of 15.3% reflects a continued 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, 2004

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 June 30, 2004 was $11,409,036,213. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of $0, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $-368,646 and the side-fund assets from the Texaco Settlement Fund of $177,998,352 yields assets for funding purposes of $11,231,406,507.

In performing the June 30, 2004 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, 2004 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.

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.

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.

Respectfully submitted,

Charles G. Hall

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

- 2 -

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 a 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 include 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 or 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%	5.50%
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/DROP Assumptions: Retirement rates were projected based upon the 1997-2001 experience study. Rates illustrated below are retirement rates and the probability of DROP participation, respectively.

	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%	00%	3%	0%	0%	50%	5%	10%
54 yr.	10%	00%	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)
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%
2004	1,766.2	11,670.9	4,630.4	11,409.4	100%	83%	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
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	152.8%
2003	17,196.8	11,826.9	68.8	5,369.9	2,977.9	180.3%
2004	18,067.5	11,406.4	63.1	6,661.01	3,017.1	220.7%

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

ACTUARIAL VALUATION BALANCE SHEET
AS OF JUNE 30, 2004 AND 2003

	2004	2003
ASSETS		
PRESENT ASSETS CREDITABLE TO:		
Members' Savings Account	$ 1,915,354,785	$ 1,669,410,222
Annuity Reserve Account	9,494,050,074	10,157,515,714
TOTAL PRESENT ASSETS	11,409,404,859	11,826,925,936
PRESENT VALUE OF PROSPECTIVE CONTRIBUTIONS PAYABLE TO:		
Members' Savings Account	2,233,346,682	2,273,689,838
Annuity Reserve Account		
Normal	1,918,805,732	1,849,146,858
Accrued Liability	7,526,049,191	3,826,069,274
TOTAL PROSPECTIVE CONTRIBUTIONS	11,678,201,605	7,948,905,970
TOTAL ASSETS	**$23,087,606,464**	**$19,775,831,906**
LIABILITIES		
PRESENT VALUE OF PROSPECTIVE BENEFITS PAYABLE ON ACCOUNT OF:		
Current Retiree Members	$ 11,080,431,103	$ 10,186,811,854
Current Active Members	11,416,695,358	8,999,080,101
Deferred Vested & Reciprocal Members	590,480,003	589,939,951
TOTAL LIABILITIES	**$23,087,606,464**	**$19,775,831,906**

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

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(in thousands of dollars)

	FISCAL YEAR ENDED			
	2004	**2003**	**2002**	**2001**
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	$5,531,918	$4,517,175	$3,618,734	$3,518,048
Interest on Unfunded Liability	456,383	372,667	298,545	290,238
Investment Experience (gains) decreases UAL	(166,404)	1,598,190	1,639,264	898,529
Plan Experience (gains) decreases UAL	117,748	452,172	5,169	(393,754)
Employer Amortization Payments (payments) decreases UAL	(319,558)	(258,894)	(204,299)	(203,753)
Employer Contribution Variance (excess contributions) decreases UAL	37,550	9,704	(20,606)	(41,310)
Experience Account Allocation (allocations) decreases UAL	1,178,442	(799,095)	(819,632)	(449,264)
Other - Miscellaneous gains and losses from transfers or Acts of the Legislature	0	(360,001)	0	0
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	$6,836,079	$5,531,918	$4,517,175	$3,618,734

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

RE-AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
JUNE 30, 2004

DATE 6/30	DESCRIPTION	AMORTIZATION METHOD	AMORTIZATION PERIOD	INITIAL LIABILITY	YEARS REMAIN	REMAINING BALANCE	MID-YEAR PAYMENT
2003	Initial Liability	I	26	$6,285,061,957	25	$6,410,860,821	$394,442,744
1993	Change in Liability	L	25	838,057,486	25	(838,057,486)	(77,075,133)
1994	Change in Liability	L	25	(285,027,105)	25	(285,027,105)	(26,213,598)
1995	Change in Liability	L	25	(11,255,751)	25	(11,255,751)	(1,035,178)
1996	Change in Liability	L	25	(227,335,061)	25	(227,335,061)	(20,907,731)
1997	Change in Liability	L	25	72,828,575	25	72,828,575	6,697,956
1998	Change in Liability	L	25	(312,542,081)	25	(312,542,081)	(28,744,117)
1999	Change in Liability	L	25	(361,354,605)	25	(361,354,605)	(33,233,346)
2000	Change in Liability	L	25	(372,461,184)	25	(672,461,184)	(61,845,442)
2001	Change in Liability	I	27	59,149,207	27	59,149,207	3,472,141
2002	Change in Liability	I	28	859,751,039	28	859,751,039	49,392,895
2003	Change in Liability	I	29	2,115,958,339	29	2,115,958,339	119,111,502
2004	Change in Liability	L	30	19,366,717	30	19,366,717	1,692,597
		TOTAL OUTSTANDING BALANCE				6,829,881,425	$325,755,290
		EMPLOYERS' CREDIT BALANCE					
2000	Contribution Variance	L	5	(32,610,436)	1	(7,594,810)	$ (7,901,888)
2001	Contribution Variance	L	5	(41,310,389)	2	(18,508,733)	(10,009,988)
2002	Contribution Variance	L	5	(20,606,578)	3	(13,328,117)	(4,993,213)
2003	Contribution Variance	L	5	9,730,820	4	8,080,386	2,357,891
2004	Contribution Variance	L	5	37,549,543	5	37,549,543	9,098,691
		TOTAL EMPLOYERS' CREDIT BALANCE				6,198,269	$ (11,448,507)
		TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY				$6,836,079,694	

Includes Act 588 of the 2004 Legislative Session.

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

MEMBERSHIP DATA

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

	2004		2003	
ACTIVE MEMBERS	**CENSUS**	**AVERAGE SALARIES**	**CENSUS**	**AVERAGE SALARIES**
Regular Teachers	76,100	$33,127	75,412	$32,306
University Members	5,873	50,190	6,917	49,305
School Lunch A	537	19,201	688	18,758
School Lunch B	1,888	13,900	1,941	13,516
Post DROP	2,875	44,022	2,688	44,722
TOTAL	87,273	$34,132	87,646	$33,299
Males (%)	17.1%		17.1%	
Females (%)	82.9%		82.9%	

Valuations' salaries were $3,017,086,702 for 2004 and $2,977,885,311 for 2003.

INACTIVE MEMBERS	**2004 CENSUS**	**2003 CENSUS**
Due Refunds	10,242	7,852
Vested & Reciprocals	*5,610	*5,720

	2004		2003	
ANNUITANTS AND SURVIVORS	**CENSUS**	**AVERAGE ANNUAL ANNUITIES**	**CENSUS**	**AVERAGE ANNUAL ANNUITIES**
Retirees	44,690	$19,669	43,050	$19,234
Disabilities	3,797	10,313	3,698	10,292
Survivors	4,413	14,389	4,155	14,291
DROP	3,409	28,346	2,722	27,153
TOTAL	56,309	$19,149	53,625	$18,636

*Includes members pending retirement status. Pending retirement status is defined as those members who have filed applications for retirement, and are in the process of having their benefits calculated, however no benefits have been calculated or disbursed. As of June 30, 2004, 2,215 members are in pended retirement status compared to 2,327 at June 30, 2003.

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 MEMBER PAYROLL (Thousands)	PERCENTAGE CHANGE IN PAYROLL
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%
2004	87,273	(0.43%)	3,017,087	1.3%

HISTORY OF ANNUITANTS AND SURVIVOR ANNUITANT MEMBERSHIP FOR LAST 10 YEARS

YEAR ENDING	TOTAL MEMBERS		MEMBERS ADDED		MEMBERS REMOVED		AVERAGE	ANNUAL	% CHANGE IN
6/30	No.	AMOUNT	No.	AMOUNT	No.	AMOUNT	ANNUITY	ANNUITY	ANNUITY
1995	37,952	$530,856	2,778	$72,160	1,267	$8,993	$13,988	$530,856	13.5%
1996	39,302	559,883	2,678	47,629	1,328	18,602	14,245	559,883	5.5%
1997	40,676	588,928	2,925	68,583	1,551	9,538	14,478	588,928	5.2%
1998	42,445	651,822	3,404	71,066	1,635	8,172	15,356	651,822	10.7%
1999	43,955	697,376	3,601	63,788	1,551	18,234	16,166	697,376	7.0%
2000	45,668	744,801	3,344	59,887	1,631	12,462	16,309	744,801	6.8%
2001	47,404	802,202	3,424	64,705	1,688	7,304	16,923	802,202	7.7%
2002	49,053	873,678	3,480	82,817	1,831	11,341	17,811	873,678	8.9%
2003	50,903	924,735	3,455	75,679	1,605	24,622	18,166	924,735	5.8%
2004	52,900	981,646	3,226	73,642	1,229	16,731	18,556	981,646	6.2%

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 schools 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 sixteen members; one elected member from each of the seven congressional districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, one elected member that represents members paid with school food service funds, two elected retired members, and four ex officio members. Elected members serve staggered four-year terms. The State 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
8.0%	9.1%	5.0%

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 21, marriage or age 23 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.

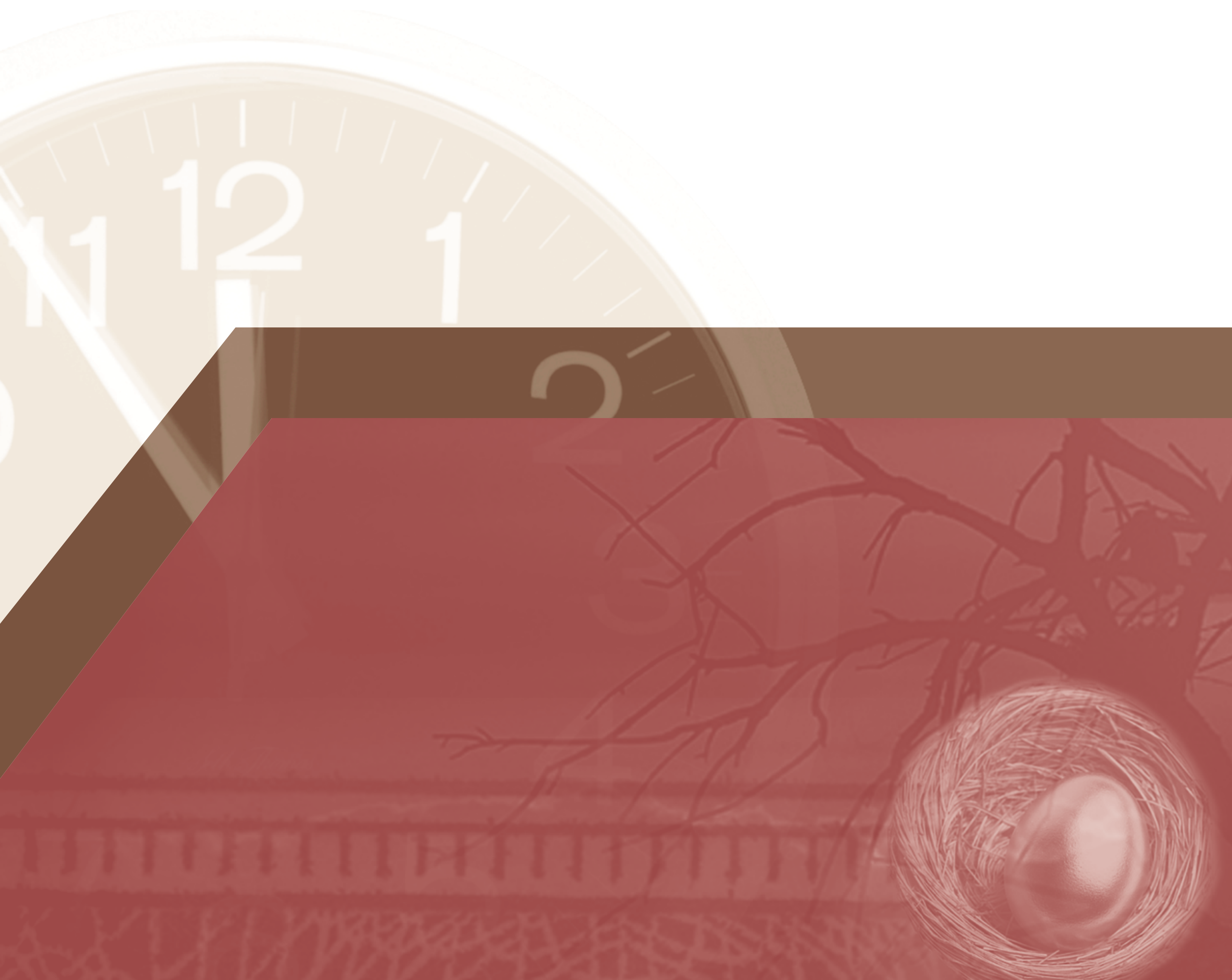
Post-Retirement Increases

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.

This page left intentionally blank.

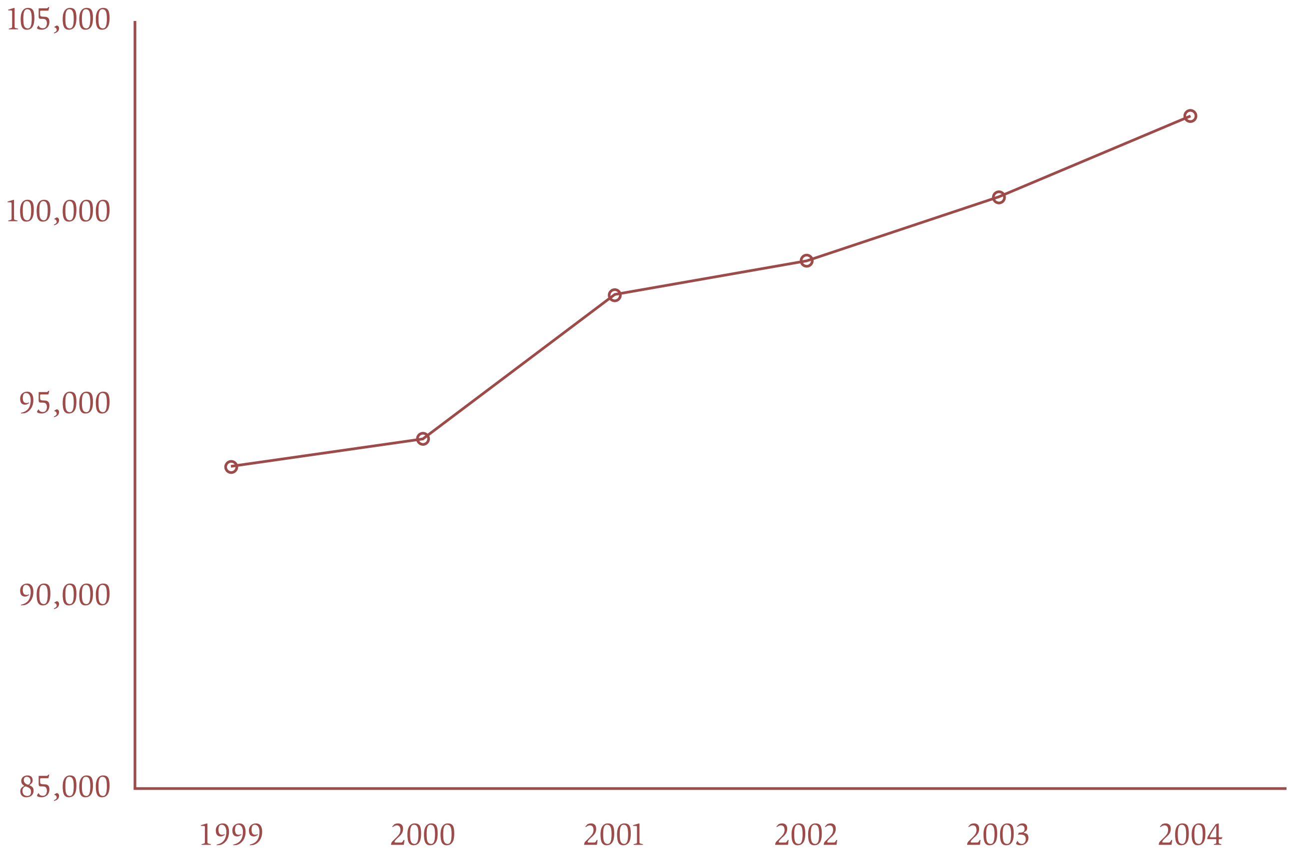
STATISTICAL SECTION



NUMBER OF ACTIVE, TERMINATED VESTED AND NONVESTED MEMBERS

Fiscal Year	Members	% Increase Each Year
1998-1999	94,219	
1999-2000	94,504	0.3%
2000-2001	97,293	3.0%
2001-2002	98,861	1.6%
2002-2003	101,218	2.4%
2003-2004	103,125	1.9%

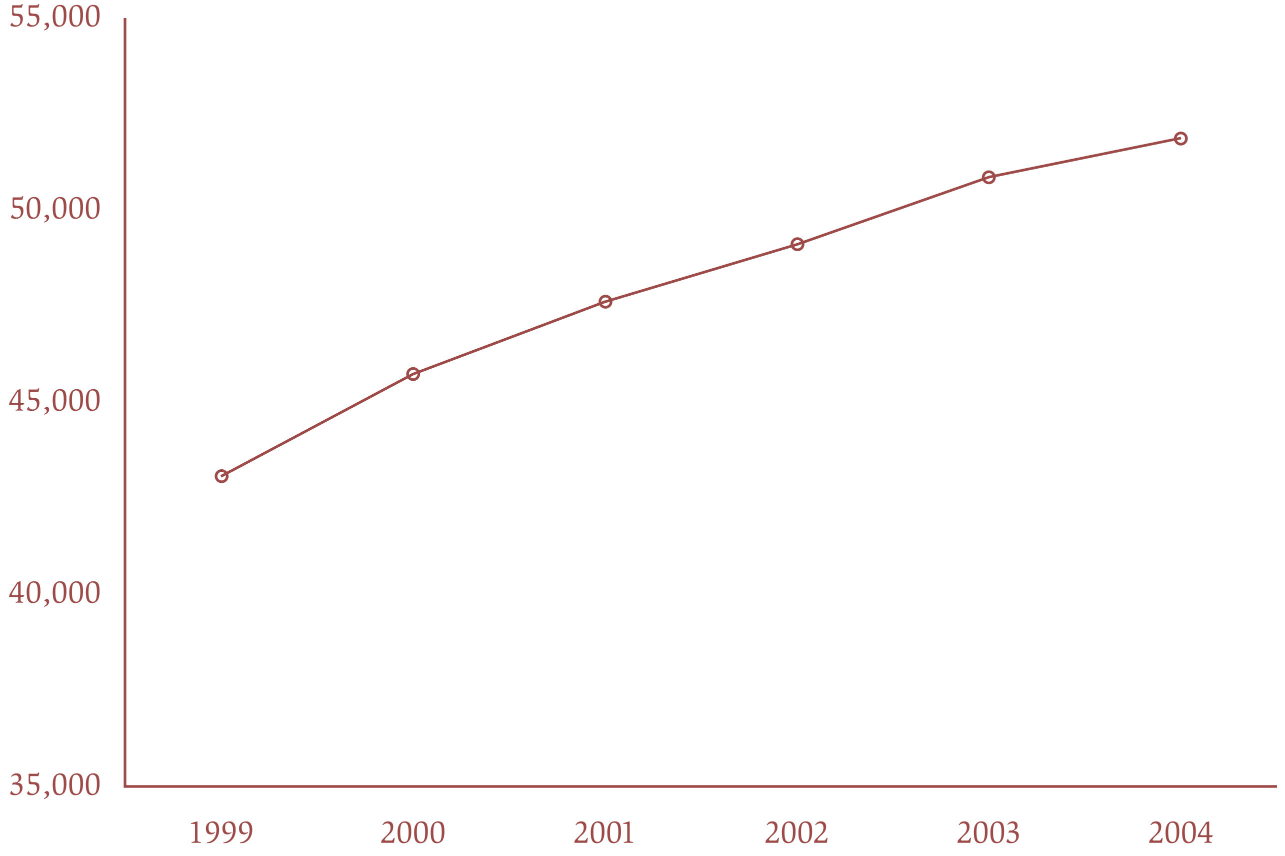
Number of Active, Terminated Vested, and Nonvested Members



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

Fiscal Year	Retirees	% Increase Each Year
1998-1999	43,955	
1999-2000	45,668	3.9%
2000-2001	47,404	3.8%
2001-2002	49,053	3.5%
2002-2003	50,903	3.8%
2003-2004	52,900	3.9%

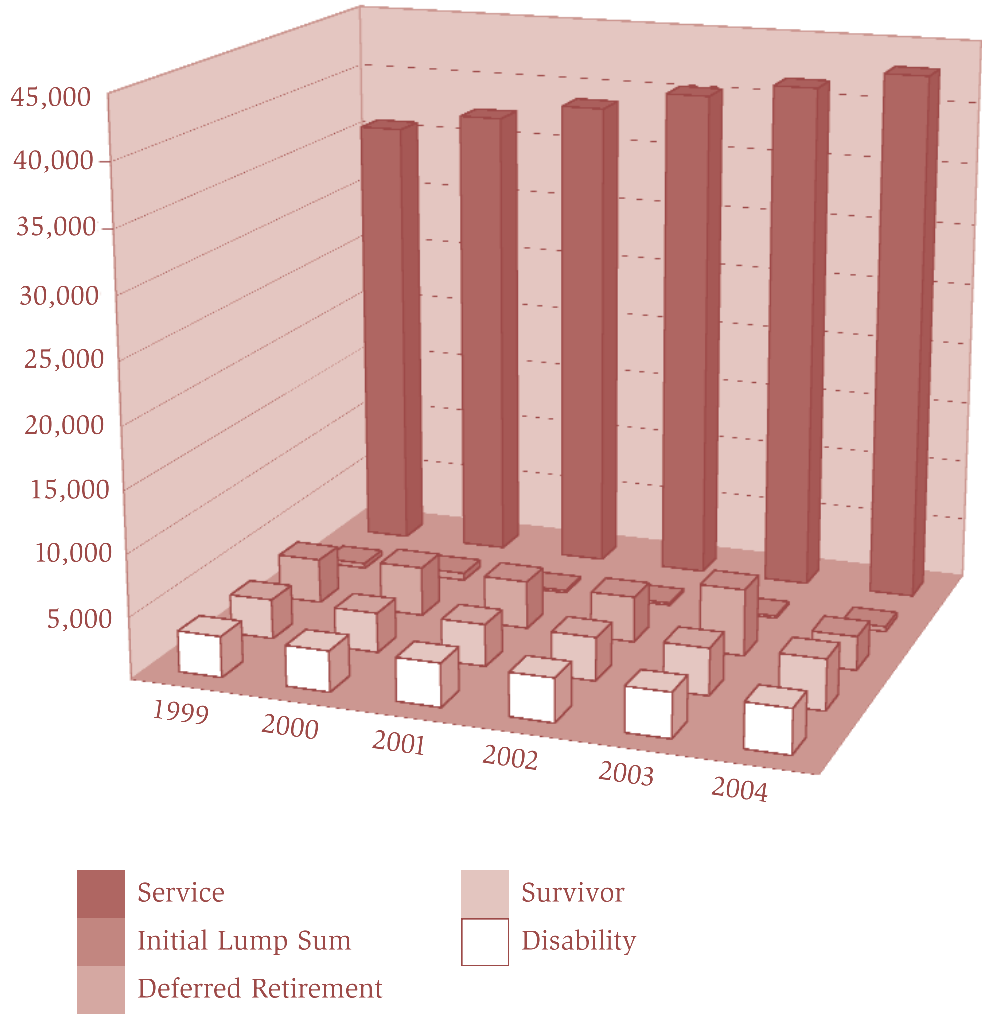
Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits



NUMBER OF BENEFIT RECIPIENTS

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
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
2003-2004	44,690	3,797	4,413	3,409	547	56,856

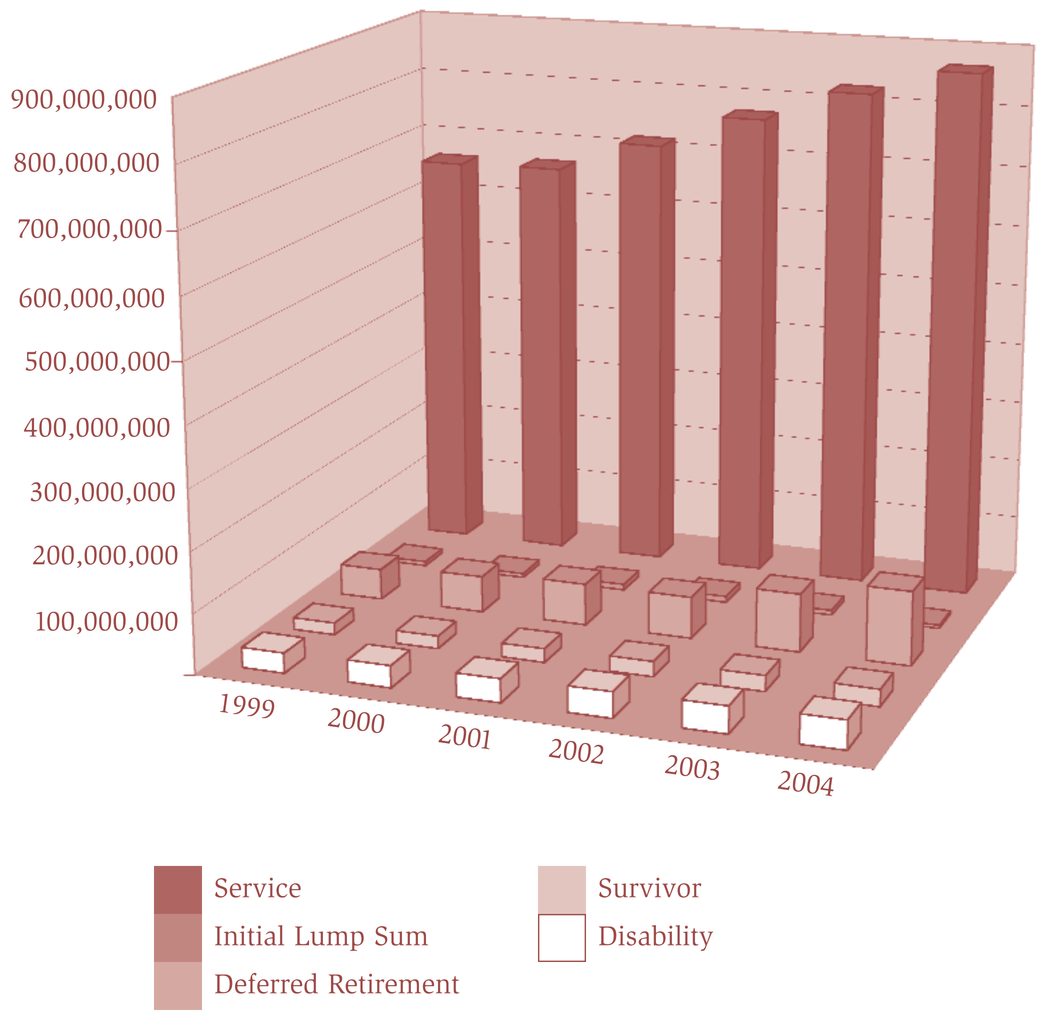
Number of Benefit Recipients



BENEFIT EXPENSES

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
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
2003-2004	870,865,365	47,329,639	28,397,784	122,905,311	5,800,568	1,075,298,667

Benefit Expenses



AVERAGE MONTHLY PENSION BENEFIT

Fiscal Year	Average Monthly Benefit	% Increase Each Year
1998-1999	$1,283	
1999-2000	1,320	2.9%
2000-2001	1,400	6.1%
2001-2002	1,444	3.1%
2002-2003	1,506	4.3%
2003-2004	1,535	1.9%

NUMBER OF REFUNDS OF CONTRIBUTIONS

Fiscal Year	Number of Refunds	% Increase Each Year
1998-1999	4,160	
1999-2000	3,648	(12.3%)
2000-2001	3,848	5.5%
2001-2002	5,191	34.9%
2002-2003	5,422	4.5%
2003-2004	5,657	4.3%

NUMBER OF STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
1998-1999	122	
1999-2000	127	4.1%
2000-2001	134	5.5%
2001-2002	143	6.7%
2002-2003	159	11.2%
2003-2004	172	8.2%

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Net Investment Income	Other Operating Revenues	Total
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
2003-2004	264,999,131	444,104,350	35,244,313	1,738,551,936	3,217,889	2,486,117,619

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Depreciation Expense	Total
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
2003-2004	1,075,298,667	26,804,821	10,786,450	508,399	1,113,398,337

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 Technical 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
Glenco Charter School
Avoyelles Public Charter School Inc
Baton Rouge Charter High School
Delhi Charter School
Belle Chasse Academy

STATE AGENCIES

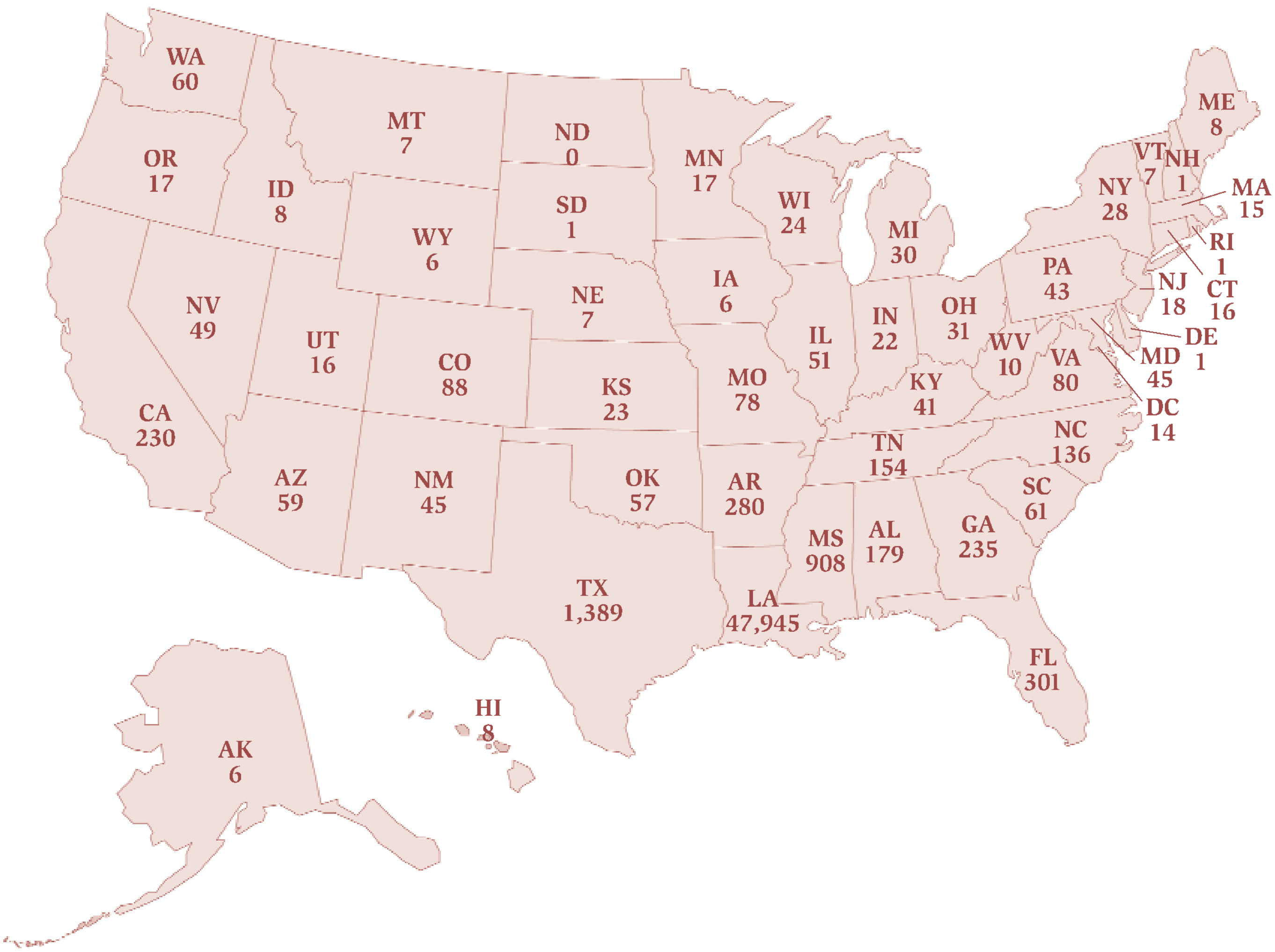
Louisiana Department of Education
Louisiana School for the Visually Impaired
Louisiana School for the Deaf
Teachers' Retirement System of Louisiana
Louisiana School Employees' Retirement System
Louisiana State Employees' Retirement System
Louisiana Department of Social Services
Hammond Developmental 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 Feliciana Medical Complex
Louisiana Public Service Commission
Louisiana Department of Veterans Affairs
Department of Elections and Registration

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 TOTAL ACTIVE MEMBERS STATEWIDE TOTAL NUMBER OF MEMBERS - 89,909

TRSL RETIRED MEMBERS WORLDWIDE
TOTAL NUMBER OF RETIREES - 52,900

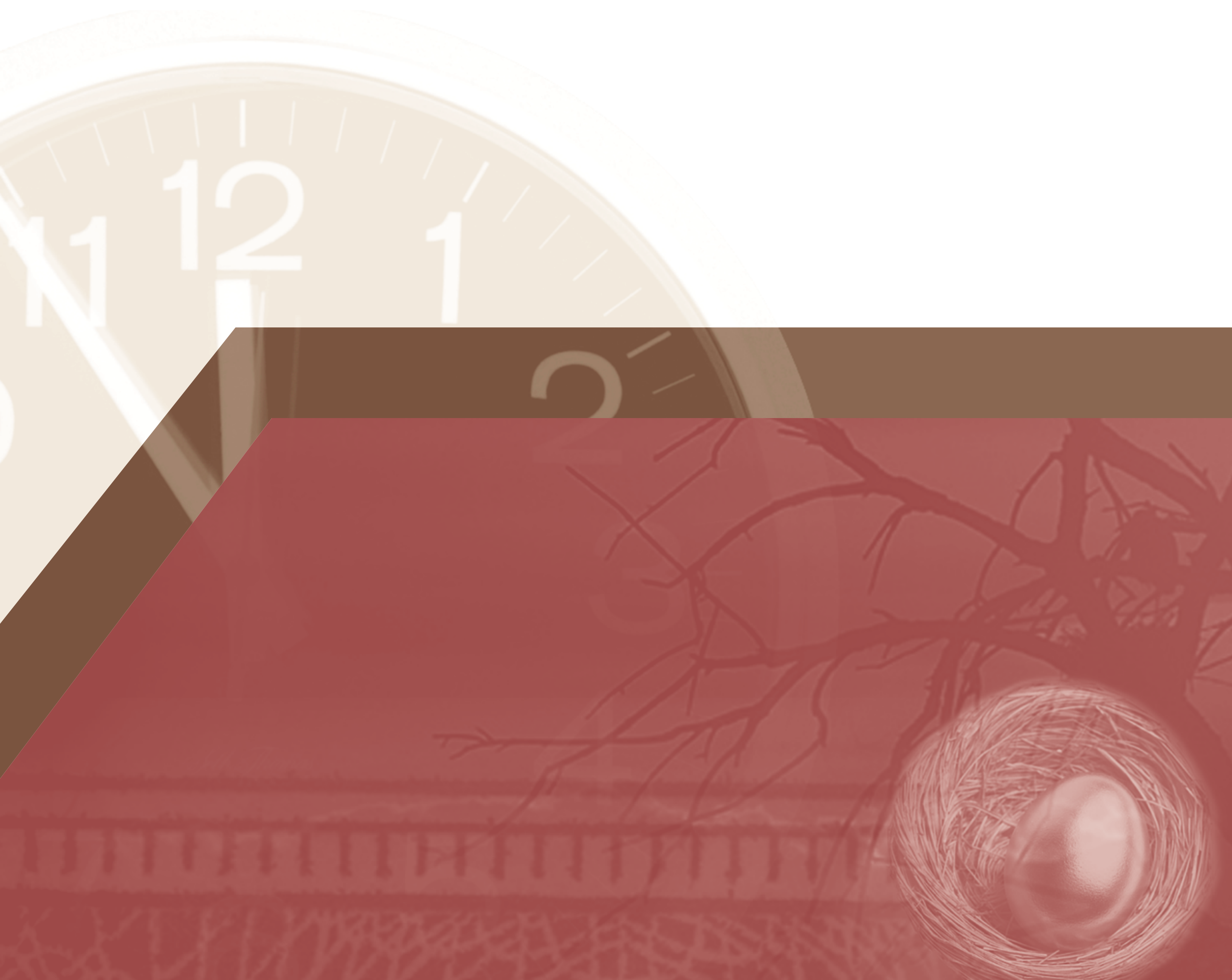


Foreign Countries

Australia	2
Austria	1
Barbados	1
Canada	4
Central America	1
Finland	1
Germany	5
Greece	2
Ireland	1
Israel	1
Mexico	3
New Zealand	1
Pakistan	1
Philippines	1
Spain	1
Switzerland	1
Thailand	1
United Kingdom	2

This page left intentionally blank.

ALTERNATIVE RETIREMENT PLANS SECTION



OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan (ORP) was created by Louisiana Revised Statute 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, 2004, and 2003, employees joining ORP consisted of:

	2004	2003
Members of TRSL joining ORP	83	81
New employees joining ORP	1,126	1,155
	1,209	1,236

At June 30, 2004, and 2003, the amounts transferred to ORP were:

	2004	2003
Amounts previously held in TRSL reserves	$ 265,637	$ 261,042
Contributions	71,258,793	66,827,780
	$71,524,430	$67,088,822

At June 30, 2004, and 2003, member and employer contribution rates were:

Member	2004	2003
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	2004	2003
Employer contribution rate (normal cost is applicable for ORP transfers)	6.710%	6.749%
Unfunded rate (retained by TRSL)	7.090%	6.351%
	13.800%	13.100%

DEFERRED RETIREMENT OPTION PLAN (DROP)

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.

	2004	2003	Percent Increase (Decrease)
Members Entering DROP	2,497	1,499	67%
Disbursements	$ 122,894,826	$ 96,539,409	27%
DROP Reserves at June 30	$ 730,559,049	$693,950,930	5%

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.

	2004	2003	Percent Increase (Decrease)
Members choosing ILSB	110	165	(33%)
Disbursements	$5,720,462	$8,242,718	(31%)
ILSB Reserves at June 30	$6,115,531	$6,384,265	(04%)

DROP/ILSB ACCOUNT INTEREST RATES

FISCAL YEAR ENDING JUNE 30	1999	2000	2001	2002	2003	2004
INTEREST RATE	13.49%	17.13%	(.45%)*	(6.34%)*	(6.05%)*	9.35%

*Attorney General Opinion ruled the DROP/ILSB Accounts could not be debited, therefore DROP/ILSB Account interest rates are set to 0%.

La DEFERRED RETIREMENT OPTION PLAN (LaDROP)
La INITIAL LUMP SUM BENEFIT (LaILSB)

In 2003, legislation was passed (Act 962 of 2003) that established a new method of calculating interest earnings on all affected Deferred Retirement Option Plan, (DROP)/Initial Lump Sum Benefit Plan (ILSB) accounts. The new law applies to all members who become eligible for DROP/ILSB on or after January 1, 2004. If you are a TRSL Regular Plan member, you become eligible for DROP/ILSB when you first reach one of the following eligibilities: 10 years of service at age 60, 25 years of service at age 55, or 30 years of service at any age.

The new interest bearing DROP/ILSB account is called LaDROP (Liquid Asset DROP) and LaILSB (Liquid Asset Initial Lump Sum Benefit). LaDROP and LaILSB accounts will earn interest at the liquid asset money market rate less a .25 percent administrative fee. Interest is posted monthly to the accounts and will be based on the balance in the account for that month. The liquid asset money market returns as of June 2004 averaged approximately .92 percent. This means LaDrop accounts earned approximately .67 percent.

LaDROP	2004
Members Entering LaDROP	50
Disbursements	$10,485
LaDROP Reserves at June 30	$575,275

LaILSB	2004
Members Entering LaILSB	8
Disbursements	$80,106
LaILSB Reserves at June 30	$231,499

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 Statute 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.

	2004	2003
Number of Excess Benefit Recipients	15	12
Total Benefits Paid	$244,041	$202,972

TRSL Teachers' Retirement System of Louisiana

Post Office Box 94123
Baton Rouge, Louisiana 70804-9123