2007 Comprehensive Annual Financial Report

TRSL Teachers' Retirement System of Louisiana

A component unit of the State of Louisiana for the fiscal year ended June 30, 2007

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for the fiscal year ended June 30, 2007

Prepared by:

The Accounting and Investment Departments
of the Teachers' Retirement System of Louisiana

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TRSL Teachers' Retirement System of Louisiana

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On the cover:
Bayou Cocodrie National Wildlife Refuge
Photo courtesy of U.S. Fish & Wildlife Service

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Introductory Section

Caddo Lake at Sunrise
Photo courtesy of Louisiana Office of Tourism

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Letter of Transmittal

October 1, 2007

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

Dear Board Members:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Teachers' Retirement System of Louisiana (TRSL) for the fiscal year ended June 30, 2007.

Our commitment to achieving the highest standards in public pension administration guides every decision at TRSL. In 2006, we adopted the Balanced Scorecard, a method of measuring performance rarely used in the public sector, to assess our operational productivity and plan for the future. Much of the information throughout these pages is a result of this focused approach to excel in the core components of the Balanced Scorecard—customer satisfaction, financial stewardship, public value and benefit, internal operations, and staff growth and development.

For fiscal year ended June 30, 2007, the System earned a 19.67 percent return on total assets and received national recognition for its cost efficiency in a national study of public pension systems. Both of these accomplishments reflect the hard work and dedication of the TRSL Board and staff to provide financial security to the men and women who work in Louisiana schools.

This report is designed to comply with the requirements stated in Louisiana Revised Statute 11:832(B). As always, 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 according to the generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) which begins on page 28, and provides an overview and analysis of the System's basic financial statements.

This report consists of six sections:

1. The **Introductory Section** contains general information regarding the operations of TRSL.
2. The **Financial Section** includes the independent auditor's report, management's discussion and analysis (MD&A), financial statements of the System, and other required supplementary information.
3. The **Investment Section** includes a summary of investments and performance information.
4. The **Actuarial Section** contains the certification letter from the independent actuary as well as results from the annual actuarial valuation and other actuarial statistics.
5. The **Statistical Section** displays general statistical information about the System's finances and members.
6. The **Alternative Retirement Plans Section** contains information on TRSL's optional retirement products.

OVERVIEW OF TRSL

Established by the Legislature in 1936, TRSL is the state's largest public retirement system, and administers a defined benefit pension plan. All invested funds, cash, and property are held in the name of TRSL for the sole benefit of the membership. A 16-member Board of Trustees (composed of 10 active members, two retired members, and four ex-officio members) governs TRSL.

TRSL exists solely to provide retirement benefits to its members. All duties of the Board and management are performed with this in mind and in accordance with their fiduciary responsibilities. 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.

INVESTMENTS

Through the broad diversification of our portfolio, TRSL has positioned itself to realize strong investment returns and reach our long-term objectives. For fiscal year 2007, TRSL's investments earned a 19.67 percent return on total assets, putting it ahead of 82 percent of other public pension plans in the BNY Mellon Financial Public Funds with Assets Greater than $1.0 Billion Universe.

TRSL is progressive in its approach to portfolio management. This strategy, which includes alternative investments, protects System assets from market volatility and creates increased and significant opportunity for fund growth. TRSL's alternative portfolio has exceeded its benchmark by 10.96 percent, 7.83 percent, and 4.90 percent for the last one, five, and 10 years. Overall, TRSL's decision to expand investments beyond the traditional U.S. stocks and bonds has helped the System reach and exceed its target actuarial rate of 8.25 percent.

FUNDING

The funding objective of TRSL's trust is to meet current and future benefit obligations for members. At June 30, 2007, the System was 69.9 percent funded, compared to 66.2 percent at June 30, 2006, excluding the Initial Unfunded Accrued Liability (IUAL) Amortization Fund. This increase can be attributed to TRSL's strong investment returns and favorable market conditions. Net assets held in trust to pay pension benefits at June 30, 2007, totaled $16.1 billion—a 15 percent increase from $14.0 billion held in trust at June 30, 2006.

Actuarially sound contributions from employers are critical to meeting TRSL's funding requirements. As outlined in Louisiana Revised Statute 11:102, employer contributions are based on the normal cost of funding retirement benefits, and amortization of the UAL. 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 15.9 percent for 2006-2007, and is recommended to be 16.6 percent for 2007-2008.

MAJOR INITIATIVES

During the last fiscal year, TRSL's use of Balanced Scorecard concepts allowed us to implement a focused approach to assessing performance and planning future initiatives. The System accomplished a number of noteworthy results and made a positive impact in several key areas of our business.

The Board and management worked diligently with lawmakers throughout the 2007 legislative session to win passage of legislation enabling TRSL to grant retirees a three-percent cost-of-living adjustment (COLA). The COLA is funded entirely through excess investment returns that are deposited into the employee experience account. The last COLA paid to retirees was in 2002.

In the financial arena, we restructured our international equity portfolio to include small- and large-cap value. This forward-looking strategy allows further asset diversification, creating significant opportunity for increased investment returns while mitigating our exposure to risk. Additionally, we added a web-based service to compile proxy voting for TRSL investment managers. This service helps ensure votes on company matters are made in the System's best interest.

In the area of technology, TRSL introduced several automated services designed to enhance customer functionality and increase efficiency. The launch of our online Member Access feature through *www.trsl.org* gives members secure access to their retirement account information 24 hours a day, seven days a week. This new tool allows members to view their retirement benefit payment history, designated beneficiary, employment history, and even allows them to print their 1099-R information. Implementation of the "Form 6 Project," to simplify reporting procedures, enabled employers to certify and/or correct member employment information online in a secure network environment. Online certification/correction has streamlined and expedited the retirement process through increased efficiency and a reduction in paperwork. In fact, employers have processed more than 43,560 transactions since TRSL implemented online certification.

As TRSL automates more services and functions, the security and privacy of electronic information continue to be a top priority for the System. As such, we have installed the latest in encryption software to protect sensitive electronic data, and we routinely conduct vulnerability testing and intrusion detection scans on our network systems. Furthermore, more than 260,000 documents critical to retirement processing and disaster recovery planning have been imaged in the past year.

Every department within the System is actively involved in projects and services that enhance TRSL's move toward a goal of excellence in the areas of fiduciary responsibility, quality customer service, and efficient and effective administration.

COST EFFICIENCY EARNS NATIONAL RECOGNITION

Our re-engineering efforts have been recognized for the fourth consecutive year in an independent national study of public pension administrations. Conducted by CEM Benchmarking, Inc., the study compares similarly sized pension systems in several areas, such as costs for service delivery, service levels, and complexity of plans. We are pleased that our administrative cost of $74 per active member and annuitant is far below the expected cost of $132 per member. Given the complexity of the plan, these results demonstrate our ability to provide quality service while maintaining a cost-effective approach. The results also illustrate that we were successful in providing a high level of service to our members despite the dramatic increase in work volume caused by Hurricanes Katrina and Rita.

LOOKING AHEAD

We continue to explore areas where we can streamline operations while enhancing customer service and promoting a progressive work environment.

To that end, we are automating a number of procedures critical to the retirement process, including annual submission of member sick leave days used, and online submission of annual leave balances and current year certification. Automation provides members more online functionality, enhances customer service, allows more accurate benefit estimates, and expedites finalizing benefits. It also allows for the archiving, storage, and recovery of data in the event of a disaster.

Additionally, through our online Member Access feature, we are developing a self-service environment that will provide members more opportunities to manage their retirement planning online. As more work functions become automated, TRSL will continue to implement processes to ensure the integrity and security of sensitive data within its network systems, including enhancements to our email system.

Building upon our successes in the last year, we are working on a number of projects to enhance further the System including migration to a Microsoft .NET environment to increase programmer efficiency when developing web-based applications; online access to accounts receivable information for reporting employers, including previous year data; and implementation of workforce succession planning, including staff growth and development initiatives.

INDEPENDENT AUDIT

Each year, an independent certified public accounting firm performs a financial and compliance audit of TRSL. The current auditors are Hawthorn, Waymouth & Carroll, L.L.P., located in Baton Rouge, La. The audit of our 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. In the independent auditor's opinion, the financial statements contained in this report fairly present, in all material respects, the financial position of TRSL as of June 30, 2007 and 2006.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to TRSL for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the 16th consecutive year the System achieved this prestigious award. 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.

TRSL also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting* for the fiscal year ended June 30, 2006. This is the fifth consecutive year that TRSL has received this award, which recognizes excellence for readily understood financial reports that are less technical in nature and provide interesting financial, actuarial, and historical information.

TRSL again received awards for contributions made by our staff to the community. The March of Dimes 2007 WalkAmerica Campaign recognized the TRSL staff for a donation of $5,500, bringing our seven-year total to $40,500. TRSL also raised $9,274 for the 2006 United Way campaign, and increased employee participation level to a record-breaking 75 percent.

ACKNOWLEDGMENTS

This document reflects the combined efforts of the TRSL staff under the guidance of the Board of Trustees and executive management. We appreciate the efforts of those who helped in the preparation of this report.

Respectfully submitted,

Maureen H. Westgard
Director

Charlene T. Wilson
Chief Financial Officer

Board of Trustees

Administrative Staff

MAUREEN H. WESTGARD
Director

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Deputy Director

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Assistant Director
of Retirement Services

ROY A. MONGRUE, JR.
General Counsel

ROBERT S. LEGGETT
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ROTH AYMOND
Information Technology Director

TRUDY BERTHELOT
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LISA HONORE
Public Information Director

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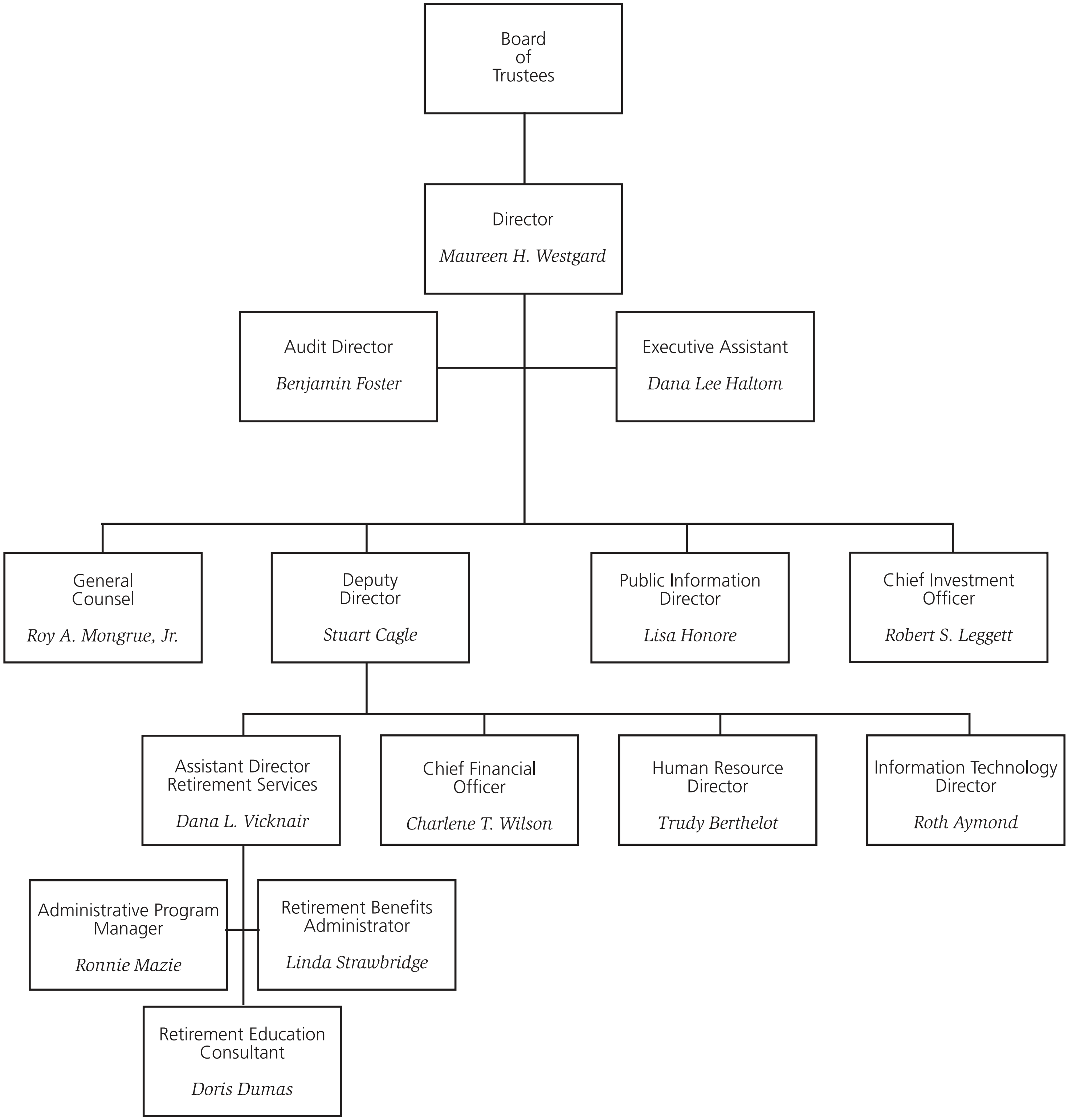
Administrative Program Manager

LINDA STRAWBRIDGE
Retirement Benefits Administrator

CHARLENE T. WILSON
Chief Financial Officer

TRSL's management team: (Seated) Charlene T. Wilson, Chief Financial Officer; Benjamin Foster, Audit Director; Stuart Cagle, Deputy Director; Lisa Honore, Public Information Director; (Standing) Dana Vicknair, Assistant Director of Retirement Services; Linda Strawbridge, Retirement Benefits Administrator; Roth Aymond, Information Technology Director; Maureen H. Westgard, Director; Robert S. Leggett, Chief Investment Officer; Ronnie Mazie, Administrative Program Manager; Roy A. Mongrue, Jr., General Counsel; Trudy Berthelot, Human Resource Director; (Not Pictured) Doris Dumas, Retirement Education Consultant

Organizational Chart



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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, 2006

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.

President

Executive Director

Summary of 2006-2007 Legislation

2007 REGULAR SESSION TRSL RECOMMENDED LEGISLATION

Act 50 Amends and Reenacts R.S. 11:788(B)(2) and Enacts 11:449(E). Repeals R.S. 11:788(B)(3)

Provides relative to DROP re-deposits for members of Teachers' Retirement System of Louisiana and Louisiana State Employees' Retirement System who received qualified hurricane distributions pursuant to the Katrina Emergency Tax Relief Act of 2005, or the Gulf Opportunity Zone Act of 2005. (Effective June 18, 2007)

Act 67 Enacts R.S. 11:542 and 883.1.1

Authorizes the TRSL and LASERS Boards of Trustees to grant a supplemental cost-of-living increase of 0.5%, beginning July 1, 2007, from their respective experience accounts for a maximum of 3.0%, which would otherwise be limited to 2.5%. (Effective June 30, 2007)

SCR 3

Authorizes the Board of Trustees of the Teachers' Retirement System of Louisiana to grant cost-of living increases payable from the Employee Experience Account. (Effective June 30, 2007)

LEGISLATION AFFECTING TRSL

Act 352 Amends and Reenacts R.S. 11:312(B)(2). Enacts R.S. 11:313 through 316

Provides relative to investments by public retirement systems in companies or entities having facilities or employees, or both, in a prohibited nation. (Effective August 15, 2007)

Act 367 Amends and Reenacts R.S. 11:266(D), (E), and 1305(D)

Continues requirement that state retirement systems direct ten percent of commissions on certain domestic equity trades and ten percent of certain domestic fixed income investments through certain Louisiana broker-dealers and extends the sunset of this provision to 2010. (Effective July 1, 2007)

HCR 135

Urges and requests the thirteen public retirement systems to meet semi-annually to share investment strategies.

HR 127

Requests that the thirteen state and statewide retirement systems disseminate regularly updated informational booklets which apprise potential and existing members of their rights under the state retirement laws.

SB 127

Constitutional amendment to require increases in benefits for state retirement systems to also provide a funding source.

SCR 114

Memorializes Congress to reduce or eliminate the Social Security reductions known as the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

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. Notwithstanding 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 36 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%*
25	55	2.5%
30	Any age	2.5%

*actuarially reduced

TEACHERS' PLAN A

Years Service	Minimum Age	Formula Percentage
5	60	3.0%
25	55	3.0%
30	Any age	3.0%

TEACHERS' PLAN B

Years Service	Minimum Age	Formula Percentage
5	60	2.0%
30	55	2.0%

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.

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 60, 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 50 percent of the average final compensation. However, the minimum disability benefit cannot be less than 40 percent of the state minimum teaching salary or 75 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 50 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 75 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 30 percent nor more than 75 percent of average final compensation, in the event no optional selection is made by the member.

E. Survivor Benefits

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 ING, Teachers Insurance and Annuity Association-College Retirement Equities Fund, and AIG Valic.

DEFERRED RETIREMENT OPTION PLAN (DROP)

On July 1, 1992, the DROP program became effective. This plan, which is described on pages 129-130 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 36 months of a regular maximum monthly retirement benefit in addition to a reduced regular monthly retirement benefit payable for life.

EXCESS BENEFIT PLAN

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

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Financial Section

Fontainebleau State Park
Photo courtesy of Louisiana Office of Tourism

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

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CERTIFIED PUBLIC ACCOUNTANTS

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(225) 923-3000 • FAX (225) 923-3008

September 28, 2007

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, 2007 and 2006, 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 plan net assets of the Teachers' Retirement System of Louisiana as of June 30, 2007 and 2006, 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 28, 2007, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 audits were 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 audits of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

Management's Discussion and Analysis

The following is management's discussion and analysis of TRSL's financial performance. This narrative overview and analysis help 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 were $16.1 billion in 2007 compared to $14.0 billion in 2006 and $12.7 billion in 2005.
- The market rate of return on the System's investments was 19.67 percent for 2007 compared to 14.3 percent for 2006 and 10.9 percent in 2005.
- The System's funded ratio increased to 71.3 percent at June 30, 2007 compared to 67.5 percent at June 30, 2006, and 64.6 percent as of June 30, 2005.
- The unfunded actuarial accrued liability decreased from $6.6 billion in 2006 to $6.3 billion in 2007. The unfunded actuarial accrued liability was $6.8 billion in 2005.
- Total benefit payments increased from $1.2 billion in 2006 to $1.3 billion in 2007. The benefits payments were $1.1 billion in 2005.

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 supplementary information in addition to the basic financial statements.

The statements of plan net assets report the pension fund'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, 2007, and June 30, 2006.

The statements of changes in plan net assets report the results of the pension fund's operations during the years disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

The notes to the financial statements provide additional information and insight that are 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, estimates, methods used to value investments, property and equipment, budgetary accounting methods, accumulated leave, 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, investment credit risk, interest rate risk, and foreign 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 introduces the required supplementary information.
- Note J provides information on implementation of GASB Statement 44.
- Note K provides information on the upcoming implementation of GASB Statement 45.

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, 2007, is $16.1 billion, compared to $14.0 billion held in trust at June 30, 2006, and $12.7 billion held in trust at June 30, 2005.

Condensed Comparative Statements of Plan Net Assets

	2007	2006	2005
Cash and cash equivalents	$ 15,294,772	$ 59,572,968	$ 24,677,100
Receivables	363,771,661	479,402,178	222,670,447
Investments (fair value)	16,045,489,228	13,755,624,235	12,491,032,538
Securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715
Capital assets	4,324,000	4,515,507	4,677,169
Total assets	18,936,160,049	16,468,146,151	14,485,767,969
Accounts payable and other liabilities	280,149,444	291,502,140	57,144,665
Securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715
Total liabilities	2,787,429,832	2,460,533,403	1,799,855,380
Net assets held in trust	$ 16,148,730,217	$ 14,007,612,748	$ 12,685,912,589

Changes in Plan Net Assets

For June 30, 2007, additions to TRSL's plan net assets were derived from member and employer contributions and investment income. For 2007, member contributions increased $23,914,077 (9.3 percent) while employer contributions increased $14,418,426 (2.7 percent). For 2006, member contributions decreased 4.5 percent while employer contributions increased 2.3 percent. In 2005, member contributions increased 2.1 percent and employer contributions increased 16.6 percent. The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contributions annually. The employer rate was 15.8 percent for 2007, 15.9 percent for 2006, and 15.5 percent for 2005. For 2007, the increase in member and employer contributions is directly related to a 10.3 percent increase in average teachers' salaries. For 2006, the decrease in employee contributions was directly related to the reduction of active members. Many members were unable to work due to Hurricanes Katrina and Rita. As such, the System saw a 7.2 percent decline in its membership. For 2005, the employee and employer contributions increase was 2.1 percent and 16.6 percent, respectively.

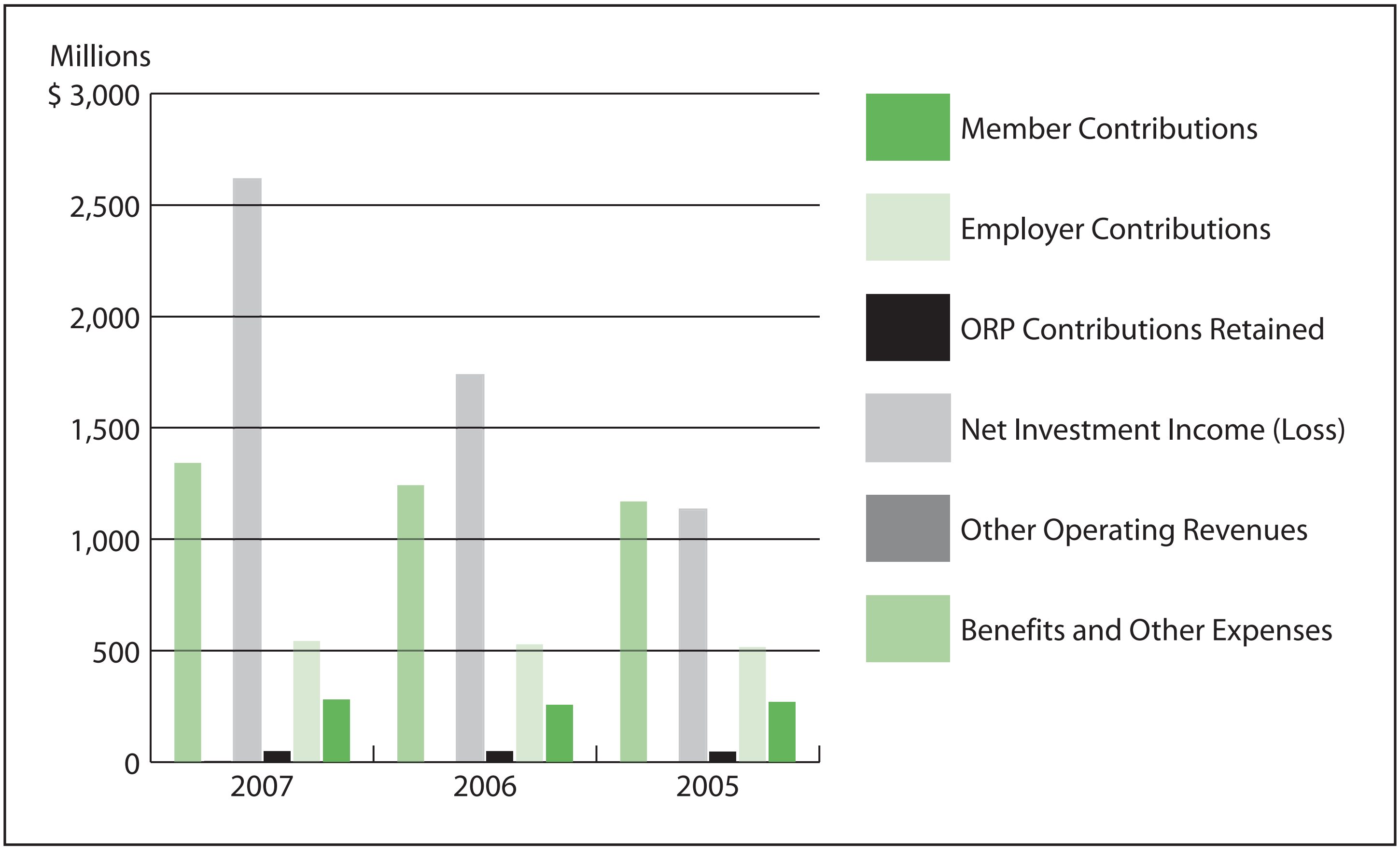
The System experienced a net investment gain of $2,616,966,317 in 2007 compared to a net investment gain of $1,737,664,681 in 2006 and $1,134,823,923 in 2005. For 2007, the major components of this gain are our domestic and international equity portfolio and our alternative investments program. For the past three consecutive years, these areas of our investment portfolio have yielded tremendous rates of return for the System.

Deductions from plan net assets totaled $1,357,052,349 in fiscal year 2007, an increase of $100,640,620 or 8 percent over fiscal year 2006. In 2006, total deductions from plan net assets increased 6.3 percent over fiscal year 2005. For the third consecutive year, the driver of this increase is benefit payments. For 2007, benefit payments increased by 8.1 percent compared to 6.2 percent in 2006 and 6.0 percent in 2005. Approximately 2,018 retirees were added to the benefit payroll records in 2007, compared to 2,987 retirees in 2006 and 1,625 retirees in 2005. Refunds of contributions increased by $9,581,818 or 25 percent over 2006. This reflects the results of higher salaries among the refunded population because in contrast, the number of refunds issued decreased by 33.8 percent.This 33.8 percent decrease over 2006 was due to the significantly large number of refunds issued for teacher terminations caused by Hurricanes Katrina and Rita. Administrative expenses decreased by $38,739 or .29 percent over fiscal year 2006.The underlying factors in the administrative decrease are salaries and related benefits. Salaries of $6,949,645 were paid in 2007, resulting in a 5.6 percent decrease from 2006. In 2005, salaries reflected an 8.3 percent increase. This is directly related to the number of vacant positions. The System is 88.4 percent staffed, compared to 92.5 percent for fiscal year 2006 and 89.1 percent for 2005. Related benefits of $2,229,436 were paid in 2007, which resulted in a 3.3 percent decrease over fiscal year 2006. In 2005, related benefits reflected a 28.5 percent increase.

Condensed Comparative Statements of Changes in Plan Net Assets

	2007	2006	2005
Additions			
Member contributions	$ 282,326,101	$ 258,412,024	$ 270,619,181
Employer contributions	544,401,879	529,983,453	517,815,361
ORP contributions retained	49,429,250	49,293,547	48,754,970
Other operating revenues	5,496,271	3,208,183	3,425,773
Total net investment income	2,616,966,317	1,737,664,681	1,134,823,923
Total additions	3,498,619,818	2,578,561,888	1,975,439,208
Deductions			
Benefits and refunds	1,343,672,281	1,243,011,102	1,170,268,708
Administrative expenses	13,323,547	13,362,286	12,178,533
Other operating expenses	506,521	488,341	476,270
Total deductions	1,357,502,349	1,256,861,729	1,182,923,511
Net increase	2,141,117,469	1,321,700,159	792,515,697
Net assets beginning of year	14,007,612,748	12,685,912,589	11,893,396,892
Net assets end of year	$ 16,148,730,217	$ 14,007,612,748	$ 12,685,912,589

Changes in Plan Net Assets



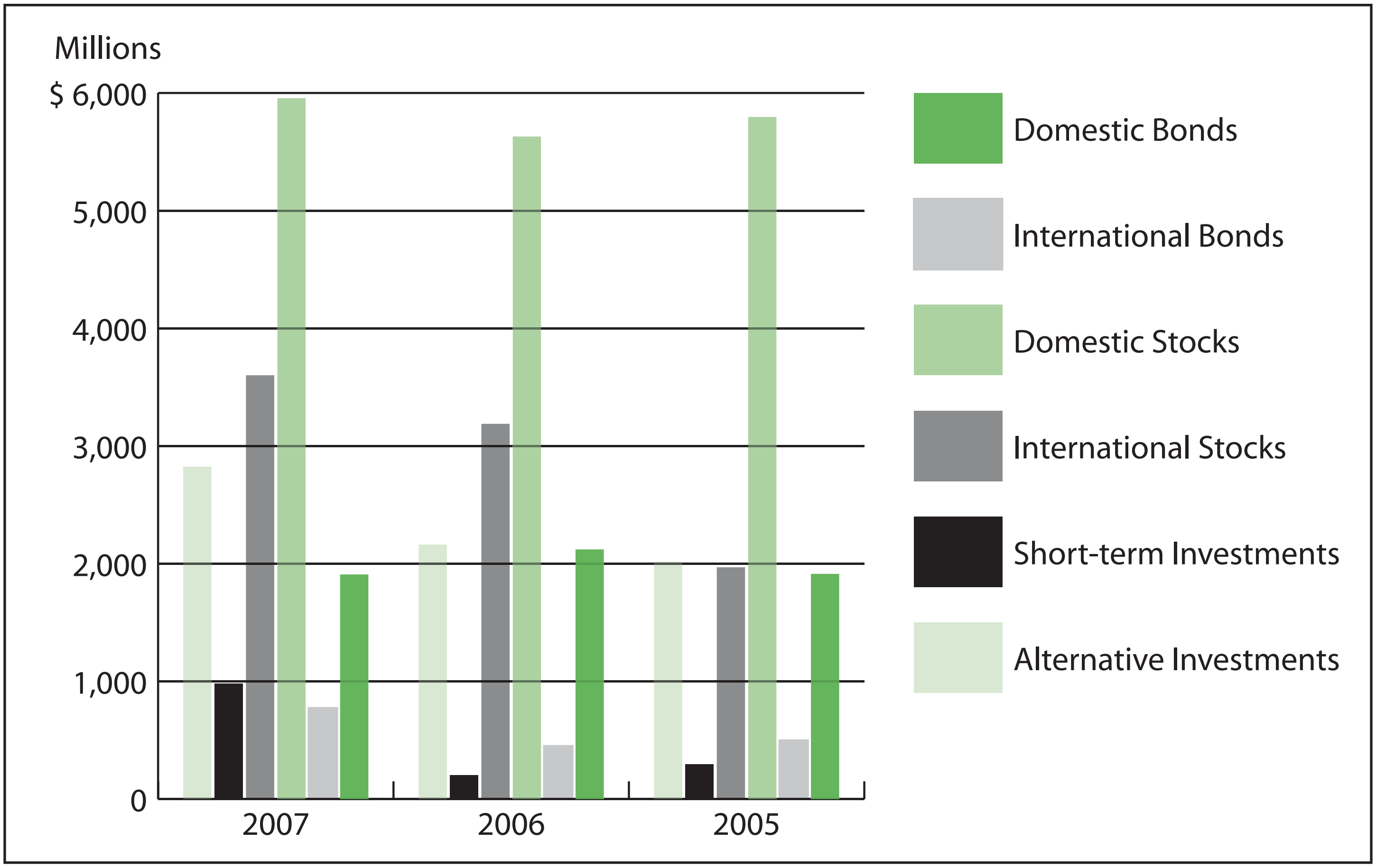
Investments

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, 2007, amounted to $16.0 billion, compared to $13.8 billion at June 30, 2006, which is an increase of $2.2 billion or 16.7 percent. Total investments at June 30, 2005, amounted to $12.5 billion, which is an increase of approximately $1.3 billion or 10.1 percent over 2004. The System experienced a net gain on investments of $2.6 billion at June 30, 2007, $1.7 billion in 2006, and $1.1 billion in 2005. For 2007, the System's market rate of return is 19.67 percent. This return ranks in the 18th percentile of the BNY Mellon Financial Public Funds. It places TRSL ahead of 82 percent of other public pension plans with assets greater than $1.0 billion. The major drivers of this return are attributable to our domestic and international common and preferred stock investments and TRSL's alternative investment portfolio.

Investments at Fair Value

	2007	2006	2005
Domestic bonds	$ 1,908,652,650	$ 2,121,505,657	$ 1,913,039,451
International bonds	772,811,203	449,917,634	497,213,792
Domestic stocks	5,956,585,766	5,630,073,349	5,796,790,444
International stocks	3,601,296,445	3,188,085,062	1,969,333,621
Short-term investments	981,706,327	203,642,122	296,950,031
Alternative investments	2,824,436,837	2,162,400,411	2,017,705,199
Total investments	$ 16,045,489,228	$ 13,755,624,235	$ 12,491,032,538

Investments at Fair Value



FUNDED STATUS

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio increased to 71.3 percent at June 30, 2007, compared to 67.5 percent as of June 30, 2006, and 64.6 percent as of June 30, 2005. The amount by which TRSL's actuarial liabilities exceed the actuarial assets is $6.0 billion at June 30, 2007, compared to $6.3 billion at June 30, 2006, and 6.6 billion in 2005, thereby decreasing the System's unfunded accrued liability by $600 million since 2005. For the year ending June 30, 2007, the net realized actuarial rate of return was 15.20 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 $1.1 million. For the years ending June 30, 2006 and 2005, the net realized actuarial rate of return was 15.65 percent and 9.87 percent respectively.

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, P. O. Box 94123, Baton Rouge, Louisiana, 70804-9123, or *charlene.wilson@trsl.org*.

Statements of Plan Net Assets as of June 30, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	$ 15,294,772	$ 59,572,968
Receivables:		
Member contributions	57,266,938	48,790,153
Employer contributions	76,218,878	72,017,765
ORP contributions retained	3,641,433	3,498,870
Pending trades	170,641,032	281,323,928
Accrued interest and dividends	51,423,625	44,597,792
Other receivables	4,579,755	29,173,670
Total receivables	363,771,661	479,402,178
Investments, at fair value:		
Domestic bonds	1,908,652,650	2,121,505,657
International bonds	772,811,203	449,917,634
Domestic common and preferred stocks	5,956,585,766	5,630,073,349
International common and preferred stocks	3,601,296,445	3,188,085,062
Domestic short-term investments	981,706,327	178,839,314
International short-term investments	0	24,802,808
Alternative investments	2,824,436,837	2,162,400,411
Total investments	16,045,489,228	13,755,624,235
Invested securities lending collateral:		
Collateral held under domestic securities lending program	2,115,371,825	1,860,049,089
Collateral held under international securities lending program	391,908,563	308,982,174
Total securities lending collateral	2,507,280,388	2,169,031,263
Property and equipment (at cost) – net	4,324,000	4,515,507
Total assets	18,936,160,049	16,468,146,151
Liabilities		
Accounts payable	13,006,673	10,936,762
Benefits payable	7,217,168	5,118,886
Refunds payable	5,858,882	5,369,804
Pending trades payable	252,855,646	269,051,248
Other liabilities	1,211,075	1,025,440
Total accounts payable and other liabilities	280,149,444	291,502,140
Securities lending collateral:		
Obligations under domestic securities lending program	2,115,371,825	1,860,049,089
Obligations under international securities lending program	391,908,563	308,982,174
Total securities lending collateral	2,507,280,388	2,169,031,263
Total liabilities	2,787,429,832	2,460,533,403
Net assets held in trust for pension benefits (A schedule for funding progress is presented on page 54.)	$ 16,148,730,217	$ 14,007,612,748

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2007 and 2006

	2007	2006
Additions		
Contributions:		
Member contributions	$ 282,326,101	$ 258,412,024
Employer contributions	544,401,879	529,983,453
Total contributions	826,727,980	788,395,477
ORP contributions retained	49,429,250	49,293,547
Investment income:		
From investment activities		
Net appreciation in fair value of domestic investments	1,423,223,165	809,290,218
Net appreciation in fair value of international investments	824,462,472	584,857,302
Domestic interest	144,497,859	135,047,865
International interest	30,984,724	27,792,233
Domestic dividends	97,594,609	77,813,221
International dividends	94,658,995	68,564,525
Alternative investment income	58,246,838	97,733,026
Commission rebate income	566,068	675,608
Total investment income	2,674,234,730	1,801,773,998
Investment activity expenses:		
International investment expenses	(10,188,879)	(9,493,180)
Alternative investment expenses	(18,645,253)	(28,474,213)
Custodian fees	(763,878)	(761,689)
Performance consultant fees	(1,202,817)	(1,077,254)
Trade cost analysis fees	(40,000)	(40,000)
Advisor fees	(32,298,534)	(29,802,772)
Total investment expenses	(63,139,361)	(69,649,108)
Net income from investing activities	2,611,095,369	1,732,124,890
From securities lending activities		
Securities lending income	40,981,124	22,168,519
Securities lending expenses		
Fixed	(24,866,799)	(11,354,478)
Equity	(249,396)	(249,909)
International	(9,993,981)	(5,024,341)
Total securities lending activities expenses	(35,110,176)	(16,628,728)
Net income from securities lending activities	5,870,948	5,539,791
Total net investment income	2,616,966,317	1,737,664,681
Other operating revenues	5,496,271	3,208,183
Total additions	3,498,619,818	2,578,561,888
Deductions		
Retirement benefits	1,295,552,338	1,204,472,977
Refunds of contributions	48,119,943	38,538,125
Administrative expenses	13,323,547	13,362,286
Depreciation expense	506,521	488,341
Total deductions	1,357,502,349	1,256,861,729
Net increase	2,141,117,469	1,321,700,159
Net assets held in trust for pension benefits		
Beginning of year	14,007,612,748	12,685,912,589
End of year	$ 16,148,730,217	$ 14,007,612,748

See accompanying notes to financial statements.

Notes to the Financial Statements

A. PLAN DESCRIPTION

Membership and Administration

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 System, 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 May 2002, the Governmental Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units* that amended 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 they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens or to impose specific financial burdens on the System. The System also determined whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the System.

At June 30, 2007 and 2006, the number of participating employers was:

	2007	2006
School Boards	69	68
Colleges and Universities	28	27
State Agencies	53	58
Charter Schools	20	14
Other	18	16
Total	**188**	**183**

Membership of this plan consisted of the following at June 30, 2007 and 2006, the dates of the latest actuarial valuations:

	2007	2006
Retirees and beneficiaries receiving benefits	59,530	57,512
Deferred Retirement Option Plan participants	3,715	4,042
Terminated vested employees entitled to but not yet receiving benefits	6,624	7,039
Terminated nonvested employees who have not withdrawn contributions	11,966	12,749
Current active employees:		
Vested	54,210	54,194
Nonvested	25,586	24,262
Post Deferred Retirement Option Plan participants	2,876	2,891
Total	**164,507**	**162,689**

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(33)(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 36 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 20 of this report.

In 1989, the 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, covered by Teachers' Retirement System of Louisiana, to continue to participate in the ORP. The number of participating employers is currently 120. Current membership in the ORP is 21,731.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 9.1599 percent of the 15.8 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 6.6401 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 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 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. Reporting Entity

The Teachers' Retirement System of Louisiana (the "System") is a component unit of the State of Louisiana. A 16-member Board of Trustees (composed of 10 active members, two retired members, and four ex-officio members) governs Teachers' Retirement System of Louisiana. The Board of Trustees appoints the director, who is the System's managing officer.

2. Basis of Accounting

Teachers' Retirement System of Louisiana's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America 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.

3. 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 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 such changes could materially affect the amounts reported in the Statements of Plan Net Assets.

4. 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 at estimated fair value.

5. Property and Equipment

Land, building, equipment, and furniture are carried at historical cost. Depreciation for the building is computed using the straight-line method based upon a useful life of 40 years. Depreciation for office equipment and furniture with a purchase price of at least $1,000 is computed using the straight-line method based upon a useful life of three to 10 years. Items with a purchase price of less than $1,000 are expensed in the current year.

Changes in Property and Equipment

	June 30, 2006	Additions	Deletions	June 30, 2007
Asset Class (at Cost)				
Land	$ 858,390	$ 0	$ 0	$ 858,390
Building	5,219,041	64,452	0	5,283,493
Equipment, furniture, fixtures	3,494,100	250,910	(122,947)	3,622,063
Total Property and Equipment	9,571,531	315,362	(122,947)	9,763,946
Accumulated Depreciation				
Building	(2,285,205)	(133,431)	0	(2,418,636)
Equipment, furniture, fixtures	(2,770,819)	(373,438)	122,947	(3,021,310)
Total Accumulated Depreciation	(5,056,024)	(506,869)	122,947	(5,439,946)
Total Property and Equipment — Net	**$ 4,515,507**	**$ (191,507)**	**$ 0**	**$ 4,324,000**

6. 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, 2007 and 2006 includes the original Board of Trustees approved budget and appropriated State General Funds, as well as subsequent amendments as follows:

2007	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	$ 1,319,335	$ 47,378,237	$ 48,697,572
Professional services		4,000,000	4,000,000
	$ 1,319,335	$ 51,378,237	$ 52,697,572

2006	State General Funds	Self-Generated Revenue	Total
Final approved budget and appropriations	$ 1,281,350	$ 45,778,003	$ 47,059,353

7. Accumulated Leave

The employees of the System accumulate 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. The liability for accrued annual leave of up to 300 hours is included in Other Liabilities. Upon retirement, unused annual leave in excess of 300 hours and sick leave may be converted to service credit subject to restrictions of the retirement system to which the employee belongs.

C. CONTRIBUTIONS

1. Member Contributions

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statutes 11:62, and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 2007 and 2006.

Plan	% Earned Compensation	
	2007	2006
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, 2007 and 2006, are as follows:

Plan	% Earned Compensation	
	2007	2006
TRSL Regular Plan	15.8%	15.9%
TRSL Plan A	15.8%	15.9%
TRSL Plan B	15.8%	15.9%

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 Louisiana State Employees' Retirement System (LASERS) pension plan or Louisiana School Employees' Retirement System (LSERS) 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. TRSL was established and provided for within Title 11, Chapter 2 of the Louisiana Revised Statutes (LRS).

Funding Policy. Plan members participating in TRSL 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 fiscal year 2007 is 15.8 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, 2007 and 2006, were $493,049 and $559,001 respectively.

All full-time TRSL employees who do not participate in TRSL participate in LASERS or LSERS. LSERS is a cost sharing, multiple-employer, defined benefit plan administered by the Louisiana School Employees' Retirement System. LSERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. LSERS was established and provided for within Title 11, Chapter 3 of the Louisiana Revised Statutes (LRS). LSERS issues a financial analysis summary available to the public. Their report can be obtained by writing to Louisiana School Employees' Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804, or by calling 1-800-526-3718.

Funding Policy. Plan members participating in LSERS are required by state statute to contribute 7.50 percent of their gross salary and TRSL is required to contribute at an actuarially determined rate. The LSERS rate for the fiscal year 2007 is 18.4 percent. The contribution requirements of plan members and TRSL are established and may be amended by the LSERS' Board of Trustees. The contributions paid by TRSL for its LSERS employees for the years ended June 30, 2007 and 2006, were $11,075 and $10,501 respectively.

2. Defined Benefit Pension Plan

All full-time TRSL employees who do not participate in TRSL participate in LASERS or LSERS. 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 Legislature. LASERS was established and provided for within Title 11, Chapter 1 of the Louisiana Revised Statutes (LRS). LASERS issues a financial report that includes financial statements and required supplementary information. The report is available to the public, and can be obtained by writing to Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70904-4213, or by calling 1-800-256-3000.

Funding Policy. Plan members participating in LASERS are required by state statute to contribute 7.5 percent of their gross salary to the pension plan if hired before July 1, 2006, and 8.0 percent if hired on or after July 1, 2006. TRSL is required to contribute at an actuarially determined rate. The LASERS rate for the fiscal year 2007 is 19.1 percent. The contribution requirements of plan members and TRSL are established and may be amended by the LASERS' Board of Trustees. The contributions paid by TRSL for its LASERS employees for the years ending June 30, 2007 and 2006, were $673,255 and $692,917, respectively.

3. Defined Contribution Plan

Staff of Teachers' Retirement System of Louisiana who are members of Optional Retirement Plan (ORP) before becoming employees of TRSL must remain participants in ORP. The ORP is a defined contribution plan administered by the Teachers' Retirement System of Louisiana. The 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. The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the participating employees to approved providers. Additional information about the ORP can be found beginning on page 128.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute 15.8 percent of the participating member's covered salary. Some 7.9 percent of the employee's contribution and 6.6401 percent (normal cost) of the employer contributions are transferred to the member's chosen ORP provider. The contributions paid by TRSL for participating TRSL employees for the years ending June 30, 2007 and 2006, were $7,224 and $9,496 respectively.

E. DEPOSITS AND INVESTMENT RISK DISCLOSURES

1. Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. Cash and cash equivalents include cash deposited in banks and short term repurchase agreements. Cash is insured by the Federal Deposit Insurance Corporation up to $100,000, and cash equivalents are collateralized by the pledge of government securities held by the agents in the entity's name.

2. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the System's deposits may not be returned to them. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either a counterparty or by the counterparty's trust department or agent but not in the government's name. Assets held by financial institutions in their capacity as trustee or custodian are not considered to be assets of that institution as a corporate entity for insolvency purposes. These assets are segregated from the corporate assets of the financial institution and are accounted for separately on the institution's general ledger. As a result of this segregation, assets held in a custodial capacity should not be affected if the custodial institution were placed into receivership by its regulators. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. Teachers' Retirement System of Louisiana had no custodial credit risk as of June 30, 2007.

3. Investments

Louisiana Revised Statutes 11:263 authorized the Board of Trustees to invest under the "Prudent-Man" Rule. The "Prudent-Man" Rule establishes a standard that a fiduciary shall exercise the judgment and care under the circumstances, then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.

In accordance with Louisiana Revised Statutes 11:267, the System may invest up to 65 percent of its total assets in equities provided that the System invests an amount equal to at least 10 percent of total stock in equity indexing. 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.

The System has no investments of any single organization (other than those issued or guaranteed by the U.S. Government) that represents 5 percent or more of the System's net plan assets, nor does the System hold more than 5 percent of any corporation's stock. In addition, the Board of Trustees has adopted certain investment policies, objectives, rules and guidelines that are intended to protect the System's assets in real terms such that assets are preserved to provide benefits to participants and their beneficiaries; achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System; and maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

The Board of Trustees' desired investment objective is a long-term compound rate of return on the System's assets and is the greater of:

a. 3.9% above the CPI-U seasonally adjusted, or
b. the actuarial rate (currently 8.25%)

During fiscal year 2007, the System's investments (including investments bought, sold, and held during the year) appreciated in value by $2,247,685,637 compared to appreciation of $1,394,147,520 in 2006.

	2007	2006
Increase in fair value of investments held at year end:	$ 757,785,374	$ 230,352,616
Realized gains on investments including currency sold during the year:	1,489,900,263	1,163,794,904
Total	**$ 2,247,685,637**	**$ 1,394,147,520**

The following table presents the fair value of investments by type at June 30, 2007 and 2006, respectively:

Investments — Type	2007 Fair Value	2006 Fair Value
Bonds		
Domestic not on securities loan	$ 1,471,509,399	$ 1,934,213,678
International not on securities loan	525,476,275	291,892,526
Common and preferred stocks		
Domestic not on securities loan	4,278,313,339	3,957,316,238
Domestic on securities loan for securities collateral or letters of credit	46,848,507	34,392,727
International not on securities loan	3,456,722,810	3,037,127,996
Investments held by broker – dealers under securities		
Loans with cash collateral		
Bonds		
Domestic	437,143,251	187,291,979
International	247,334,928	158,025,108
Common Stocks		
Domestic	1,631,423,920	1,638,364,384
International	144,573,635	150,957,066
Domestic money market funds	981,706,327	178,839,314
International money market funds	0	24,802,807
Real estate investments	1,087,071,200	534,248,976
Mezzanine financing investments	326,691,790	315,801,414
Private equity investments	1,383,621,347	1,312,350,022
Hedge fund investments	27,052,500	0
Total	**$ 16,045,489,228**	**$ 13,755,624,235**

4. Credit Risks

The System expects the domestic and international securities investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

A. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for domestic managers:

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% of the portfolio.
4. Municipal bonds rated Baa3 or BBB- or higher may not exceed 20% of the market value of the bond portfolio.
5. Positions in any one issuer of corporate or municipal securities are not to exceed 5% 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% 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 of the U.S. (Eurobonds and non-U.S. 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. 11. Unrated securities and securities rated Caa, CCC, or below shall not exceed 20% of the market value of the portfolio.
10. High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).
11. Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.
12. Investment grade fixed income portfolios shall not invest in mortgage–backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.
13. Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations, and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10% of the market value of the portfolio.

B. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for global fixed income managers:

Items (1) through (7) of the 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 is acceptable for investment. The manager should consider the credit worthiness 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% to 100% 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% 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.

C. Investments in 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% 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% of the cost or market value of the System's equity portfolio (whichever is more) or 15% 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% 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% and plus 100% 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% of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).
8. Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50% of the weighted average market capitalization of the Russell 2500 Index.

D. Investments in 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% of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5% (of the 20% 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% 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% 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% of the portfolio's market value.
5. Cash held by the manager may be in U.S. dollars or foreign currencies of the manager's 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 ADRs and GDRs;
   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% 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.

Credit Risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's exposure to credit risk at June 30, 2007, was as follows:

Moody's Rating	Total	Domestic	International
Not rated	$ 1,302,763,118	$ 1,205,340,976	$ 97,422,142
A1	5,715,250	4,312,205	1,403,045
A2	180,538,088	8,030,062	172,508,026
A3	28,017,672	3,819,785	24,197,887
AA1	9,352,580	3,088,143	6,264,437
AA2	8,087,247	7,490,441	596,806
AA3	16,162,355	12,030,585	4,131,770
AAA	488,190,489	137,473,993	350,716,496
AGY	452,486,040	452,486,040	0
B1	163,695,087	152,445,793	11,249,294
B2	138,444,327	110,310,032	28,134,295
B3	156,805,483	156,805,483	0
BA1	41,154,955	38,478,844	2,676,111
BA2	81,057,151	54,827,304	26,229,847
BA3	109,733,786	101,281,596	8,452,190
BAA1	26,427,347	1,989,432	24,437,915
BAA2	13,108,817	10,267,175	2,841,642
BAA3	20,972,202	16,554,213	4,417,989
CAA1	52,168,799	51,658,174	510,625
CAA2	2,643,750	2,643,750	0
NR	8,900,636	4,618,123	4,282,513
UST	6,478,758	6,478,758	0
WR	340,453,894	340,453,894	0
VMIG1	1,505,000	1,505,000	0
VMIG3	1,926,000	1,926,000	0
WR	6,381,348	4,043,175	2,338,173
Total credit risk debt securities	**$ 3,663,170,179**	**$ 2,890,358,976**	**$ 772,811,203**

The System's exposure to credit risk at June 30, 2006, was as follows:

Moody's Rating	Total	Domestic	International
Not rated	$ 280,445,013	$ 222,704,117	$ 57,740,896
A1	56,530,726	44,843,323	11,687,403
A2	56,579,071	34,801,336	21,777,735
A3	62,041,071	47,329,280	14,711,791
AA1	8,576,056	8,576,056	0
AA2	7,904,750	3,102,436	4,802,314
AA3	81,027,720	78,024,450	3,003,270
AAA	575,816,382	334,038,932	241,777,450
AGY	564,198,249	564,198,249	0
B1	122,634,232	112,030,739	10,603,493
B2	148,411,275	127,901,975	20,509,300
B3	135,729,607	130,290,057	5,439,550
BA1	45,409,885	45,052,243	357,642
BA2	93,709,416	88,917,916	4,791,500
BA3	137,661,147	116,140,521	21,520,626
BAA1	45,094,993	12,019,956	33,075,037
BAA2	41,993,455	39,614,386	2,379,069
BAA3	17,093,349	16,886,973	206,376
CAA1	50,507,075	50,037,075	470,000
CAA2	1,490,000	1,490,000	0
NR	278,657	278,657	0
UST	211,478,444	211,478,444	0
WR	25,900,865	6,033,875	19,866,990
VMIG1	1,380,000	1,380,000	0
VMIG3	3,173,975	3,173,975	0
Total credit risk debt securities	**$ 2,775,065,413**	**$ 2,300,344,971**	**$ 474,720,442**

5. Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2007, the System had the following investments and maturities:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**5 - 10**	**More than 10**
U. S. Treasury & Government Agency	$ 573,407,188	$ 4,503,571	$ 118,550,648	$ 110,299,713	$ 340,053,256
Collateralized Mortgage Obligations	452,858,922	156,502	3,581,490	40,900,642	408,220,288
Corporate Bonds	880,043,023	3,403,314	258,962,059	524,883,829	92,793,821
Foreign Corporate Bonds	135,126,118	867,001	37,628,182	83,923,247	12,707,688
Foreign Government Bonds	5,571,437	0	0	5,571,437	0
Foreign Treasuries	628,684,501	105,165,526	322,537,474	152,346,989	48,634,512
Other	987,478,990	0	3,429,147	162,345	983,887,498
TOTAL	**$ 3,663,170,179**	**$ 114,095,914**	**$ 744,689,000**	**$ 918,088,202**	**$ 1,886,297,063**

As of June 30, 2006, the System had the following investments and maturities:

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**5 - 10**	**More than 10**
U. S. Treasury & Government Agency	$ 600,419,277	$ 79,986,192	$ 20,878,044	$ 102,997,637	$ 396,557,404
Collateralized Mortgage Obligations	263,435,623	0	19,328,942	12,400,977	231,705,704
Corporate Bonds	896,797,431	87,728,448	433,069,061	326,915,998	49,083,924
Foreign Corporate Bonds	116,528,828	11,687,403	52,962,707	51,390,718	488,000
Foreign Government Bonds	256,784,193	23,360,491	130,255,830	96,784,402	6,383,470
Foreign Treasuries	76,604,613	17,649,653	21,178,129	37,569,156	207,675
Other	564,495,448	180,062,128	132,887,220	107,624,975	143,921,125
TOTAL	**$ 2,775,065,413**	**$ 400,474,315**	**$ 810,559,933**	**$ 735,683,863**	**$ 828,347,302**

Teachers' Retirement System of Louisiana, as expressed in its Investment Policy Statement, expects its fixed income managers to approximate the portfolio's duration (a measure of a debt investment's exposure to fair value changes arising from changing interest rates) to its respective benchmarks, i.e. the Lehman Brothers Aggregate for domestic fixed income investments and CITI World Government Bond Index for international fixed income investments.

6. Foreign Currency Risk

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

The System's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2007, as follows:

Currency	Percent	Total	Bonds	Stocks	Short-Term Investments
Australian Dollar	5.25%	$ 161,237,745	$ 45,235,502	$ 115,654,859	$ 347,384
Brazil Real	0.75%	22,873,044	18,764,510	4,106,663	1,871
British Pound Sterling	15.67%	481,167,508	92,007,066	386,251,937	2,908,505
Canadian Dollar	1.01%	30,905,337	19,448,137	11,218,387	238,813
Danish Krone	0.13%	4,118,449	4,118,449		
Euro Currency Unit	0.39%	11,843,426		11,835,017	8,409
Hong Kong Dollar	36.76%	1,128,024,358	224,277,633	899,542,523	4,204,202
Hungarian Forint	4.97%	152,540,743		152,411,799	128,944
Indonesian Rupian	0.00%	25,436			25,436
Israeli Shekel	0.43%	13,347,500	13,212,358	135,142	0
Japanese Yen	0.02%	495,059		480,347	14,712
Malaysian Ringgit	19.10%	586,254,071	116,898,441	465,704,198	3,651,432
Mexican New Peso	0.67%	20,440,561	20,373,522	64,364	2,675
New Turkish Lira	0.65%	19,828,948	18,659,834	425,011	744,103
New Zealand Dollar	0.14%	4,224,445		3,629,588	594,857
Norwegian Krone	0.52%	16,038,594	15,784,160	253,453	981
Philippines Peso	0.79%	24,144,733		23,925,360	219,373
Polish Zloty	1.39%	42,659,559	42,659,286		273
S African Coom Rand	0.89%	27,178,824	19,522,152	7,593,633	63,039
Singapore Dollar	2.00%	61,510,118	29,521,925	31,740,178	248,015
South Korean Won	1.52%	46,533,777		46,533,777	
Swedish Krona	1.81%	55,679,508	16,398,111	38,986,201	295,196
Swiss Franc	5.04%	154,673,670		154,378,421	295,249
Thailand Baht	0.10%	2,998,798		2,975,951	22,847
Total	**100.00%**	**$ 3,068,744,211**	**$ 696,881,086**	**$ 2,357,846,809**	**$ 14,016,316**

The System's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2006, as follows:

Currency	Percent	Total	Bonds	Stocks	Short-Term Investments
Australian Dollar	3.90%	$ 109,877,313	$ 41,447,095	$ 68,430,218	
Brazil Real	0.44%	12,436,664	7,670,842	4,765,822	
British Pound Sterling	16.97%	478,284,098	71,243,567	407,040,531	
Canadian Dollar	3.24%	91,230,478	42,113,145	34,499,667	$ 14,617,666
Danish Krone	1.04%	29,299,324	15,600,324	13,699,000	
Euro Currency Unit	32.92%	927,995,483	88,272,710	839,722,773	
Hong Kong Dollar	3.77%	106,249,479		106,249,479	
Hungarian Forint	0.03%	872,935		872,935	
Indonesian Rupian	0.19%	5,376,626	5,376,626		
Israeli Shekel	0.05%	1,455,885		1,455,885	
Japanese Yen	21.56%	607,744,609		607,744,609	
Malaysian Ringgit	0.22%	6,119,345	5,617,432	501,913	
Mexican New Peso	1.44%	40,500,630	32,573,074	7,927,556	
New Turkish Lira	0.21%	5,855,853	4,413,147	1,442,706	
New Zealand Dollar	0.34%	9,551,542	9,475,253	76,289	
Norwegian Krone	0.90%	25,409,388		25,409,388	
Philippines Peso	0.03%	747,466		747,466	
Polish Zloty	0.73%	20,607,203	20,607,203		
S African Coom Rand	0.16%	4,680,769	1,018,245	3,662,524	
Singapore Dollar	1.98%	55,798,007	20,325,237	35,472,770	
South Korean Won	1.63%	46,119,825		46,119,825	
Swedish Krona	1.37%	38,698,691	20,193,716	18,504,975	
Swiss Franc	6.43%	181,492,149		181,492,149	
Thailand Baht	0.45%	12,762,166		12,762,166	
Total	**100.00%**	**$ 2,819,165,928**	**$ 385,947,616**	**$ 2,418,600,646**	**$ 14,617,666**

7. Alternative Investments

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 active commitments as of June 30, 2007, were $5.5 billion versus $5.1 billion as of June 30, 2006. The total amounts called for funding as of June 30, 2007, were $4.6 billion versus $4.0 billion as of June 30, 2006. The remaining commitments that could be called as of June 30, 2007, were $1.6 billion versus $0.9 billion as of June 30, 2006. Total distributions received by the System from the limited partnerships were $4.4 billion as of June 30, 2007, and $3.5 billion as of June 30, 2006.

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, 2007 and 2006, respectively.

G. DERIVATIVES

During fiscal years 2007 and 2006, 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 (CMOs) 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 CMOs 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 CMOs 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 causes 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 litigant 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. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB 25, required supplementary information is presented on 54 through 55.

J. IMPLEMENTATION OF GASB STATEMENT 44

In accordance with GASB 44, the statistical section is presented on 112 through 125.

K. IMPLEMENTATION OF GASB STATEMENT 45

GASB #45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, is effective for Teachers' Retirement System of Louisiana beginning fiscal year 2008. Depending on the classification by the Office of Group Benefits Plan, (as an agent multiple-employer plan, or cost sharing multiple employer plan) the OPEB (Other Post-Employment Benefits) will be accounted for accordingly.

Required Supplementary Information

Kisatchie National Forest
Photo courtesy of Louisiana Office of Tourism

Schedules of Funding Progress (Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
06/30/05	12,082,682	18,699,765	6,617,083	64.6%	3,132,169	211.3%
06/30/06	13,088,358	19,390,781	6,302,423	67.5%	2,892,959	217.9%
06/30/07	14,812,298	20,772,330	5,960,032	71.3%	3,224,566	184.8%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $1,381,549,103 from June 30, 2006, to June 30, 2007. There was a net experience gain of $485,035,058.

[1] The Actuarial Value of Assets for GASB reporting includes the IUAL Fund Assets in the Valuation Assets.
[2] UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes IUAL Fund.

Schedules of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	$ 421,195,131	104.9%
2003	479,077,364	98.0%
2004	527,899,270	94.4%
2005	555,169,630	105.6%
2006	555,342,400	103.1%
2007	578,895,501	106.5%

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

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, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	The unfunded accrued liability on June 30, 1988, is amortized over a 40-year period commencing in 1989. The amortization payment reflects a 4% increase for the first five years, reducing by 0.5% at the end of each quinquennial period. Changes in the accrued liabilities occurring after June 30, 1988, are amortized as level dollar amounts. Act 257 of 1992 further amended the amortization schedule to reflect a 4.5% payment increase over the remaining amortization period. Act 588 of 2004 re-amortized changes in liabilities occurring from 1993 thru 2000 as a level dollar payment to 2029. Amortization periods for changes in liabilities beginning with 2001 were extended to a 30-year period from the date of occurrence. Amortization periods for changes in liabilities beginning with 2004 are extended to a 30-year period from the date of occurrence, paid as a level dollar amount.
Amortization Approach	Closed
Remaining amortization period	Dependent upon the amortization method as described above.
Asset valuation method	Assets are valued on a basis which reflects a four year moving weighted average value between market value and cost value.
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	3.20% → 9.00%
Cost-of-living adjustments**	3.00%

*Includes inflation at 3.2%

**To receive the 3.0% cost-of-living adjustment (COLA), a retiree must be retired at least one year and be at least 55 years of age by July 1, 2007. Retirees receiving a disability retirement benefit must be retired at least one year; however, there is no minimum age requirement. The COLA is applied to the first $81,184 of a retiree's retirement benefit.

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

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Supporting Schedules

Sam Houston Jones State Park
Photo courtesy of Louisiana Office of Tourism

Schedules of Budgetary Expenses for the Years Ended June 30, 2007 and 2006

	2007			2006		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:						
Appropriated:						
State general fund	$ 1,319,335	$ 1,281,350	($37,985)	$ 1,281,350	$ 1,281,350	$ 0
Self-generated	51,378,237	47,943,964	(3,434,273)	45,778,003	45,370,948	(407,055)
Total revenues	52,697,572	49,225,314	(3,472,258)	47,059,353	46,652,298	(407,055)
Expenses:						
Salaries	10,623,320	9,347,655	1,275,665	9,999,292	9,900,913	98,379
Travel expenses	260,110	125,731	134,379	277,334	111,354	165,980
Operating services	2,975,307	2,560,159	415,148	2,373,464	2,295,215	78,249
Supplies	159,000	107,331	51,669	120,650	112,674	7,976
Office acquisitions	16,013	7,115	8,898	19,884	12,814	7,070
Professional services	1,140,246	1,140,246	0	857,301	857,301	0
Custodian fees	775,000	763,878	11,122	761,689	761,689	0
Performance consultant fees	1,202,817	1,202,817	0	1,077,254	1,077,254	0
Trade cost analysis fees	40,000	40,000	0	40,000	40,000	0
Advisor fees	33,761,797	32,298,534	1,463,263	29,803,192	29,802,772	420
Other charges — state general fund	1,319,335	1,281,350	37,985	1,281,350	1,281,350	0
Other charges — self-generated	26,200	2,681	23,519	37,200	36,794	406
Interagency transfers	49,812	32,629	17,183	48,096	35,221	12,875
Total expenses	52,348,957	48,910,126	3,438,831	46,696,706	46,325,351	371,355
Capital outlays	348,615	315,188	33,427	362,647	326,947	35,700
Total expenses and capital outlays	52,697,572	49,225,314	3,472,258	47,059,353	46,652,298	407,055
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, 2007 and 2006

	2007	2006
Salaries:		
Salaries — regular	$ 6,949,645	$ 7,362,763
Salaries — overtime	12,406	51,818
Salaries — termination	86,159	83,687
Other compensation — wages: temporary	4,874	1,380
Other compensation — student labor	46,160	78,848
Other compensation — compensation of board members	18,975	17,625
Related benefits	2,229,436	2,304,792
Total salaries	9,347,655	9,900,913
Travel expenses	125,731	111,354
Operating expenses:		
Advertising	34,448	20,230
Printing	135,523	156,362
Insurance	106,014	76,569
Maintenance — equipment	420,011	355,992
Rentals — building	662,374	515,963
Rentals — equipment	133,471	193,091
Rentals — off-site storage	107,440	134,031
Dues and subscriptions	66,205	60,007
Telephone	177,619	163,266
Postage	572,373	470,198
Bank service charges	115,570	117,956
Mail services	23,098	28,117
Miscellaneous	6,013	3,433
Total operating services	2,560,159	2,295,215
Supplies	107,331	112,674
Office acquisitions	7,115	12,814
Professional services:		
Accounting and auditing	37,240	34,200
Management and consulting	70,746	6,248
Graphic web design	42,900	21,600
CEM Benchmarking, Inc.	30,000	30,000
Legal	599,738	323,257
Medical	28,631	38,454
Professional training	14,825	10,695
Professional election expense	25,870	56,282
SSA Consultants	20,000	23,500
Actuarial	152,000	201,598
Disaster testing	71,607	68,873
Investigative services	41,947	37,778
Design/annual report	822	727
Deaf interpreter services	3,920	4,089
Total professional services	1,140,246	857,301
Other charges:		
Educational expense	2,325	21,767
System condolence fund	257	68
Recruitment expense	0	14,929
Education supplies	99	30
Total other charges	2,681	36,794
Interagency transfers:		
Secretary of State — microfilm	991	8,167
Department of Civil Service	30,123	26,274
Office of Information Services	1,242	390
Bureau of Vital Statistics	273	390
Total interagency transfers	32,629	35,221
Total administrative expenses	$ 13,323,547	$ 13,362,286

Schedules of Investment Expenses for the Years Ended June 30, 2007 and 2006

	2007	2006
Investment activities expenses:		
International investment expenses	$ 10,188,879	$ 9,493,180
Alternative investment expenses*	18,645,253	28,474,213
Global custodian fees	763,878	761,689
Performance consultant fees	1,202,817	1,077,254
Trade cost analysis fees	40,000	40,000
Advisor fees	32,298,534	29,802,772
Total investment activities expenses	**$ 63,139,361**	**$ 69,649,108**
Securities lending activities expenses:		
Fixed	$ 24,866,799	$ 11,354,478
Equity	249,396	249,909
International	9,993,981	5,024,341
Total securities lending activities expenses	**$ 35,110,176**	**$ 16,628,728**

*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, 2007 and 2006

	2007		2006	
Board of Trustees	**# of meetings**	**Amount**	**# of meetings**	**Amount**
Sheryl R. Abshire, Ph. D.	21	$ 1,575	17	$ 1,275
Anne H. Baker	24	1,800	24	1,800
William C. Baker, Ed.D.	24	1,800	24	1,800
Jerry J. Baudin, Ph.D.	22	1,650	24	1,800
Eula M. Beckwith	22	1,650	22	1,650
Sarah F. Cox	20	1,500	22	1,650
Clyde F. Hamner	15	1,125	11	825
Joyce P. Haynes	24	1,800	24	1,800
Lawrence J. Moody, Jr., replaced by Darlene L. Leblanc	8	600	17	1,275
Darlene L. LeBlanc, replaced Lawrence J. Moody, Jr.	12	900		
Syble T. Jones, RD, LDN, replaced by Bonnie H. Brooks			12	900
Bonnie H. Brooks, replaced Sybil T. Jones, RD, LDN	22	1,650	12	900
Charles P. Bujol, replaced by William Britt			9	675
William Britt, replaced Charles P. Bujol	24	1,800	4	300
Irvin R.West, Jr.	15	1,125	13	975
Total compensation		**$ 18,975**		**$ 17,625**

Schedules of Building Maintenance Expenses for the Years Ended June 30, 2007 and 2006

	2007	2006
Building maintenance expenses:		
Property management services	$ 72,791	$ 12,975
Payroll expenses	1,478	56,591
Heating and air	36,371	52,696
Landscape maintenance	45,471	15,157
Elevator maintenance	2,648	1,663
Water and sewage	7,595	6,000
Utilities	147,676	182,369
Telephone	1,521	1,738
Insurance	36,906	12,217
Pest control	1,363	777
Janitorial services	43,116	34,874
Waste systems	3,312	3,662
Fire protection	10,175	2,941
General repairs	29,696	24,495
Plumbing expenses	2,472	1,805
Electrical expenses	2,210	2,093
Window washing	612	23
Miscellaneous operating services	2,131	3,710
Security system	14,269	15,139
Janitorial supplies	3,701	7
Architect/engineering services/legal	78,458	4,417
Total building maintenance expenses	**$ 543,972**	**$ 435,349**
Capital outlays	**$ 73,248**	**$ 69,818**

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, 2007 and 2006

	2007	2006
Accounting and auditing consultants	$ 37,240	$ 34,200
Auditor — Hawthorn, Waymouth & Carroll L.L.P.		
Management and consulting	307,812	207,230
Consultants:		
Best Software, Inc.		
Modiphy, Inc.		
Automatic Data Processing, Inc.		
VR Election Services		
CEM Benchmarking, Inc.		
Mail Guard Transcontinental Printing G.P.		
Sungard Availability Services		
EFL Associates		
Scope Solutions Group		
Sparkhound		
SSA Consultants		
Miscellaneous		
Legal	599,738	365,124
Legal Consultants:		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Avant & Falcon		
Investigative Services		
Pension Benefit Information		
IDS Monitoring System		
Miscellaneous		
Medical	28,631	38,454
Medical Examiners:		
Richard Burroughs, M.D.		
Jeanne Estes, M.D.		
Anthony Ioppolo, M.D.		
W.J. Laughlin, M.D.		
H. Guy Riche', Jr., M.D.		
Lawrence D. Wade, M.D.		
Richard W. Williams, M.D.		
Professional training	14,825	10,695
Computer Training		
Element K		
Actuarial	152,000	201,598
Actuaries:		
Hall Actuarial Associates		
SJ Actuarial Associates		
Gabriel, Roeder, Smith & Co.		
Total	**$ 1,140,246**	**$ 857,301**

A summary schedule of commissions paid to brokers is shown on pages 94 and 95.

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Investment Section

Louisiana Gulf Coast
Photo courtesy of Louisiana Office of Tourism

TRSL
Teachers' Retirement System of Louisiana

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

September 27, 2007

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, 2007 with a 19.67% return on investments. This one-year return ranks in the 18th percentile of the BNY Mellon Financial Public Funds with Assets Greater than $1.0 Billion Universe, ahead of 82% of other public pension plans with assets greater than $1.0 billion. Over the same period, alternative investments (real estate, private equity, distressed debt, and mezzanine debt) had a return of 35.55% while publicly traded assets (stocks and bonds) had a return of 17.42%. Total fund results over the past five- and ten-year periods are 13.98% and 9.74%, which rank in the 11th and 17th percentile, respectively. For the past ten years, the System's return of 9.74% exceeded the actuarial rate of 8.25% by 1.49% per year.

The benchmark for the alternative investment portfolio is the S&P 500 Index plus 4%. This portfolio has generated excellent returns of 35.55%, 22.54%, and 16.03% for the past one, five, and ten years. The alternative portfolio exceeded its benchmark by 10.96%, 7.83%, and 4.90% for the last one, five, and ten years.

The System's equity portfolio consists of domestic and international securities. The domestic equity portfolio had returns of 15.78%, 10.27%, and 8.90% for the past one, five, and ten years. The portfolio continues to be well diversified across value and growth styles and across large-, mid-, and small-capitalization stocks. The international equity portfolio had returns of 30.20%, 30.51%, and 15.20% over one, five, 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 securities, and high yield securities. The portfolio has generated returns of 7.76%, 6.53%, and 5.91% over the past one, five, and ten years. The portfolio exceeded the Lehman Brothers Aggregate Index by 1.64% and 2.05% for the past one and five years and lagged the index by 0.11% for ten years. The global portfolio had returns of 4.76%, 8.90% and 6.83% which exceeded the Citigroup World Government Bond Index by 1.91%, 2.60%, and 1.50% for the past one, five, and ten years, respectively.

In summary, a total fund return of 19.67% was very good in a challenging investment environment. Total assets in trust grew by $2.1 billion, from $14.0 billion to $16.1 billion, while paying out $468 million more in benefits than the System received in contributions.

Sincerely,

Philip M. Griffith
Deputy Chief Investment Officer

PMG/mlv

Investment Policy

STATEMENT OF SYSTEM 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% above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), 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.

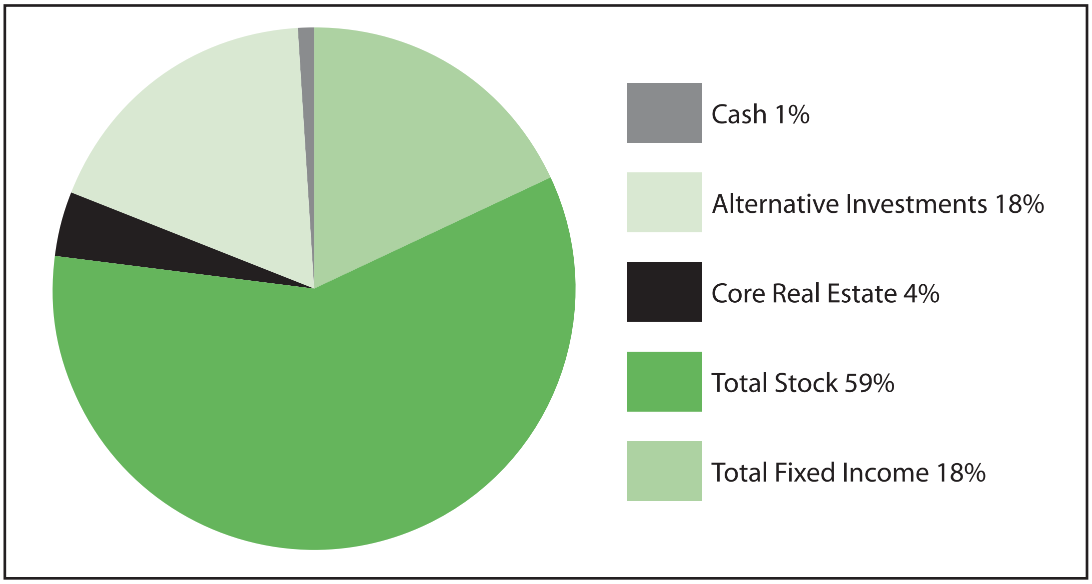
ASSET ALLOCATION GUIDELINES

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: (See graph of asset allocations on page 69.)

Asset Category	Minimum	Target	Maximum
Domestic Stock***	33%	39%	45%
International Stock	14%	20%	26%
Total Stock*	**47%**	**59%**	**65%**
Investment Grade Bonds (cores & mortgages)	4%	6%	10%
Global Bonds	3%	6%	9%
High Yield	4%	6%	8%
Total Fixed Income	**11%**	**18%**	**24%**
Core Real Estate	**2%**	**4%**	**6%**
Mezzanine Debt	0%	2%	4%
Opportunistic Real Estate	2%	5%	7%
Private Equity	5%	10%	15%
Hedge Funds - Multi-Strategy	0%	1%	3%
Total Alternative (Illiquid)**	**7%**	**18%**	**24%**
Cash and Equivalents	**0%**	**1%**	**5%**
Total	**n/a**	**100%**	**n/a**

*A 10% allocation to indexed equities is mandated by the Legislature (La.R.S. 11:267). This legislation also sets the maximum allocation to equity at 65%.
**To determine the asset allocation for this asset category, only the actual amount invested, is applicable. However, in no case shall total alternative investments exceed the maximum allowed at the time the investment is made without Board approval.
***The allocation objective of the U.S. Stock composite is the Russell 3000, which can be segregated into the following style targets and ranges:

Asset Allocations



Equity Style	Minimum	Target	Maximum
Large Cap Growth	29%	33%	37%
Large Cap Value	29%	33%	37%
Mid Cap Growth	2%	4%	6%
Mid Cap Value	2%	4%	6%
Small Cap Growth	2%	4%	6%
Small Cap Value	2%	4%	6%
SMID Core	15%	18%	21%

Note: This asset allocation was adopted March 1, 2005. It is anticipated that it will take 18 to 24 months to implement the new policy. In the interim, we may be temporarily outside our policy ranges.

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 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% 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% of total stock in equity indexing, not to exceed 65%. 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.

REBALANCING

TRSL's Chief Investment Officer will review the asset allocation monthly to determine if each asset class is within the range established by Board Policy. Any out-of-range condition and rebalancing recommendation will be reported to the Board at the Board Investment Committee meeting. The Chief Investment Officer will consider market conditions and transaction costs, as well as any other relevant factors, when determining the most cost-effective process to rebalance the portfolio. The Chief Investment Officer will direct staff and investment managers to transfer funds to rebalance the asset allocation, as necessary.

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 or any debt instrument included in the Lehman Brothers Aggregate Bond Index rated Baa3 or BBB- or higher (investment grade) by Moody's, Standard & Poor's, or Fitch (includes split-rated bonds).
3. Mortgage securities portfolios 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% of the portfolio.
4. Municipal bonds rated Baa3 or BBB- or higher may not exceed 20% of the market value of the bond portfolio.
5. Positions in any one issuer of corporate or municipal securities are not to exceed 5% of the market value of the bond portfolio, measured at the time of purchase. With regards to structured, pooled, or commingled vehicles, the 5% diversification test will look through to the underlying or referenced assets individually.
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% 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 of the U.S. (Eurobonds and non-U.S. dollar bonds) may be held by investment managers.
9. High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard & Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC, or below shall not exceed 20% of the market value of the portfolio.
10. High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).
11. Investment grade fixed income (core) 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 core 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 core portfolios may invest in debt obligations of foreign governments, corporations and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10% of the market value of the portfolio.
14. Investment grade fixed income core portfolios may invest in Derivatives, including but not limited to futures, options, and swaps.

At all times counterparty for OTC derivatives must maintain at least a rating of A or A2. In the case of split ratings, the lower will apply. In the event a counterparty's rating falls below the minimum required rating, the Manager will close all positions with the counterparty in a timely and orderly fashion, exercising best judgment with regards to liquidity and prevailing market conditions.

Derivatives, futures, options, and swaps may only be used for the following purposes:

- to adjust dollar-weighted duration and term structure of the portfolio,
- to protect against the downside on credit defaults
- to dampen volatility,
- to create synthetic exposures not otherwise prohibited by these guidelines,
- to take advantage of periodic pricing anomalies

Long futures and swaps contracts must be fully backed with cash or liquid holdings.

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

Items (1) through (7) of the 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% to 100% 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% 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% 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% of the cost or market value of the System's equity portfolio (whichever is more) or 15% 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% 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% and plus 100% 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% of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).
8. Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50% of the weighted average market capitalization of the Russell 2500 Index.

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% of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5% (of the 20% 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% 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% 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% of the portfolio's market value.
5. Cash held by the manager may be in U.S. dollars or foreign currencies of the manager's 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% 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

CORE REAL ESTATE

Core real estate minimizes risk under both an "asset definition" and a "portfolio definition." Under the "asset definition" means substantially rented existing properties, which have an orderly lease expiration schedule, are of high quality, are from among the four basic property types (office, industrial, retail, and multifamily housing), are functional and well maintained without excessive capital reinvestment required, and carry no more than 25 percent debt.

Under the "portfolio definition" means a mix of at least three of the four main property types, geographic diversification, tenant/industry diversification, and lease rollovers staggered across an entire investment portfolio in a fairly balanced pattern. Such a definition can be satisfied in a substantial portfolio wholly owned by a large institution, or in a commingled portfolio—that includes multiple investors.

1. Core Real Estate means to buy, hold, and operate real estate that offers high current income with lower volatility and lower expected returns than opportunistic real estate.
2. Core Real Estate is not necessarily looking for a discount to fair market value; it is looking for long-term anchor tenants to lease the property.
3. Core Real Estate can be provided by a separately managed account, commingled fund, partnership, direct ownership, or Exchange Traded Funds.
4. Core Real Estate can be in warehouses, industrial, apartments, offices, storage, land development, single family homes, parking garages, and hotels.
5. Core Real Estate offers stable return patterns and reasonable risk levels except when market disruption occurs (real estate glut, overvaluation, or a dramatic change in interest rates).

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% 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 and core real estate)
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).

Hedge funds and market protection investment strategies will not be subject to the Restricted Investments listed above. 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 not required to use the System's internal trading desk. However, they are expected to place orders through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to, or below, the lowest non-Louisiana brokerage firm.

Small-cap, international, fixed income, and index investment managers may not place trade orders through their own firm, or through affiliated or subsidiary companies with related ownership, in whole or part, to the investment manager without prior written approval. If and when such approval is granted, all trades shall comply with the best price and execution expectations. These trades must be identified in the manager's monthly trading report for review by TRSL.

Large- and mid-cap investment advisors must 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 788 mandates that TRSL direct 10% of trades (equity and fixed income) to brokers that are incorporated in Louisiana. Another 10% must be directed to brokers that have an office in Louisiana but are incorporated outside of Louisiana.

ALTERNATIVE INVESTMENT GUIDELINES

Included in the Investment Policy of the Teachers' Retirement System of Louisiana (the "System") dated October 6, 2003, is the Alternative Investment Guidelines (the "Guidelines") (REV. 8/7/01). The Guidelines indicate that the System's Board of Trustees (the "Board") may consider the following investment vehicles.

a. Value-add/Opportunistic Real Estate
b. Private Equity
c. Mezzanine Debt Financing
d. Options
e. Derivatives (Futures, Swaps, etc.)
f. Hedge Funds—Multi-Strategy

The Guidelines provide further that the Board may adopt additional objectives, rules, and guidelines for these investment vehicles, all of which become a part of the Guidelines upon approval of the Board. The following document sets forth enhanced guidelines that provide a general framework for selecting, building, and managing the System's investments in Hedge Funds—Multi-Strategy, Private Equity (including Mezzanine), and Value-add/Opportunistic Real Estate, which are referred to herein as "Alternative Investments." The only exception to this document will be the policy approved by the Board relating to Act 788 of 2003, which will govern investments in venture capital, emerging businesses, and money managers in Louisiana. Should the Board determine that investments in Options and/or Derivatives are appropriate for the System, a separate set of enhanced guidelines would be adopted for those types of investments as well. If the Board approves Options in the form of a collar (buying a put at or below current market and selling a call above current market), then no further guidelines are required.

I. OBJECTIVES

1. Return

On a relative basis, the return objective for Alternative Investments is 400 bps over the S&P 500 index net of fees, expenses and carried interest. On an absolute basis, the return is assumed to be 14-20%.

The Board understands that, for a given partnership, return can only be reliably measured over the life of the partnership (typically 10+ years). Private equity funds are not typically marked to market and the valuation methodology used by one general partner may differ from the valuation methodology used by another. In addition, the IRR performance in the first few years of a partnership's life is routinely negative due to the J-curve effect. During this period, partnerships are actively making investments and drawing management fees, which results in negative capital account balances.

2. Risk

The Board understands that Alternative Investments are illiquid and will have a long term holding period. When used with publicly traded assets, the asset class helps diversification and reduces risk at the total fund level. Nonetheless, the Board expects that the Consultant will take all appropriate measures to reduce risks that are not adequately compensated for by expected return. Such measures include, but are not necessarily limited to, diversification (as detailed in Section II below), due diligence, and governance activities.

II. INVESTMENT GUIDELINES

1. Eligible Investments

The System will invest primarily in limited partnership interests of pooled vehicles covering the broad spectrum of private investments, including: Private equity funds, including corporate finance/buyout and venture capital; Private debt funds, including mezzanine and distressed debt funds; Co-investments, direct investments made alongside a partnership; Secondary purchases, purchases of existing partnership interest or pool of partnership interests from an investor; Real estate equity funds, including value-add/opportunistic; Hedge Funds—Multi-Strategy and Other investments that are deemed appropriate within the System's risk profile.

2. Commitment Size

The maximum investment in any single partnership shall be no greater than one percent (1%) of the System's total assets at the time of commitment.

3. Limitation on Percent of Partnership's Total Commitment

The System's commitment to any given partnership shall not exceed 10% of that partnership's total commitments with the exception of the policy for investments in venture capital, emerging businesses, and money managers in Louisiana.

4. Diversification

The System should diversify the sources of risk in the portfolio. Specifically:

i) Partnerships

- No more than 10% of the Portfolio's total exposure (cost plus unfunded commitments) to Alternative Investments may be attributable to partnerships by the same manager at the time the commitment is made.
- The System shall diversify the portfolio across vintage years when possible.
- The geographic distribution of actual investments shall be monitored and the System shall avoid excessive exposure to the economic conditions of any one locale.
- The System shall monitor investments with respect to industry and property type. In the event that the current cost associated with any one industry or property type exceeds 20%, the System shall attempt to reduce this exposure by limiting future commitments to partnerships with an explicit focus on the industry or property type in question, with the understanding that industry exposure at an investment level will be managed at the discretion of the general partner.

ii) Sub-Asset Classes

- Assets committed to venture capital shall be diversified across the stages of venture capital (e.g. early-stage, mid-stage, and late-stage).
- Assets committed to corporate finance/buyouts shall be diversified by target company size (e.g. large, medium, small).
- Assets committed to real estate shall be diversified by risk profile (e.g. core plus, value-added, and opportunistic).
- No more than 40% of Total Allocation at the time of commitment may be committed to secondary investments.
- No more than 5% of Total Allocation at the time of commitment may be invested in co-investments.
- No more than 5% of Total Allocation at the time of commitment may be invested in Hedge Funds—Multi-Strategy.

In addition to the Diversification criteria listed above, the System's staff and Consultant will adopt optimal sub-asset allocation targets, which will be periodically updated to reflect general changes in the economy.

The current optimal sub-asset class allocation ranges and targets for the System's Alternative Investments are:

Sub-Asset Class	Range	Long-term Target
Private Equity	40-80%	55%
Private Debt	0-20%	10%
Real Estate	20-40%	30%
Co-Investments	0-5%	0%
Hedge Funds — Multi-Strategy	0-10%	5%

5. Prohibited Transactions

The System shall not make direct investments in any company or property. These Investments will be done through a commingled partnership, in which the System is an existing limited partner.

6. Advisory Board

The System should seek to obtain a limited partner advisory board seat for each partnership investment.

7. Illiquidity

By its nature, Alternative Investments are not designed to meet any short-term liquidity needs of the System. The Board should assume that the investments in this asset class are illiquid until the partnerships, at their discretion, sell investments and distribute proceeds.

8. Distribution

The Consultant is not responsible for investing or disposing of distributions from partnerships.

III. REVIEW OF INVESTMENT GUIDELINES

The Consultant will notify the System, via the Chief Investment Officer and Director, if the Guidelines would impede the System's investment performance. In this regard the Consultant may consider the guidelines and other relevant information adopted by its other clients that invest in Alternative Investments. The Consultant also will review the guidelines annually with the Chief Investment Officer and Director, and recommend any changes deemed beneficial to the System's program. In addition, the Consultant will prepare an annual Strategic Plan for the System's Alternative Investments to take advantage of changing market conditions.

Louisiana Venture Capital, Emerging Businesses, and Money Managers

As required by Act 788 of 2003, the Teachers' Retirement System of Louisiana ("TRSL") Board of Trustees has approved the establishment of a program for investing in venture capital, emerging businesses, and money managers focused on Louisiana (the "Program"). The Program is intended to enhance economic development in Louisiana by stimulating job creation and capital formation through investments in Louisiana businesses, as well as result in a market rate of return for TRSL. These potential investments should have several provisions that differ from the current TRSL private equity program. The provisions are listed below under "Louisiana Venture Capital and Emerging Businesses" and "Money Managers."

In selecting investments for the Program, the Board of Trustees of TRSL (the "Board") will seek attractive business opportunities that are expected to result in the greatest increase in employment and economic growth in the state of Louisiana. In addition to these goals, the Program is intended to produce significant capital gains for TRSL and additional diversification of the plan's assets. The Board will seek to accomplish these goals by investing in private equity partnerships that invest in Louisiana companies and by co-investing with these partnerships or other qualified investors directly in Louisiana companies. The Program should include companies suffering a so-called capital gap, which means they cannot get conventional sources of funding.

The Board recognizes that portfolio risk may be higher and diversification may be lower in the Program when compared to TRSL's other investments, due to the relatively small size of the Louisiana economy and the industry concentrations within the state. Nevertheless, the returns earned on Program investments are expected to exceed public market returns and to equal or exceed returns on similar investments that are available outside of the Program.

Louisiana Venture Capital and Emerging Businesses

This part of the Program is intended to produce significant capital gains for TRSL and additional diversification of the plan's assets. An additional goal of the program is to promote economic development in Louisiana. These goals will be accomplished through investments in private equity partnerships and co-investments with these partnerships or other qualified investors directly in Louisiana companies. It is recognized that portfolio risk will be higher and diversification will be lower in this Program due to the small size and inherent characteristics of the Louisiana economy.

As with the current TRSL private equity program, commitments to Louisiana partnerships should be staged over time. The level of annual commitments will fluctuate as Louisiana opportunities arise.

In regard to co-investments and direct investments, TRSL will only invest in Louisiana companies that receive or have received equity investments from other qualified investors. Qualified investors are Louisiana private equity funds, current TRSL private equity program funds, or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging, or expanding businesses. TRSL will structure co-investments and direct investments at its discretion with the advice of its private equity consultants. In making co-investments and direct investments, TRSL will have the same objectives as those for investments in private equity funds: obtaining a reasonable, risk-adjusted rate of return.

Program Requirements

The Board will seek investments in funds that are committed to investing, or that help secure investing by others, in businesses that have their principal place of business in Louisiana and that hold promise for attracting additional capital from national sources for investment in the state. The Program will be governed by the Prudent-Investor Rule.

1. Investments may be made in funds that:
   a. accept investments from qualified investors only; and
   b. maintain an active office in Louisiana staffed by at least one full-time manager who is a Louisiana resident and who has at least three years of professional experience in assessing the growth prospects of businesses or evaluating business plans.
2. Co-investments and direct investments may be made in Louisiana entities that:
   a. receive equity investments from other qualified investors; and
   b. have their principal office and a majority of their full-time employees located in Louisiana or, if a limited partnership, have its principal place of business and the majority of its assets located in Louisiana. This includes a company that has agreed to relocate to Louisiana from another state.
3. The Program is subject to the following limitations:
   a. each investment by TRSL may not represent more than 51% of the total investment capital in a Louisiana business, provided that nothing in this policy prohibits the ownership of more than 51% of the total investment capital in a Louisiana business if the additional ownership interest:
      - is due to foreclosure or other action by TRSL pursuant to agreements with the business or other investors in that business; and
      - is necessary in the good-faith judgment of the Board to protect the investment.
   b. no more than 10% of the total Program may be invested in any one Louisiana business;
   c. if the investment exceeds $1 million in a Louisiana business, then TRSL's investment cannot exceed 10% of the Louisiana business.

Louisiana Money Managers

TRSL will continue its practice of allowing maximum participation in money manager searches by giving more managers the opportunity to compete. Increased participation by Louisiana money managers increases their opportunity to manage assets for TRSL.

Program Requirements

To allow maximum participation TRSL will reduce the minimum requirements to allow more managers to compete. This can be accomplished without any negative impact to the manager search process.

1. The assets under management requirement will be reduced to allow newer and smaller firms to participate. This parameter will be determined by staff and consultant and be consistent with the size and style of the mandate.
2. The five-year performance record requirement has been reduced to three years. The track record can be for an individual that developed the performance record while at another firm.

Glossary of Terms:

- Co-Investment — An investment made in a Louisiana company in addition to the investment in that company by a private equity fund in which TRSL is an investor.
- Direct Investment — An investment made in a Louisiana business that for the purposes of this Program has also received investments from other qualified investors.
- Emerging Business — A start-up business or an established business that seeks capital to grow the business and/or expand its product lines.
- Qualified Investor — May be Louisiana private equity funds, current TRSL private equity program funds or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging or expanding businesses.
- Venture Capital — An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

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

V. 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% 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.
4. No single issue may exceed 10% of outstanding short-term obligations. The maximum maturity will be 90 days.
5. 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% of capitalization.
   d. Maximum maturity is 366 days.

6. Money market funds adhering to restrictions (1) through (4) above.
7. 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% of the total outstanding short-term obligations of the System.

VI. 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% above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25%), 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.

TRSL's investment managers may be placed on a watch list in response to the Board's concern about the manager's recent or long-term investment results, failure of the investment advisor to comply with any of TRSL's investment guidelines, significant changes in the investment manager's firm, or for any other reason that the Board deems appropriate. Any manager placed on the watch list will be sent a letter advising of the Board's concern with the manager. Failure to correct problem situations to the satisfaction of the Board will lead to dismissal, at the discretion of the Board. However, investment managers can be dismissed for any reason, subject to contract provisions, even if they have not been previously placed on the watch list.

Responsibilities and Review of Investment Consultant

The Investment Consultants shall assist the Board, the Director and the Chief Investment Officer in developing and modifying policy objectives and guidelines, including the development of an asset allocation strategy and recommendations on the appropriate mix of investment manager styles and strategies. The Consultants shall act as fiduciaries to the Fund.

Additionally, the Consultants shall provide assistance in manager searches and selection, investment performance evaluation, and any other relevant analysis. The Consultants shall provide timely information, written and/or oral, on investment strategies, instruments, managers and other related issues, as requested by the Board, the Director, or the Chief Investment Officer. All consultants will be evaluated on an annual basis.

Responsibilities and Review of Custodian Bank

The custodian bank is responsible for performing the following functions, among others designated by contract:

- Safekeeping of securities;
- Process and settlement of all investment manager transactions;
- Accept instructions from designated TRSL staff concerning the movement or disbursement of cash and securities;
- Collection of interest, dividends, proceeds from maturing securities, and other distributions due TRSL;
- Daily sweep of idle cash balances into interest bearing accounts;
- Advise investment staff daily of changes in cash equivalent balances;
- Notify investment managers of tenders, rights, fractional shares or other dispositions of holdings;
- Notify appropriate entities of proxies;
- Provide holdings and performance reports as required by TRSL;
- Third party securities lending and related functions.

The Custodian Bank will be evaluated on an annual basis.

Investment Summary as of June 30, 2007 and 2006

	June 30, 2007		June 30, 2006	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Domestic bonds:				
U.S. Treasury & government agency securities	$ 817,951,927	5.098%	$ 761,834,788	5.539%
Corporate bonds	1,090,700,723	6.798%	896,797,431	6.519%
Miscellaneous bonds	0	0.000%	462,873,438	3.365%
Total domestic bonds	1,908,652,650	11.896%	2,121,505,657	15.423%
International bonds	772,811,203	4.816%	449,917,634	3.271%
Domestic stocks:*				
Common	5,953,910,562	37.106%	5,626,705,747	40.905%
Preferred	2,675,204	0.017%	3,367,602	0.024%
Total domestic stocks	5,956,585,766	37.123%	5,630,073,349	40.929%
International stocks:*				
Common	3,594,632,466	22.403%	3,181,487,482	23.129%
Preferred	6,663,979	0.042%	6,597,580	0.048%
Total international stocks	3,601,296,445	22.445%	3,188,085,062	23.177%
Domestic short-term investments	981,706,327	6.117%	178,839,314	1.300%
International short-term investments	0	0.000%	24,802,808	0.180%
Alternative investments:				
Private equity investments	1,383,621,347	8.623%	1,312,350,022	9.540%
Real estate investments	1,087,071,200	6.775%	534,248,976	3.884%
Hedge fund	27,052,500	0.169%		
Mezzanine financing instruments	326,691,790	2.036%	315,801,413	2.296%
Total alternative investments	2,824,436,837	17.603%	2,162,400,411	15.720%
Total investments	**$ 16,045,489,228**	**100.000%**	**$ 13,755,624,235**	**100.000%**

*The fair value of the equity index portfolios at June 30, 2007, was $1,309,525,728 which represents 13.54% of total equity which has a market value of $9,557,882,211.

List of Largest Assets Held at June 30, 2007

Largest Domestic Bond Holdings (By Fair Value)

Description	Coupon Rate	Maturity Date	PAR Value	Fair Value
US TREASURY & GOVERNMENT AGENCY SECURITIES				
U S TREASURY BONDS	5.38	02/15/2031	$ 76,654,000	$ 78,809,502
U S TREASURY NOTES	4.50	05/15/2010	42,260,000	41,817,539
COMMIT TO PUR FHLMC GOLD SFM	5.50	08/01/2037	27,842,000	26,802,275
U S TREASURY NOTES	4.50	05/15/2017	24,036,000	23,051,966
COMMIT TO PUR FNMA SF MTG	6.50	07/01/2037	19,362,000	19,543,519
U S TREASURY BONDS	5.25	02/15/2029	18,420,000	18,565,886
U S TREASURY BONDS	6.50	11/15/2026	13,325,000	15,409,030
FHLMC POOL #G1-2635	5.50	03/01/2022	14,557,973	14,338,261
FHLMC MULTICLASS CTFS 2668 AZ	4.00	09/15/2018	14,519,306	12,732,560
U S TREASURY NOTES	4.00	03/15/2010	12,717,000	12,436,717
U S TREASURY NTS	4.63	10/31/2011	11,950,000	11,810,663
FNMA GTD REMIC P/T 04-75 GB	4.50	11/25/2030	12,322,485	11,013,837
U S TREASURY NOTES	4.75	05/31/2012	10,628,000	10,545,527
U S TREAS BD STRIP PRIN PMT	11.25	02/15/2015	15,000,000	10,238,100
U S TREASURY NOTES	4.75	05/15/2014	10,208,000	10,082,033
U S TREASURY NOTES	4.75	01/31/2012	10,000,000	9,925,700
FNMA POOL #0735378	4.50	10/01/2019	10,217,427	9,726,343
US TREAS-CPI INFLATION INDEX	3.88	01/15/2009	9,474,015	9,625,220
COMMIT TO PUR FNMA SF MTG	5.50	07/01/2022	9,455,000	9,313,175
FHLMC MULTICLASS MTG	6.50	07/15/2028	9,121,713	9,270,032
FHLMC POOL #C9-0689	4.50	07/01/2023	9,963,727	9,184,330
GNMA POOL #0620951	4.50	09/15/2033	9,538,141	8,796,168
FHLMC MULTICLASS MTG	4.50	06/15/2032	8,405,924	8,006,979
U S TREASURY BONDS	12.00	08/15/2013	5,550,000	5,970,190
U S TREASURY NOTES	4.63	02/15/2017	8,000,000	7,749,680

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest Domestic Bond Holdings (By Fair Value) (continued)

Description	Coupon Rate	Maturity Date	PAR Value	Fair Value
CORPORATE BONDS				
CHS / CMNT HEALTH SYS INC 144A	8.88	07/15/2015	$ 13,025,000	$ 13,204,094
IDEARC INC SR NT	8.00	11/15/2016	12,895,000	13,023,950
WELLS FARGO MTG BKD 06-AR2 2A5	5.09	03/25/2036	12,737,796	12,620,991
GS MTG SECS CORP 05-AR7 2A1	4.56	11/25/2035	10,205,683	9,937,579
FNR 2007-74 A	5.00	07/01/2037	10,000,000	9,594,531
FIRST HORIZON 07-HE1 CL A	5.45	09/25/2029	9,192,000	9,189,128
HCA INC SR SECD NT 144A	9.25	11/15/2016	8,480,000	9,031,200
FREEPORT MCMORAN COPPER & GOLD	8.38	04/01/2017	8,285,000	8,844,238
WINDSTREAM CORP SR NT	8.63	08/01/2016	7,410,000	7,836,075
WAMU MTG P/T SER 06 AR11 1A	5.99	09/25/2046	7,441,475	7,467,148
BANC AMER FDG 06 I CL 6-A-1	5.51	12/20/2046	7,351,668	7,362,181
ECHOSTAR DBS CORP SR NT	7.13	02/01/2016	7,260,000	7,096,650
BEAR STEARNS MTG 06-AR5 CL 1A3	5.57	05/25/2036	6,896,026	6,920,714
WAMU MTG P/T SER 07-OA6 CL 1A	5.84	07/25/2047	6,757,000	6,756,054
ARAMARK CORP SR NT 144A	8.50	02/01/2015	6,480,000	6,593,400
RH DONNELLEY CORP SR NT	8.88	01/15/2016	6,015,000	6,255,600
HOMEBANC MTG TR 06 2 P/T A-1	5.50	04/25/2036	5,684,927	5,684,756
INDYMAC MBS INC 2005-AR15 A2	5.10	09/25/2035	5,772,370	5,621,192
CENVEO CORP SR SUB NT	7.88	12/01/2013	5,670,000	5,556,600
THORNBURG MTG SECS 06-6 CL A1	5.43	12/25/2036	5,446,427	5,443,050
UNITED RENTALS NORTH AMER	6.50	02/15/2012	5,305,000	5,212,163
NRG ENERGY INC SR NT	7.38	01/15/2017	5,070,000	5,089,013
KAR HLDGS INC SR NT 144A	8.75	05/01/2014	5,025,000	4,924,500
MASTR ASSET SEC 03-6 CL 2A1	5.50	07/25/2033	5,086,281	4,899,869
FREESCALE SEMICONDUCTOR 144A	10.13	12/15/2016	5,139,000	4,830,660

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest International Bond Holdings (By Fair Value)

Country	Description	Coupon Rate	Maturity Date	PAR Value	Fair Value
POLAND	POLAND (GOVT OF)	5.75	06/24/2008	$ 86,560,000	$ 31,296,670
GERMANY	GERMANY (FED REP) BDS	3.25	04/17/2009	22,910,000	30,291,337
UNITED KINGDOM	TREASURY	4.75	09/07/2015	15,756,000	29,968,224
UNITED KINGDOM	UNITED KINGDOM (GOVT OF)	4.00	09/07/2016	15,555,000	27,954,635
UNITED KINGDOM	UNITED KINGDOM (GOVT OF)	4.25	03/07/2011	13,590,000	25,894,802
JAPAN	JAPAN BDS	0.60	03/20/2010	3,204,000,000	25,579,333
JAPAN	JAPAN	0.70	10/15/2008	3,135,000,000	25,325,987
JAPAN	JAPAN	1.20	09/20/2011	2,838,000,000	22,824,879
GERMANY	GERMANY (FEDERAL REPUBLIC) BDS	3.00	03/14/2008	16,227,000	21,707,179
FRANCE	FRANCE (GOVT OF)	4.75	04/25/2035	15,560,000	21,024,015
CANADA	GOVERNMENT OF CANADA	6.00	06/01/2011	19,690,000	19,448,137
BRAZIL	BRAZIL FED REP OF BDS	12.50	01/05/2016	29,680,000	18,764,510
MEXICO	MEXICO UTD MEX ST	8.00	12/19/2013	198,400,000	18,659,834
FRANCE	FRANCE (GOVT OF) OAT	5.00	10/25/2016	13,209,000	18,356,758
GERMANY	GERMANY FED REP BDS	4.50	07/04/2009	13,480,000	18,205,414
JAPAN	JAPAN BDS	0.80	12/20/2010	2,207,000,000	17,604,174
SINGAPORE	SINGAPORE (GOVT OF)	2.63	10/01/2007	26,470,000	17,324,182
AUSTRALIA	NEW SOUTH WALES TREASURY CORP	5.50	03/01/2017	21,860,000	17,025,250
SWEDEN	SWEDEN KINGDOM OF BDS	6.50	05/05/2008	110,100,000	16,398,111
JAPAN	JAPAN	1.00	09/20/2010	2,036,000,000	16,381,809
GERMANY	GERMANY (FED REP) BDS EUR0.01	4.50	01/04/2013	12,129,000	16,339,869
GERMANY	GERMANY (FED REP) TSY BDS	5.00	07/04/2012	11,769,000	16,220,463
GERMANY	GERMANY FED REP BDS	4.00	07/04/2009	11,765,000	15,746,218
GERMANY	BUNDESREPUBLIK DEUTSCHLAND	5.25	07/04/2010	11,020,000	15,180,722
SPAIN	SPAIN (KINGDOM OF)	3.80	01/31/2017	11,982,000	15,153,582

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest Domestic Common Stock Holdings (By Fair Value)

Description	Shares	Fair Value
MICROSOFT CORP COM	2,804,304	$ 82,642,839
GENERAL ELEC CO COM	1,873,312	71,710,383
EXXON MOBIL CORP	820,324	68,808,777
CITIGROUP INC COM	1,327,068	68,065,318
IBM CORP COM	558,271	58,758,023
BANK OF AMERICA CORP	1,160,791	56,751,072
JPMORGAN CHASE & CO COM	1,116,892	54,113,417
PROCTER & GAMBLE CO COM	848,270	51,905,641
AT & T INC COM	1,206,984	50,089,836
CISCO SYS INC COM	1,753,675	48,839,849
HEWLETT PACKARD CO COM	1,084,633	48,396,324
PFIZER INC COM STK USD0.05	1,842,718	47,118,299
MERCK & CO INC COM	886,368	44,141,126
INTEL CORP	1,662,101	39,458,278
CHEVRON CORPORATION COM	462,545	38,964,791
JOHNSON & JOHNSON COM	631,944	38,940,389
UNITED TECHNOLOGIES CORP COM	499,823	35,452,445
MORGAN STANLEY	416,487	34,934,930
CONOCOPHILLIPS	439,469	34,498,317
PEPSICO INC COM	494,687	32,080,452
NATIONAL OILWELL VARCO INC	280,222	29,210,341
APPLE INC	228,640	27,903,226
SPRINT NEXTEL CORP COM SER 1	1,269,940	26,300,457
NORTHROP GRUMMAN CORP COM	337,415	26,274,506
MERRILL LYNCH & CO INC	313,753	26,223,476

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest International Common Stock Holdings (By Fair Value)

Country	Description	Shares	Fair Value
LUXEMBOURG	DFA INTL SMALL CO PORTFOLIO	9,783,866	$ 212,799,083
GERMANY	ALLIANZ SE (SOCIETAS EUROPEAE)	39,500	36,327,956
FRANCE	TOTAL SA EUR2.5	145,700	36,173,624
UNITED KINGDOM	VODAFONE GROUP	3,665,500	35,253,278
SWITZERLAND	WORLD INVEST EMERGING MKT FD	779,168	32,032,030
SWITZERLAND	UBS AG CHF0.1 (POST	356,156	29,254,799
GERMANY	DAIMLERCHRYSLER AG ORD NPV	115,709	27,587,306
JAPAN	TOYOTA MOTOR CORP NPV	180,700	24,455,727
FRANCE	ALSTOM EUR14 (POST	35,356	23,752,867
SWITZERLAND	GLAXOSMITHKLINE ORD GBP0.25	290,200	23,187,364
SWITZERLAND	ROCHE HLDG AG GENUSSCHEINE NPV	57,130	22,799,683
UNITED KINGDOM	BARCLAYS ORD GBP0.25	580,040	22,598,817
FINLAND	FORTUM OYJ FIM20	158,800	21,675,774
FRANCE	BOUYGUES EUR1	196,336	21,546,639
ITALY	ENI EUR1	216,214	20,897,407
NETHERLANDS	ING GROEP N.V. CVA EUR0.24	243,200	20,397,457
JAPAN	MITSUBISHI PAPER MILLS Y50	75,000	19,464,972
NETHERLANDS	ASML HLDG NV EUR0.02	416,939	19,065,849
UNITED KINGDOM	NATIONAL GRID PLC NEW ORD	850,225	18,916,463
UNITED KINGDOM	LLOYDS TSB GROUP ORD GBP0.25	1,000,535	18,840,587
GERMANY	BASF AG NPV	69,500	18,806,095
FINLAND	NOKIA CORP SPON ADR SER A COM	220,900	18,780,291
JAPAN	ORIX CORP Y50	39,260	18,049,237
FRANCE	CARREFOUR EUR2.5	136,624	17,042,768
SWITZERLAND	CREDIT SUISSE GROUP CHF0.5000	117,804	8,396,034

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest Domestic Preferred Stock Holdings (By Fair Value)

Description	Shares	Fair Value
METLIFE INC PFD SER B	41,080	$ 1,051,237
MERRILL LYNCH & CO INC DP SH	28,025	711,835
HUNTSMAN CORP MANDATORY CONV	10,000	490,000
DEUTSCHE BK CONTINGENT CAP TR	17,000	417,350
ZIFF DAVIS HLDGS INC PFD SER	239	4,780

Largest International Preferred Stock Holdings (By Fair Value)

Country	Description	Shares	Fair Value
BRAZIL	USINAS SID MINAIS GERAIS	44,300	$ 2,530,114
BRAZIL	PETROLEO BRASILEIRO SA	58,800	1,576,548
SOUTH KOREA	SAMSUNG ELECTRONICS CO PFD	2,900	1,357,560
NETHERLANDS	AEGON N V PERP CAP SECS %	36,932	899,664
NETHERLANDS	AEGON N V PERP CAP SECS FLTG	11,824	300,093

Largest Domestic Short-term Investment Holdings (By Fair Value)

Description	Maturity Date	PAR Value	Fair Value
TBC INC POOLED EMP DAILY	12/31/2049	$ 801,056,317	$ 801,056,317
BSDT-LATE MONEY DEPOSIT ACCT	12/31/2049	1,389,853	1,389,853
FUTURES CASH COLLATERAL MARGIN		306,116	306,116

A complete list of portfolio holdings is available upon request.

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest Alternative Investment Holdings (By Fair Value)

Description	Fair Value
PRIVATE EQUITY INVESTMENTS	
HICKS, MUSE, TATE & FURST EQUITY FUND V, L.P.	$ 192,598,093
DLJ MERCHANT BANKING PARTNERS III, L.P.	114,202,350
WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.	102,218,230
APOLLO INVESTMENT FUND IV, L.P.	94,487,552
APOLLO INVESTMENT FUND V, L.P.	72,213,649
WARBURG PINCUS PRIVATE EQUITY IX, L.P.	71,547,705
BEAR STEARNS MERCHANT BANKING PARTNERS II, L.P.	67,281,643
WARBURG PINCUS EQUITY PARTNERS, L.P.	57,703,321
DOUGHTY HANSON & CO III, L.P.	56,389,565
CARLYLE PARTNERS III, L.P.	53,313,390
HICKS, MUSE, TATE & FURST EQUITY FUND III, L.P.	51,313,829
HORSLEY BRIDGE VII, L.P.	45,914,493
COMPASS PARTNERS EUROPEAN EQUITY FUND, L.P.	41,840,305
CARLYLE PARTNERS IV, L.P.	39,437,942
HEARTLAND INDUSTRIAL PARTNERS, L.P.	38,356,155
APOLLO INVESTMENT FUND VI, L.P.	30,853,406
HICKS, MUSE, TATE & FURST EQUITY FUND IV, L.P.	27,272,789
SPECIAL PRIVATE EQUITY PARTNERS, L.P.	26,242,820
SECOND CINVEN FUND US, LP	23,688,632
TEXAS PACIFIC GROUP PARTNERS V, L.P.	21,245,022
BRERA CAPITAL PARTNERS, L.P.	19,153,486
BEAR STEARNS MERCHANT BANKING PARTNERS III, L.P.	19,078,622
PHAROS CAPITAL PARTNERS, L.P.	19,024,579
CREDIT SUISSE FIRST BOSTON EQUITY PARTNERS, L.P.	16,420,274
3I EUROFUND V, L.P.	15,760,173

List of Largest Assets Held at June 30, 2007 (cont'd)

Largest Alternative Investment Holdings (By Fair Value) (continued)

Description		Fair Value
REAL ESTATE INVESTMENTS		
BLACKSTONE REAL ESTATE PARTNERS V, L.P.	$	82,359,914
ROCKPOINT REAL ESTATE FUND II, L.P.		60,265,672
STARWOOD GLOBAL OPPORTUNITY FUND IV, L.P.		54,403,619
STARWOOD GLOBAL OPPORTUNITY FUND VII, L.P.		38,312,807
ING REALTY PARTNERS II, L.P.		37,923,968
DOUGHTY HANSON EUROPEAN REAL ESTATE, L.P.		34,883,623
DLJ REAL ESTATE CAPITAL PARTNERS II, L.P.		28,409,940
OLYMPUS REAL ESTATE FUND III, L.P.		21,568,925
STERLING AMERICA FUND V, L.P.		15,328,116
WESTBROOK REAL ESTATE FUND IV, L.P.		15,255,375
OLYMPUS REAL ESTATE FUND II, L.P.		11,123,914
STARWOOD OPPORTUNITY FUND IV, L.P.		9,887,688
WESTBROOK REAL ESTATE FUND III, L.P.		5,546,216
ING REALTY PARTNERS HOLDINGS.L.P.		1,466,949
OLYMPUS CO-INVESTMENT (HIGHTOP HOLDINGS)		908,378
WESTBROOK PARTNERS CO-INVESTMENT (SUNSTONE HOTEL)		45,323
MEZZANINE FINANCIAL INVESTMENTS		
TCW/CRESCENT MEZZANINE PARTNERS IV, LP	$	64,067,443
PRUDENTIAL CAPITAL PARTNERS, L.P.		41,275,995
1818 MEZZANINE FUND, L.P.		39,843,183
GLEACHER MEZZANINE I, L.P.		30,797,507
AUDAX MEZZANINE FUND, L.P.		28,796,955
FALCON MEZZANINE PARTNERS II, L.P.		28,149,468
TCW CRESCENT MEZZANINE PARTNERS III, L.P.		26,512,765
PENINSULA FUND III, L.P.		25,160,028
BLACKSTONE MEZZANINE PARTNERS, L.P.		20,816,883
LEICHTMAN DEEP VALUE FUND, L.P.		13,681,624
DLJ INVESTMENT PARTNERS II, L.P.		6,838,164
DLJ REAL ESTATE MEZZANINE CAPITAL PARTNERS, L.P.		736,614
GLEACHER MEZZANINE FUND II. L.P.		15,161

A complete list of portfolio holdings is available upon request.

Net Earnings on Investments for the Years Ended June 30, 2007 and 2006

	2007		2006	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	$ 25,758,632		($73,623,406)	
Short-term investments	($654,858)		$1,161,089	
Common and preferred stocks	134,956,281		(169,320,160)	
Alternative investments	158,176,372	$ 318,236,427	57,733,388	($184,049,089)
Net appreciation (depreciation) in international investments:				
Bonds	9,861,783		(14,894,049)	
Common and preferred stocks	334,114,244		416,698,983	
Alternative investments	95,572,922	439,548,949	12,596,771	414,401,705
Domestic interest income:				
Bonds	109,644,729		102,959,534	
Standish Mellon Enhanced Accounts	19,951,503		0	
Certificates of deposit	(969,333)		959,738	
Short-term investments	35,822,463	164,449,362	31,128,593	135,047,865
International interest income:				
Bonds	29,889,978		24,097,704	
Certificates of deposit	(186,217)		186,217	
Short-term investments	1,280,962	30,984,724	3,508,311	27,792,232
Domestic common and preferred dividends		97,594,609		77,813,221
International common and preferred dividends		94,658,995		68,564,525
Securities lending income:				
Fixed	25,719,319		11,741,103	
Equity	3,282,966		3,051,100	
International	11,978,840	40,981,124	7,376,316	22,168,519
Gain (loss) on sale of domestic securities, net:				
Bonds	(2,700,655)		(6,164,143)	
Common and preferred stocks	604,351,376		600,341,685	
Alternative Investments	387,811,592	989,462,313	386,564,994	980,742,536
Gain on sale of international securities, net:				
Bonds	(105,859)		(2,908,459)	
Short-term investments	(827,552)		(2,062,935)	
Common and preferred stocks	431,171,271		191,980,377	
Alternative investments	58,246,838	488,484,698	97,733,026	284,742,009
Gain (loss) on international exchange transactions, net		50,248,585		(3,956,615)
Commission rebate income		566,068		675,608
Gross earnings		2,715,215,854		1,823,942,516
Charges against earnings:				
Securities lending expenses:				
Fixed	24,239,278		10,678,371	
Agents	627,521		676,106	
Equity	249,396		249,909	
International	9,993,981	35,110,176	5,024,341	16,628,727
International tax expense		10,188,879		9,493,180
Alternative investments expense		18,645,253		28,474,213
Custodian fees		763,878		761,689
Performance consultant fees		1,202,817		1,077,254
Trade cost analysis fees		40,000		40,000
Advisors fees		32,298,534		29,802,772
Total charges		98,249,537		86,277,835
Net income on investments		$ 2,616,966,317		$ 1,737,664,681

Investment Performance Measurements-Year Ended June 30, 2007

	Rate of Return[1]	Rank[2]
Comparative Rates of Return on Total Fund		
Teachers' Retirement System of Louisiana	19.7%	18
Comparison indices:		
Median Return for Public Funds Greater than $1.0 billion	18.0%	50
Comparative Rates of Return on Domestic Equities		
Teachers' Retirement System of Louisiana	15.8%	100
Comparison indices:		
Median Return for US Equities of Public Funds Greater than $1.0 billion	20.0%	50
Standard and Poor's 500 Index	20.6%	32
Comparative Rates of Return on Domestic Bonds		
Teachers' Retirement System of Louisiana	7.8%	20
Comparison indices:		
Median Return for US Fixed Income of Public Funds Greater than $1.0 billion	6.5%	50
Lehman Brothers Aggregate Bond Index	6.1%	73
Comparative Rates of Return on International Equities		
Teachers' Retirement System of Louisiana	30.2%	58
Comparison indices:		
Median Return for Non-US Equity of Public Funds Greater than $1.0 billion	30.6%	50
MSCI EAFE Net Dividend Index	27.0%	90
Comparative Rates of Return on Global Bonds		
Teachers' Retirement System of Louisiana	4.8%	N/A
Comparison indices:		
Median Return for Global Bonds of Public Funds Greater than $1.0 billion[3]	N/A	N/A
Citigroup World Government Bond Index	2.9%	N/A
Comparative Rates of Return on Alternative		
Teachers' Retirement System of Louisiana	35.6%	N/A
Comparison indices:		
Median Alternative Return[4]	N/A	N/A
S&P 500 Index plus 4%	24.4%	N/A
Total Fund performance is compared to Public Funds greater than $1.0 billion in assets as follows:		
Three-year period ended June 30, 2007	15.0%	18
Five-year period ended June 30, 2007	14.0%	11
Ten-year period ended June 30, 2007	9.7%	17

[1] Investment return calculations were prepared with time-weighted return methodology using market values and cash flows.

[2] The BNY Mellon Financial Universe (PARis) consists of public funds with assets greater than $1.0 billion.

[3] BNY Mellon Financial does not provide a universe for global bonds.

[4] BNY Mellon Financial does not provide a universe for alternative investments.

Rates of Return[1]

	ANNUAL YEARS ENDING JUNE 30					ANNUALIZED	
	2007	2006	2005	2004	2003	3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	19.7%	14.3%	10.9%	18.2%	2.7%	15.0%	14.0%
Median Return for Large Funds[2]	18.0%	11.2%	9.8%	16.2%	4.0%	13.6%	12.4%
Inflation (CPI Index)	2.7%	4.3%	2.5%	3.2%	2.2%	3.2%	3.0%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	15.8%	9.5%	8.2%	22.1%	(2.7%)	11.1%	10.3%
Median Return for US Equities Segment[2]	20.0%	11.6%	8.3%	23.4%	(0.1%)	12.8%	12.3%
Standard & Poor's 500 Index	20.6%	8.6%	6.3%	19.1%	0.3%	11.7%	10.7%
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	7.8%	1.8%	7.9%	4.1%	11.3%	5.8%	6.5%
Median Return for US Bonds Segment[2]	6.5%	0.5%	7.2%	1.3%	11.9%	4.5%	5.3%
Lehman Brothers Aggregate Index	6.1%	(0.8%)	6.8%	0.3%	10.4%	4.0%	4.5%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	30.2%	27.7%	12.0%	29.9%	(5.6%)	23.0%	30.5%
Median Return for Non-US Equity Segment[2]	30.6%	27.6%	15.2%	31.7%	(6.0%)	24.7%	20.2%
MSCI EAFE Net Dividend Index	27.0%	26.6%	13.7%	32.4%	(6.5%)	22.2%	17.7%
GLOBAL BONDS							
Teachers' Retirement System of Louisiana	4.8%	0.6%	9.6%	10.0%	20.6%	4.9%	8.9%
Median Return for Non-US Fixed Segment[3]	7.9%	0.6%	8.3%	6.1%	16.7%	8.8%	12.0%
Citigroup World Government Bond Index	2.9%	(0.4%)	7.6%	5.7%	17.9%	3.3%	6.3%
ALTERNATIVE INVESTMENTS							
Teachers' Retirement System of Louisiana	35.6%	32.3%	20.2%	19.6%	5.0%	30.1%	22.5%
Median Return for Alternative Segment[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S & P 500 Index Plus 4%	24.4%	12.6%	10.3%	23.1%	4.3%	15.6%	14.7%

[1] Investment return calculations were prepared with time-weighted return methodology using market values and cash flows.
[2] The BNY Mellon Financial Universe (PARis) consists of public funds with assets greater than $1.0 billion.
[3] BNY Mellon does not provide a universe for global bonds.
[4] BNY Mellon does not provide a universe for alternative investments.

Summary Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2007

		COMMISSION	
	SHARES Traded	DOLLAR Amount	PER Share
Domestic			
Louisiana Incorporated Brokers	21,116,466	$ 820,794	0.039
Cullen Investment Group			
Dorsey & Company, Inc.			
FBT Investments			
Francis Financial (Minority)			
Johnson Rice			
Sisk Investments			
Sisung Securities			
Louisiana Domiciled Brokers	24,925,477	950,143	0.038
A. G. Edwards & Sons			
Morgan Keegan			
Morgan Stanley			
Smith Barney			
The Stanford Group			
Wachovia Securities			
Williams Capital (Minority)			
Minority Brokers	10,352,322	396,790	0.038
GRW			
Jackson Partners			
Magna Securities			
Pacific American			
Out-of-State Brokers	39,163,321	1,283,723	0.033
Abel Noser			
Cantor Fitzgerald			
Citation*			
Dain Rauscher Pierce			
A. G. Edwards & Sons			
First Southwest			
Jefferies & Company			
Raymond James			
External Managers	117,577,301	2,711,438	0.023
Recapture Brokers	23,783,486	884,516	
Lynch Jones & Ryan			
State Street Brokerage			
Rebate to Teachers' Retirement System of Louisiana		(531,863)	
Net Recapture Brokers		352,653	0.015
Total Domestic	236,918,373	$ 6,515,541	0.028

*Includes $219,177 in soft dollar commission for Citation to pay for Bloomberg Services

Summary Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2007

		COMMISSION	
	SHARES Traded	**DOLLAR Amount**	**PER Share**
International*			
External Managers	407,488,076	$ 3,662,353	0.009
Subtotal International	407,488,076	3,662,353	
Rebate to Teachers' Retirement System of Louisiana		(34,205)	
Total International*	407,488,076	3,628,147	0.009
Total Domestic and International	644,406,449	$ 10,143,689	0.016

*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.

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Actuarial Section

Wildflowers in Northeast Louisiana
Photo courtesy of Louisiana Department of Wildlife and Fisheries

ACTUARIAL ASSOCIATES

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September 19, 2007

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, 2007. The valuation was prepared on the basis of the data submitted by the Retirement System, the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

Notable changes in 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. This fund, now called the Initial UAL Amortization Fund, now includes a one time legislative allocation of $26,400,000 per Act 642 of 2006. Act 981 of 1997 eliminates the current twenty year retirement for new members hired after July 1, 1999. 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. The negative Experience Account balance was removed from the valuation assets. The Experience Account was reset to zero.

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.

The results of the current valuation indicate that the employer contribution rate payable for the fiscal year commencing July 1, 2007 was determined to be 14.6% of payroll, but Act 588 of 2004 requires the employer to contribute a minimum of 15.5%. The difference will be credited to the Employer Credit Account. The current rate of 14.6% is less than last years projected employer's rate of 16.6%, resulting from higher than expected salaries for the current year and from significant investment gains. The current contribution rate, together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

SJ Actuarial Associates

Board of Trustees
TEACHERS' RETIREMENT SYSTEM
September 19, 2007

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, 2007 was $15,429,405,189. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of $617,106,814, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $-409,216, and the side-fund assets from the Initial IUAL Amortization Fund of $290,955,593 yields assets for funding purposes of $14,521,751,998.

In performing the June 30, 2007 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, 2007 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.

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,

Shelley R. Johnson

Shelley R. Johnson, ACA,MAAA,ASA
Consulting Actuary

Charles G. Hall

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

Summary of Assumptions

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

I. General Actuarial Method

Actuarial Funding Method (Projected Unit Credit): The unfunded accrued liability on June 30, 1988, is amortized over a 40-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	

Act 257 of 1992 further amended the amortization schedule to reflect a 4.5% payment increase over the remaining amortization period.

Act 588 of 2004 re-amortized changes in liabilities occurring from 1993 thru 2000 as a level dollar payment to 2029. Amortization periods for changes in liabilities beginning with 2001 were extended to a 30-year period from the date of occurrence. Amortization periods for changes in liabilities beginning with 2004 are extended to a 30-year period from the date of occurrence, paid as a level dollar amount.

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

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

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

II. Economic Assumptions

Investment Return: 8.25 percent per annum, compounded annually.

Employee Salary Increases: Incorporated in the following salary scales is an explicit 4.5 percent portion attributable to the effects 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%**

Duration	Teachers	School Lunch A	School Lunch B	University
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 is based on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

Age	Teachers	School Lunch A	School Lunch B	University
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.

Age	Teachers	School Lunch A	School Lunch B	University
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.

Age	Teachers		School Lunch A		School Lunch B		University	
50 yr.	3%	0%	1%	0%	0%	0%	3%	0%
51 yr.	3%	5%	1%	0%	0%	0%	3%	5%
52 yr.	3%	15%	3%	0%	0%	0%	4%	10%
53 yr.	5%	15%	3%	0%	0%	50%	5%	10%
54 yr.	10%	35%	3%	0%	0%	50%	9%	10%
55 yr.	23%	55%	10%	10%	50%	12%	15%	20%
56 yr.	23%	10%	10%	37%	33%	12%	18%	5%
57 yr.	40%	10%	5%	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%
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%
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%

Actuarial Valuation Balance Sheet as of June 30, 2007 and 2006

Assets	2007	2006
Payable Assets Creditable to:		
Members' Savings Account	$ 1,984,063,899	$ 1,912,023,440
Annuity Reserve Account	12,828,643,692	11,176,334,112
Total Present Assets	14,812,707,591	13,088,357,552
Present Value of Prospective Contributions Payable to:		
Members' Savings Account	2,384,603,552	2,115,521,869
Annuity Reserve Account		
Normal	2,201,808,916	1,957,774,121
Accrued Liability	6,839,113,442	7,179,815,902
Total Prospective Contributions	11,425,525,910	11,253,111,892
Total Assets	**$ 26,238,233,501**	**$ 24,341,469,444**

Liabilities	2007	2006
Present Value of Prospective Benefits Payable on Account of:		
Current Retiree Members	$ 13,950,016,362	$ 12,981,167,393
Current Active Members	11,840,285,818	10,911,482,834
Deferred Vested & Reciprocal Members	447,931,321	448,819,217
Total Liabilities	**$ 26,238,233,501**	**$ 24,341,469,444**

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

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)
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	1,915.4	11,670.9	4,630.4	11,409.4	100%	83%	0%
2005	2,003.7	12,337.2	4,358.8	12,082.7	100%	82%	0%
2006	1,912.0	13,430.0	4,048.8	13,088.4	100%	83%	0%
2007	1,984.1	14,397.9	4,390.3	14,812.7	100%	89%	0%

Summary of Actuarial and Unfunded Actuarial Liabilities
(in millions of dollars)

Valuation Date	Actuarial Accrued Liabiltiies	Actuarial Valuation Assets	Ratio of Assets to AAL	Unfunded AAL	Active Member Payroll	Unfunded AAL as a % of Active Payroll
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	4,243.7	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	6,658.1	3,017.1	220.7%
2005	18,669.8	12,082.7	64.6	6,617.1	3,132.2	211.3%
2006	19,390.8	13,088.4	67.5	6,302.4	2,893.0	217.8%
2007	20,772.3	14,812.7	71.3	5,959.6	3,224.6	184.8%

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

Reconciliation of Unfunded Actuarial Liabilities (in thousands of dollars)

	2007	2006	2005	2004
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	$ 6,554,990	$ 6,812,643	$ 8,836,079	$ 5,531,918
Interest on Unfunded Liability	540,786	562,043	563,977	456,383
Investment Experience (gains) decreases UAL	(1,076,635)	(862,859)	(178,459)	(166,404)
Plan Experience (gains) decreases UAL	292,738	(11,575)	(141,393)	125,636
Employer Amortization Payments (payments) decreases UAL	(322,685)	(331,786)	(325,744)	(319,558)
Employer Contribution Variance (excess contributions) decreases UAL	(37,534)	(44,898)	(31,047)	29,662
Experience Account Allocation (allocations) decreases UAL	298,918	431,422	89,230	1,178,442
Other – Miscellaneous gains and losses from transfers or Acts of the Legislature	0	0	0	0
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	$ 6,250,578	$ 6,554,990	$ 6,812,643	$ 6,836,079

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

Amortization of Unfunded Actuarial Accrued Liability
June 30, 2007

Date 06/30	Description	Amortization Method	Amortization Period	Initial Liability	Years Remain	Remaining Balance	Mid-year Payment
1993	Initial Liability	I	26	$ 6,285,061,957	22	$ 6,738,754,728	$ 450,124,698
1993	Change in Liability	L	25	(838,057,486)	22	(802,091,743)	(77,075,133)
1994	Change in Liability	L	25	(285,027,105)	22	(272,794,995)	(26,213,598)
1995	Change in Liability	L	25	(11,255,751)	22	(10,772,704)	(1,035,178)
1996	Change in Liability	L	25	(227,335,061)	22	(217,578,840)	(20,907,731)
1997	Change in Liability	L	25	72,828,575	22	69,703,093	6,697,956
1998	Change in Liability	L	25	(312,542,081)	22	(299,129,149)	(28,744,117)
1999	Change in Liability	L	25	(361,354,605)	22	(345,846,854)	(33,233,346)
2000	Change in Liability	L	25	(672,461,184)	22	(643,602,107)	(61,845,442)
2001	Change in Liability	I	27	59,149,207	24	62,764,910	3,962,289
2002	Change in Liability	I	28	859,751,039	25	916,106,002	56,365,498
2003	Change in Liability	I	29	2,115,958,339	26	2,263,312,146	135,926,011
2004	Change in Liability	L	30	27,253,793	27	26,506,037	2,381,906
2005	Change in Liability	L	30	(230,622,183)	28	(226,573,065)	(20,155,736)
2006	Change in Liability	L	30	(470,579,056)	29	(466,611,647)	(41,127,297)
2007	Change in Liability	L	30	(485,035,058)	30	(485,035,058)	(42,390,712)
				Total Outstanding Balance		**$ 6,307,110,754**	**$ 302,730,068**

Employers' Credit Balance

2003	Contribution variance	L	5	9,730,820	1	2,266,260	2,357,891
2004	Contribution variance	L	5	29,662,467	2	13,289,991	7,187,561
2005	Contribution variance	L	5	(31,046,965)	3	(20,080,849)	(7,523,041)
2006	Contribution variance	L	5	(17,430,843)	4	(14,474,417)	(4,223,696)
2007	Contribution variance	L	5	(37,534,025)	5	(37,534,025)	(9,094,931)
				Total Credit Balance		**$ (56,533,040)**	**$ (11,296,216)**
				Total Unfunded Actuarial Accrued Liability		**$ 6,250,577,714**	

Effective July 1, 1992, Amortization Periods changed in accordance with Act 257.
Includes Act 588 of the 2004 Legislative Session.

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

Membership Data

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

	2007		2006	
Active Members	**Census**	**Average Salaries**	**Census**	**Average Salaries**
Regular Teachers	72,432	$ 37,595	71,240	$ 34,013
University Members	5,889	55,148	5,656	51,063
School Lunch A	253	22,318	339	20,419
School Lunch B	1,222	15,853	1 221	14,229
Post DROP	2,876	52,753	2,891	48,780
Total	82,672	$ 39,005	81,347	$ 35,370
Males (%)	16.9%		16.9%	
Females (%)	83.1%		83.1%	

Valuations' salaries were $3,224,562,742 for 2007 and $2,892,959,473 for 2006.

Inactive Members	2007 Census	2006 Census
Due Refunds	11,966	12,749
Vested & Reciprocals	*6,624	*7,039

	2007		2006	
Annuitants and Survivors	**Census**	**Average Annual Annuities**	**Census**	**Average Annual Annuities**
Retirees	50,566	$ 21,730	49,776	$ 20,473
Disabilities	3,961	10,697	2,865	9,987
Survivors	5,003	15,389	4,871	14,773
DROP	3,715	30,094	4,042	29,831
Total	63,245	$ 21,029	61,554	$ 20,148

*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, 2007, some 3,118 members are in pended retirement status compared to 3,656 at June 30, 2006.

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

Historical Membership Data

History of Active Membership Data for Last 10 Years
(Dollar amounts in thousands)

Year Ended 6/30	Number of Active Members	Percentage Change in Membership	Annual Member Payroll	Percentage Change in Payroll
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	(0.61%)	2,582,830	0.7%
2002	87,356	0.61%	2,777,667	7.5%
2003	87,646	0.33%	2,977,885	7.2%
2004	87,273	(0.43%)	3,017,087	1.3%
2005	87,643	0.42%	3,132,169	3.8%
2006	81,347	(7.18%)	2,892,959	(7.6%)
2007	82,672	1.63%	3,224,563	11.5%

History of Annuitants and Survivor Annuitant Membership for Last 10 Years
(Dollar amounts in thousands)

Year Ending 6/30	Total Members		Members Added		Members Removed		Average Annuity	% Change in Annuity
	No.	Amount	No.	Amount	No.	Amount		
1998	42,445	651,822	3,404	71,066	1,635	8,172	15,356	10.7%
1999	43,955	697,376	3,601	63,788	1,551	18,234	16,166	7.0%
2000	45,668	744,801	3,344	59,887	1,631	12,462	16,309	6.8%
2001	47,404	802,202	3,424	64,705	1,688	7,304	16,923	7.7%
2002	49,053	873,678	3,480	82,817	1,831	11,341	17,811	8.9%
2003	50,903	924,735	3,455	75,679	1,605	24,622	18,166	5.8%
2004	52,900	981,646	3,226	73,642	1,229	16,731	18,556	6.2%
2005	54,525	1,031,768	3,208	73,649	1,583	24,606	18,923	5.1%
2006	57,512	1,119,651	4,148	101,347	1,161	13,482	19,468	8.5%
2007	59,530	1,218,176	3,069	72,780	1,051	9,737	20,463	8.8%

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

Principle Provisions of the Plan

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

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

ADMINISTRATION

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of 16 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 from school food service, two elected retired members, and four ex officio members. Elected members serve staggered four-year terms. The Treasurer, Chairman of the House Retirement Committee, Chairman of the State Retirement Committee, and State Superintendent of Public Education serve as ex officio members.

The Board of Trustees appoints an Executive 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 January 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 s subject to a statutory minimum of 15.5% per Act 588 of 2004. 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 36-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.

When minor child(ren) is(are) no longer eligible, spouses benefit reverts to benefit in accordance with the provisions for a surviving spouse with no minor child(ren). Benefits cease when minor child(ren) is(are) no longer eligible.

Each minor child (maximum of 2) shall receive the greater of

a. an amount equal to 50 percent of the spouse's benefit or
b. $300 (up to 2 eligible children).

Benefits to minors cease at attainment of age 18, 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. the option 2 equivalent of the benefit calculated at the 2.5 percent accrual rate for all creditable service.

POST-RETIREMENT INCREASES

Cost-of-living adjustments (COLAs) 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.

The maximum allowed Experience Account Balance is the cost to fully fund two COLAs. The minimum balance allowed is 0.

Statistical Section

Cypress Trees and Bayou Sunset
Photo courtesy of Louisiana Office of Tourism

Statements of Plan Net Assets as of June 30, 2007 through June 30, 1998

	2007	2006	2005	2004	2003
Assets					
Cash and cash equivalents	$ 15,294,772	$ 59,572,968	$ 24,677,100	$ 30,677,716	$ 7,808,257
Receivables					
Member contributions	57,266,938	48,790,153	48,912,587	48,885,390	47,231,216
Employer contributions	76,218,878	72,017,765	72,934,679	64,691,821	57,746,203
ORP contributions retained	3,641,433	3,498,870	3,375,808	2,319,164	2,040,857
Pending trades	170,641,032	281,323,928	52,151,909	33,712,000	157,176,524
Accrued interest and dividends	51,423,625	44,597,792	42,821,985	40,170,526	41,423,260
Other receivables	4,579,755	29,173,670	2,473,479	1,518,187	1,444,449
Total receivables	363,771,661	479,402,178	222,670,447	191,297,088	307,062,509
Investments, at fair value					
Domestic bonds	1,908,652,650	2,121,505,657	1,913,039,451	1,659,559,992	1,704,534,901
International bonds	772,811,203	449,917,634	497,213,792	560,651,839	416,432,668
Domestic common and preferred stocks	5,956,585,766	5,630,073,349	5,796,790,444	4,926,745,546	4,468,939,880
International common and preferred stocks	3,601,296,445	3,188,085,062	1,969,333,621	1,454,136,303	1,033,655,198
Domestic short-term investments	981,706,327	178,839,314	256,739,631	910,719,505	434,080,034
International short-term investments	0	24,802,808	40,210,400	0	0
Alternative investments	2,824,436,837	2,162,400,411	2,017,705,199	2,263,185,124	2,318,479,242
Total investments	16,045,489,228	13,755,624,235	12,491,032,538	11,774,998,309	10,376,121,923
Invested securities lending collateral					
Collateral held under domestic securities lending program	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121	3,064,894,429
Collateral held under international securities lending program	391,908,563	308,982,174	233,943,130	344,348,505	471,789,763
Total securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626	3,536,684,192
Building at cost, net of accumulated depreciation	2,864,857	2,933,836	2,995,632	3,127,099	3,240,290
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	600,753	723,281	823,147	937,545	900,324
Land	858,390	858,390	858,390	858,390	858,390
Total assets	18,936,160,049	16,468,146,151	14,485,767,969	13,940,066,773	14,232,675,885
Liabilities					
Accounts payable	13,006,673	10,936,762	9,240,444	7,096,770	6,214,751
Benefits payable	7,217,168	5,118,886	2,077,116	2,616,254	3,067,010
Refunds payable	5,858,882	5,369,804	5,385,301	4,875,048	4,730,334
Pending trades payable	252,855,646	269,051,248	39,836,267	92,991,945	160,488,115
Other liabilities	1,211,075	1,025,440	605,537	919,238	813,873
Total accounts payable and other liabilities	280,149,444	291,502,140	57,144,665	108,499,255	175,314,083
Securities lending collateral					
Obligations under domestic securities lending program	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121	3,064,894,429
Obligations under international securities lending program	391,908,563	308,982,174	233,943,130	344,348,505	471,789,763
Total securities lending collateral	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626	3,536,684,192
Total liabilities	2,787,429,832	2,460,533,403	1,799,855,380	2,046,669,881	3,711,998,275
Net assets held in trust for pension benefits	$ 16,148,730,217	$ 14,007,612,748	$ 12,685,912,589	$11,893,396,892	$ 10,520,677,610

Statements of Plan Net Assets as of June 30, 2007 through June 30, 1998 (continued)

	2002	2001	2000	1999	1998
Assets					
Cash and cash equivalents	$ 38,505,718	$ 34,067,604	$ 76,563,877	$ 26,814,445	$ 10,664,180
Receivables					
Member contributions	52,108,891	47,661,308	44,975,206	38,523,001	36,450,281
Employer contributions	54,589,415	51,136,424	58,860,987	68,730,284	67,099,754
ORP contributions retained	1,773,663	1,918,443	2,017,245	2,016,327	1,804,612
Pending trades	147,253,370	230,779,724	116,274,494	77,063,815	116,912,814
Accrued interest and dividends	47,177,102	49,568,799	65,091,918	66,200,600	69,519,425
Other receivables	1,168,914	1,513,198	1,957,455	1,543,783	969,344
Total receivables	304,071,355	382,577,896	289,177,305	254,077,810	292,756,230
Investments at fair value					
Domestic bonds	1,902,126,260	1,675,616,284	1,443,147,839	1,656,281,321	1,621,609,160
International bonds	472,011,350	620,253,212	1,062,108,327	1,119,040,286	1,062,873,639
Domestic common and preferred stocks	4,586,782,472	5,304,131,380	5,530,165,003	5,351,480,155	5,202,408,728
International common and preferred stocks	1,075,238,305	1,349,446,396	2,015,682,285	1,465,452,007	1,422,747,827
International futures and options	0	0	0	0	0
Domestic short-term investments	470,234,146	470,686,508	525,024,201	444,791,846	900,788,443
International short-term investments	0	0	49,466,390	78,369,738	9,434,521
Alternative investments	2,003,507,564	2,286,753,704	1,850,828,055	1,083,650,711	601,550,022
Total investments	10,509,900,097	11,706,887,484	12,476,422,100	11,199,066,064	10,821,412,340
Invested securities lending collateral					
Collateral held under domestic securities lending program	2,938,825,140	2,819,398,141	490,061,426	600,370,800	227,003,113
Collateral held under international securities lending program	188,926,541	431,905,885	803,922,551	784,220,679	817,311,989
Total securities lending collateral	3,127,751,681	3,251,304,026	1,293,983,977	1,384,591,479	1,044,315,102
Building at cost, net of accumulated depreciation	3,291,565	3,255,087	3,365,190	3,484,736	3,573,741
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	937,121	1,149,829	904,520	752,034	717,477
Land	889,816	889,816	889,816	889,816	889,816
Total assets	13,985,347,353	15,380,131,742	14,141,306,785	12,869,676,384	12,174,328,886
Liabilities					
Accounts payable	7,089,866	9,288,515	12,551,351	9,891,518	13,294,573
Benefits payable	2,067,335	2,040,453	1,610,336	1,301,052	617,725
Refunds payable	4,191,545	3,953,477	3,615,639	3,180,968	2,949,271
Pending trades payable	214,835,778	257,744,890	140,694,287	164,053,534	664,727,380
Other liabilities	917,097	829,785	836,756	689,189	507,775
Total accounts payable and other liabilities	229,101,621	273,857,120	159,308,369	179,116,261	682,096,724
Securities lending collateral					
Obligations under domestic securities lending program	2,938,825,140	2,819,398,141	490,061,426	600,370,800	227,003,113
Obligations under international securities lending program	188,926,541	431,905,885	803,922,551	784,220,679	817,311,989
Total securities lending collateral	3,127,751,681	3,251,304,026	1,293,983,977	1,384,591,479	1,044,315,102
Total liabilities	3,356,853,302	3,525,161,146	1,453,292,346	1,563,707,740	1,726,411,826
Net assets held in trust for pension benefits	$ 10,628,494,051	$ 11,854,970,596	$ 12,688,014,439	$ 11,305,968,644	$ 10,447,917,060

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2007 through June 30, 1998

	2007	2006	2005	2004	2003
Additions					
Contributions					
Member contributions	$ 282,326,101	$ 258,412,024	$ 270,619,181	$ 264,999,131	$ 251,297,401
Employer contributions	544,401,879	529,983,453	517,815,361	444,104,350	421,838,213
Total contributions	826,727,980	788,395,477	788,434,542	709,103,481	673,135,614
ORP contributions retained	49,429,250	49,293,547	48,754,970	35,244,313	29,499,096
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	1,423,223,165	809,290,218	663,699,379	1,164,647,179	(9,358,002)
Net appreciation (depreciation) in fair value of international investments	824,462,472	584,857,302	197,833,593	323,405,540	(3,830,620)
Domestic interest	144,497,859	135,047,865	111,850,200	110,597,008	120,174,045
International interest	30,984,724	27,792,233	29,898,190	23,800,877	30,745,264
Domestic dividends	97,594,609	77,813,221	84,579,303	64,865,361	59,353,555
International dividends	94,658,995	68,564,525	31,583,991	41,800,161	28,041,533
Alternative investment income	58,246,838	97,733,026	108,622,676	81,696,047	44,050,485
Commission rebate income	566,068	675,608	571,219	1,078,487	1,026,354
Total investment income	2,674,234,730	1,801,773,998	1,228,638,551	1,811,890,660	270,202,614
Investment activity expenses:					
International investment expenses	(10,188,879)	(9,493,180)	(5,710,058)	(4,995,570)	(2,530,171)
Alternative investment expenses	(18,645,253)	(28,474,213)	(64,918,175)	(49,401,029)	(31,682,592)
Custodian fees	(763,878)	(761,689)	(760,908)	(786,062)	(800,000)
Performance consultant fees	(1,202,817)	(1,077,254)	(618,996)	(507,749)	(279,786)
Trade cost analysis fees	(40,000)	(40,000)	(10,000)	(40,000)	(40,000)
Advisor fees	(32,298,534)	(29,802,772)	(26,020,649)	(23,311,668)	(19,283,122)
Total investment expenses	(63,139,361)	(69,649,108)	(98,038,786)	(79,042,078)	(54,615,671)
Net income from investing activities	2,611,095,369	1,732,124,890	1,130,599,765	1,732,848,582	215,586,943
From securities lending activities					
Securities lending income	40,981,124	22,168,519	24,508,470	13,854,504	16,602,783
Securities lending expenses:					
Fixed	(24,866,799)	(11,354,478)	(12,174,022)	(6,053,776)	(9,749,608)
Equity	(249,396)	(249,909)	(249,954)	(249,934)	(249,933)
International	(9,993,981)	(5,024,341)	(7,860,336)	(1,847,440)	(824,609)
Total securities lending activities expenses	(35,110,176)	(16,628,728)	(20,284,312)	(8,151,150)	(10,824,150)
Net income from securities lending activities	5,870,948	5,539,791	4,224,158	5,703,354	5,778,633
Total net investment income (loss)	2,616,966,317	1,737,664,681	1,134,823,923	1,738,551,936	221,365,576
Other operating revenues	5,496,271	3,208,183	3,425,773	3,217,889	4,976,629
Total additions	3,498,619,818	2,578,561,888	1,975,439,208	2,486,117,619	928,976,915
Deductions					
Retirement benefits	1,295,552,338	1,204,472,977	1,139,814,334	1,075,298,667	1,003,327,453
Refunds of contributions	48,119,943	38,538,125	30,454,374	26,804,821	22,287,120
Administrative expenses	13,323,547	13,362,286	12,178,533	10,786,450	10,688,003
Depreciation expense	506,521	488,341	476,270	508,399	490,780
Total deductions	1,357,502,349	1,256,861,729	1,182,923,511	1,113,398,337	1,036,793,356
Net increase (decrease)	2,141,117,469	1,321,700,159	792,515,697	1,372,719,282	(107,816,441)
Net assets held in trust for pension benefits					
Beginning of year	14,007,612,748	12,685,912,589	11,893,396,892	10,520,677,610	10,628,494,051
End of year	$16,148,730,217	$14,007,612,748	$12,685,912,589	$11,893,396,892	$10,520,677,610

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2007 through June 30, 1998 (continued)

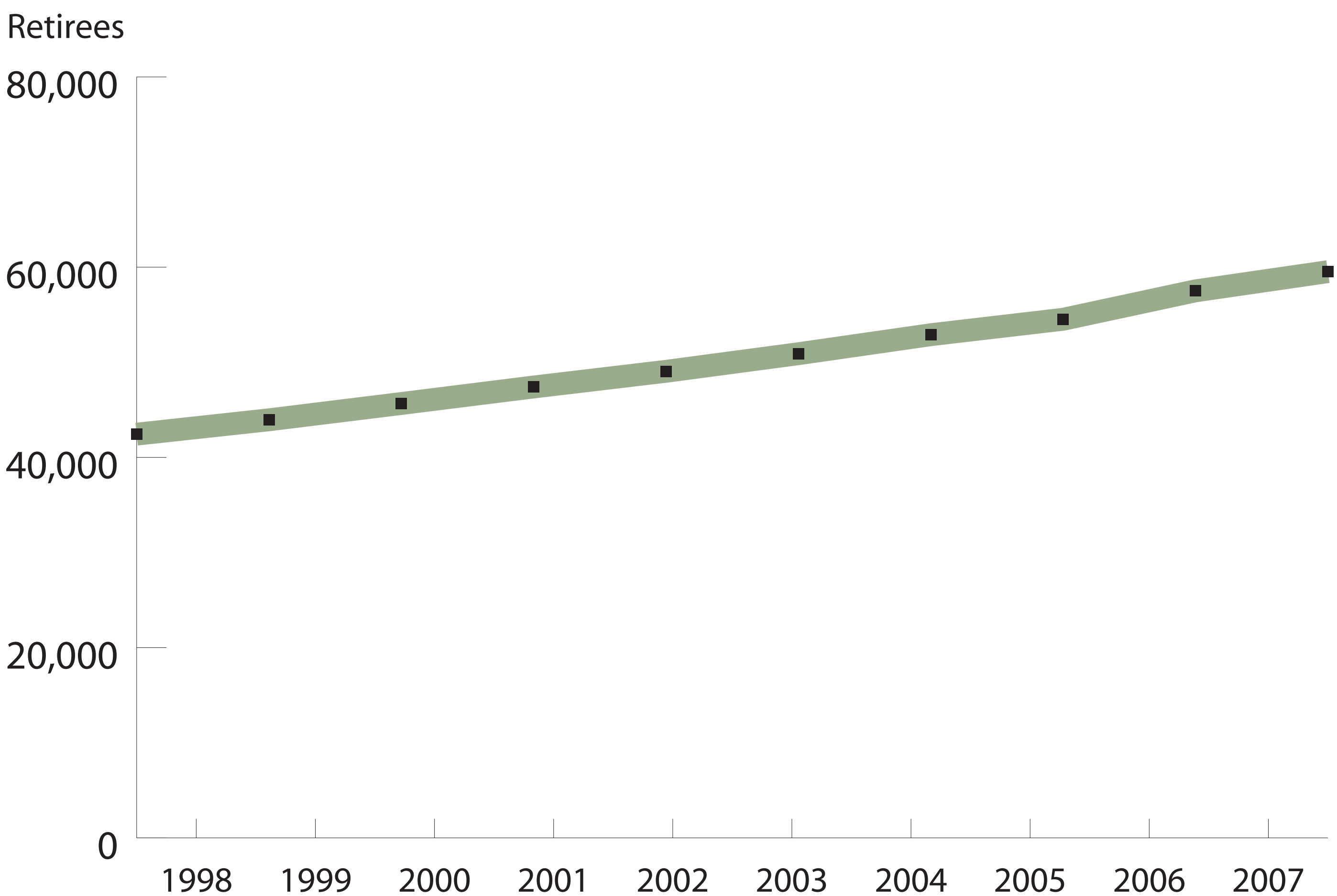
	2002	2001	2000	1999	1998
Additions					
Contributions					
Member contributions	$ 246,119,537	$ 226,754,298	$ 224,684,434	$ 216,102,491	$ 208,275,106
Employer contributions	400,478,248	401,243,346	423,690,949	442,793,009	422,452,766
Total contributions	646,597,785	627,997,644	648,375,383	658,895,500	630,727,872
ORP contributions retained	27,196,232	27,869,220	29,274,452	30,017,065	27,318,857
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	(1,141,008,157)	(284,368,048)	778,721,458	601,181,137	1,295,107,488
Net appreciation (depreciation) in fair value of international investments	(146,482,391)	(637,986,221)	422,921,458	35,257,940	44,441,461
Domestic interest	141,728,180	152,499,662	141,621,871	139,410,346	140,765,294
International interest	32,004,011	49,391,412	78,593,438	80,464,211	62,244,912
Domestic dividends	64,226,682	65,715,460	60,573,874	58,274,331	55,091,419
International dividends	23,023,499	28,808,467	25,019,498	23,424,136	23,044,305
Alternative investment income	137,200,613	73,591,989	45,886,076	16,052,573	9,372,504
Miscellaneous foreign income	0	109	0	0	55,265
Commission rebate income	1,649,282	1,954,976	1,555,065	1,812,934	1,135,441
Total investment income	(887,658,281)	(550,392,194)	1,554,892,738	955,877,608	1,631,258,089
Investment activity expenses:					
Domestic investment expenses	0	0	0	0	(3,377)
International investment expenses	(2,618,482)	(3,092,036)	(2,417,575)	(1,896,400)	(2,336,368)
Alternative investment expenses	(41,418,046)	(21,519,745)	(8,035,266)	(6,268,112)	(6,682,842)
Custodian fees	(800,000)	(800,000)	(800,000)	(697,344)	(1,293,672)
Performance consultant fees	(252,000)	(250,000)	(182,001)	(175,500)	0
Trade cost analysis fees	(40,000)	0	0	0	0
Advisor fees	(22,812,775)	(26,103,079)	(24,803,085)	(20,167,356)	(19,719,262)
Total investment expenses	(67,941,303)	(51,764,860)	(36,237,927)	(29,204,712)	(30,035,521)
Net income from investing activities	(955,599,584)	(602,157,054)	1,518,654,811	926,672,896	1,601,222,568
From securities lending activities					
Securities lending income	20,960,004	50,709,086	59,961,994	59,035,769	75,302,913
Securities lending expenses:					
Fixed	(11,104,163)	(15,769,655)	(14,838,553)	(14,357,718)	(32,416,970)
Equity	(249,706)	(249,246)	(249,436)	(197,298)	(373,580)
International	(2,677,010)	(27,847,838)	(39,123,376)	(39,214,613)	(36,993,442)
Total securities lending activities expenses	(14,030,879)	(43,866,739)	(54,211,365)	(53,769,629)	(69,783,992)
Net income from securities lending activities	6,929,125	6,842,347	5,750,629	5,266,140	5,518,921
Total net investment income (loss)	(948,670,459)	(595,314,707)	1,524,405,440	931,939,036	1,606,741,489
Other operating revenues	1,787,499	988,233	1,365,976	811,363	741,679
Total additions	(273,088,943)	61,540,390	2,203,421,251	1,621,662,964	2,265,529,897
Deductions					
Retirement benefits	920,593,341	858,979,906	791,183,546	735,328,349	664,147,264
Refunds of contributions	23,432,296	26,948,712	22,458,244	21,238,599	21,360,841
Administrative expenses	8,886,231	8,220,487	7,369,407	6,613,935	6,173,891
Depreciation expense	475,734	435,128	364,259	430,497	531,364
Total deductions	953,387,602	894,584,233	821,375,456	763,611,380	692,213,360
Net increase (decrease)	(1,226,476,545)	(833,043,843)	1,382,045,795	858,051,584	1,573,316,537
Assets held in trust for pension benefits					
Beginning of year	11,854,970,596	12,688,014,439	11,305,968,644	10,447,917,060	8,874,600,523
End of year	$10,628,494,051	$11,854,970,596	$12,688,014,439	$11,305,968,644	$10,447,917,060

Number of Active, Terminated Vested and Nonvested Members

Fiscal Year	Members	% Increase Each Year
1997-1998	94,651	
1998-1999	94,219	(0.5%)
1999-2000	94,504	0.3%
2000-2001	97,293	3.0%
2001-2002	98,861	1.6%
2002-2003	101,218	2.4%
2003-2004	103,125	1.9%
2004-2005	102,896	(0.2%)
2005-2006	101,135	(1.7%)
2006-2007	101,262	.1%

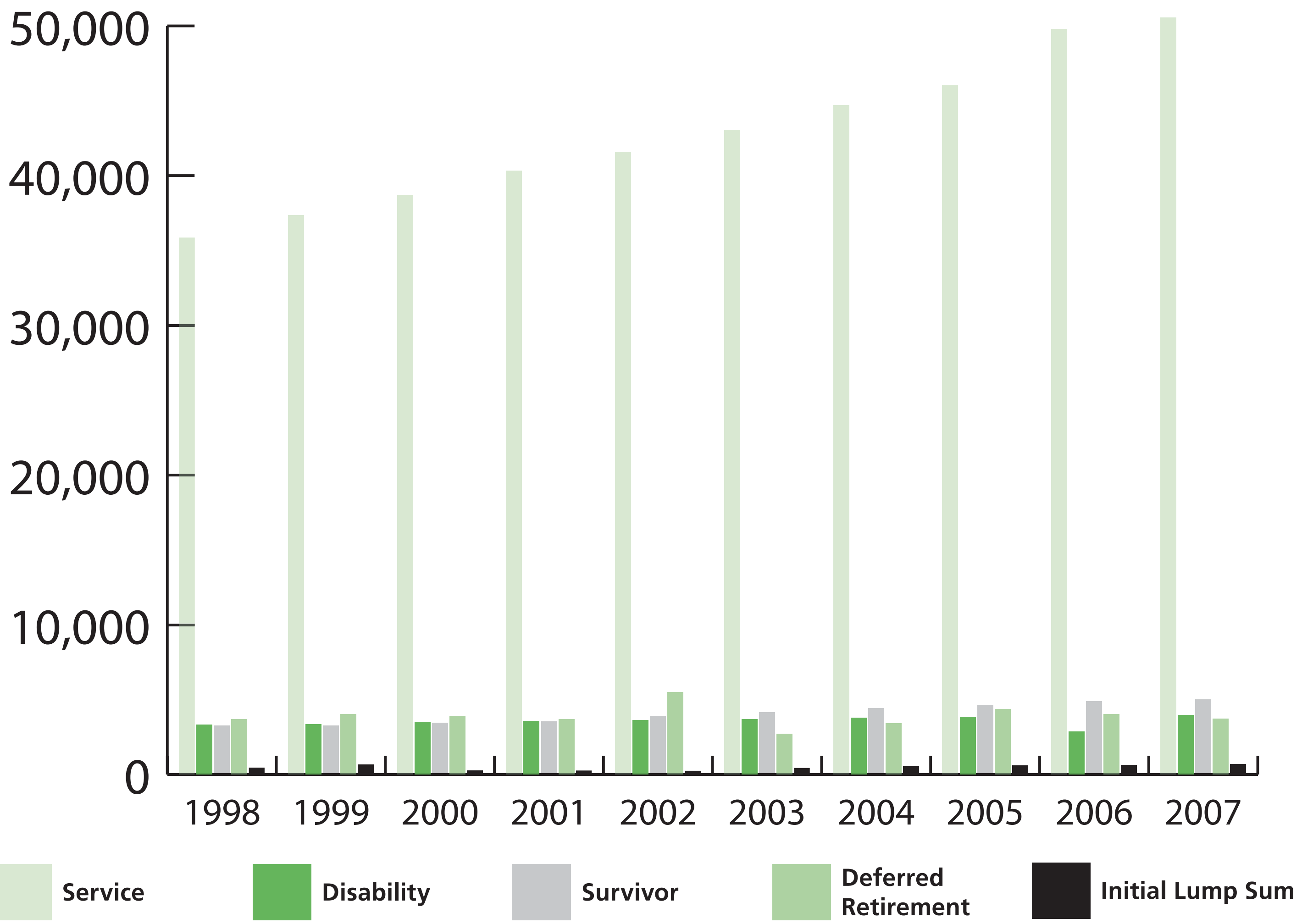
Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits

Fiscal Year	Retirees	% Increase Each Year
1997-1998	42,445	
1998-1999	43,955	3.6%
1999-2000	45,668	3.9%
2000-2001	47,404	3.8%
2001-2002	49,053	3.5%
2002-2003	50,903	3.8%
2003-2004	52,900	3.9%
2004-2005	54,525	3.1%
2005-2006	57,512	5.5%
2006-2007	59,530	3.5%



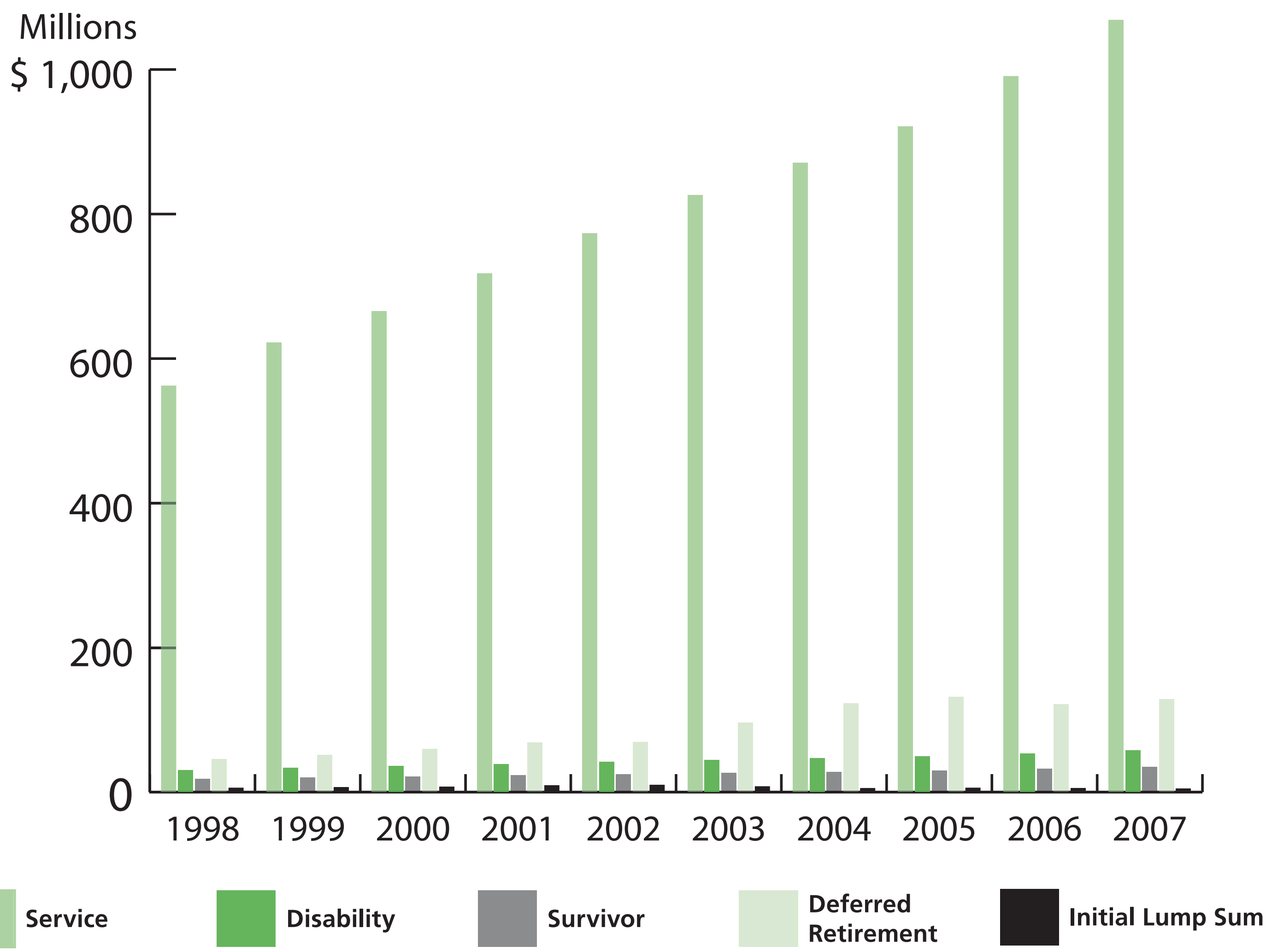
Number of Benefit Recipients

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1997-1998	35,866	3,311	3,268	3,698	461	46,604
1998-1999	37,341	3,354	3,260	4,038	654	48,647
1999-2000	38,715	3,505	3,448	3,893	247	49,808
2000-2001	40,313	3,555	3,536	3,695	266	51,365
2001-2002	41,566	3,622	3,865	5,496	248	54,797
2002-2003	43,050	3,698	4,155	2,722	437	54,062
2003-2004	44,690	3,797	4,413	3,409	547	56,856
2004-2005	46,035	3,836	4,654	4,375	587	59,487
2005-2006	49,776	2,865	4,871	4,042	627	62,181
2006-2007	50,566	3,961	5,003	3,715	687	63,932



Benefit Expenses

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1997-1998	$ 562,679,269	$ 30,580,395	$ 18,348,237	$ 46,266,624	$ 6,272,739	$ 664,147,264
1998-1999	622,387,271	33,825,395	20,295,237	51,764,526	7,055,920	735,328,349
1999-2000	665,449,247	36,165,720	21,699,432	60,169,167	7,699,980	791,183,546
2000-2001	717,799,621	39,010,849	23,406,509	69,087,607	9,675,320	858,979,906
2001-2002	773,311,519	42,027,800	25,216,680	69,718,252	10,319,090	920,593,341
2002-2003	826,661,700	44,927,266	26,956,360	96,539,409	8,242,718	1,003,327,453
2003-2004	870,865,365	47,329,639	28,397,784	122,905,311	5,800,568	1,075,298,667
2004-2005	921,584,123	50,086,094	30,051,656	131,811,600	6,280,861	1,139,814,334
2005-2006	991,166,824	53,867,762	32,320,657	121,703,237	5,414,497	1,204,472,977
2006-2007	1,068,519,663	58,071,721	34,843,032	128,592,267	5,525,655	1,295,552,338



Average Monthly Pension Benefit

Fiscal Year	Average Monthly Benefit	% Increase Each Year
1997-1998	$1,201	
1998-1999	1,283	6.8%
1999-2000	1,320	2.9%
2000-2001	1,400	6.1%
2001-2002	1,444	3.1%
2002-2003	1,506	4.3%
2003-2004	1,535	1.9%
2004-2005	1,569	2.2%
2005-2006	1,615	2.9%
2006-2007	1,654	2.4%

Number of Refunds of Contributions

Fiscal Year	Number of Refunds	% Increase Each Year
1997-1998	4,534	
1998-1999	4,160	(8.2%)
1999-2000	3,648	(12.3%)
2000-2001	3,848	5.5%
2001-2002	5,191*	34.9%
2002-2003	5,422*	4.5%
2003-2004	5,657*	4.3%
2004-2005	6,572*	16.2%
2005-2006	8,718*	32.7%
2006-2007	5,768*	(33.8%)

*Includes refunds of retirees who returned to work.

Number of Staff Positions

Fiscal Year	Staff	% Increase Each Year
1997-1998	116	
1998-1999	122	5.2%
1999-2000	127	4.1%
2000-2001	134	5.5%
2001-2002	143	6.7%
2002-2003	159	11.2%
2003-2004	172	8.2%
2004-2005	173	0.6%
2005-2006	173	0.0%
2006-2007	173	0.0%

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	ACT 642 of 2006	Net Investment Income	Other Operating Revenues	Total
1997-1998	$ 208,275,106	$ 422,452,766	$ 27,318,857		$ 1,606,741,489	$ 741,679	$2,265,529,897
1998-1999	216,102,491	442,793,009	30,017,065		931,939,036	811,363	1,621,662,964
1999-2000	224,684,434	423,690,949	29,274,452		1,524,405,440	1,365,976	2,203,421,251
2000-2001	226,754,298	401,243,346	27,869,220		(595,314,707)	988,233	61,540,390
2001-2002	246,119,537	400,478,248	27,196,232		(948,670,459)	1,787,499	(273,088,943)
2002-2003	251,297,401	421,838,213	29,499,096		221,365,576	4,976,629	928,976,915
2003-2004	264,999,131	444,104,350	35,244,313		1,738,551,936	3,217,889	2,486,117,619
2004-2005	270,619,181	517,815,361	48,754,970		1,134,823,923	3,425,773	1,975,439,208
2005-2006	258,412,024	503,583,453	49,293,547	$26,400,000	1,737,664,681	3,208,183	2,578,561,888
2006-2007	282,326,101	544,401,879	49,429,250		2,616,966,317	5,496,271	3,498,619,818

Expenses by Type

Fiscal Year	Benefits	Refunds	Administrative Expenses	Depreciation Expense	Total
1997-1998	$ 664,147,264	$ 21,360,841	$ 6,173,891	$ 531,364	$ 692,213,360
1998-1999	735,328,349	21,238,599	6,613,935	430,497	763,611,380
1999-2000	791,183,546	22,458,244	7,369,407	364,259	821,375,456
2000-2001	858,979,906	26,948,712	8,220,487	435,128	894,584,233
2001-2002	920,593,341	23,432,296	8,886,231	475,734	953,387,602
2002-2003	1,003,327,453	22,287,120	10,688,003	490,780	1,036,793,356
2003-2004	1,075,298,667	26,804,821	10,786,450	508,399	1,113,398,337
2004-2005	1,139,814,334	30,454,374	12,178,533	476,270	1,182,923,511
2005-2006	1,204,472,977	38,538,125	13,362,286	488,341	1,256,861,729
2006-2007	1,295,552,338	48,119,943	13,323,547	506,521	1,357,502,349

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
Bogalusa City Schools
Bossier Parish School Board
Caddo Parish School Board*
Calcasieu Parish School Board*
Caldwell Parish School Board
Cameron Parish School Board
Catahoula Parish School Board
City of Baker 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 Davis Parish School Board
Jefferson 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
Monroe City Schools
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
West Feliciana Parish School Board
Winn Parish School Board
Zachary Community School Board
Central Community School System

COLLEGES AND UNIVERSITIES

Baton Rouge Community College
Bossier Parish Community College
Delgado Community College
Elaine P. Nunez Community College
Grambling State University
L.E. Fletcher Technical Community College
Louisiana Community and Technical College System
Louisiana Delta Community College
Louisiana State University Medical Center-New Orleans
Louisiana State University Medical Center-Shreveport
Louisiana State University-Baton Rouge
Louisiana State University-Shreveport
Louisiana Technical University
Louisiana Technical College – Jefferson Campus
Louisiana Technical College
McNeese State University
Nicholls State University
Northwestern State University
River Parishes Community College
South Louisiana Community College
Southeastern Louisiana University
Southern University and A&M College-Baton Rouge
Southern University and A&M College-New Orleans
Southern University at Shreveport
Sowela Technical Community College
University of Louisiana at Lafayette
University of Louisiana at Monroe
University of New Orleans

*Top ten largest employers based on covered employees.

Schedule of Participating Employers (continued)

CHARTER SCHOOLS

Advocates for Academic Excellence in Education, Inc.
Advocates for Arts Based Education, Corp.
Advocates for Innovative School Inc.
Advocates for Science and Math, Inc.
Algiers Charter School
Avoyelles Public Charter School, Inc.
Belle Chasse Academy
Council for Quality Education
Delhi Charter School
Dr. Martin Luther King Jr. Charter School for Science and Technology
Einstein Group Inc. — Einstein Charter School
French and Montessori, Inc.
Glenco Charter School
Hynes Charter School
James M. Singleton Charter School
Kipp New Orleans, Inc.
Middle School Advocates, Inc.
New Vision Learning Academy, Inc.
The Leona Louisiana Employment Group
Warren Easton Senior High School Foundation Inc.

STATE AGENCIES

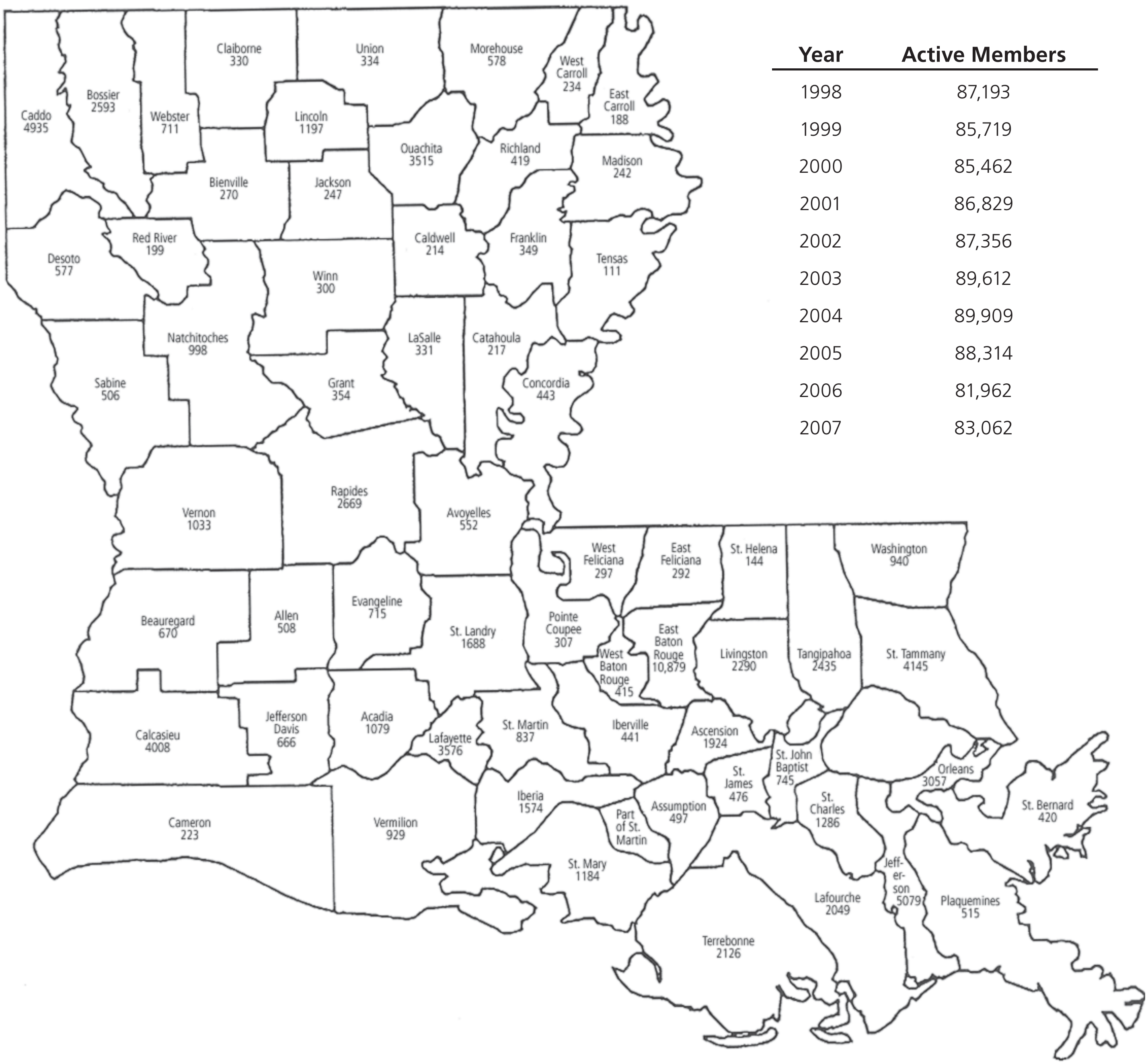
Board of Supervisors – University of Louisiana System
Capital Area Human Services District
Charity Hospital – New Orleans
EA Conway Medical Center
Earl K. Long Medical Center
Eastern Louisiana Mental Health System
Huey P. Long – Medical Center
Leonard J. Chabert Medical Center
Louisiana Board of Regents
Louisiana Department of Agriculture and Forestry
Louisiana Department of Corrections
Louisiana Department of Culture, Recreation and Tourism
Louisiana Department of Education
Louisiana Department of Environmental Quality
Louisiana Department of Health and Hospitals
Louisiana Department of Insurance
Louisiana Department of Justice
Louisiana Department of Military
Louisiana Department of Natural Resources
Louisiana Department of Public Safety
Louisiana Department of Revenue and Taxation
Louisiana Department of Social Services
Louisiana Department of Transportation and Development
Louisiana Department of Veterans Affairs
Louisiana Department of Wildlife and Fisheries
Louisiana Division of Administration
Louisiana House of Representatives
Louisiana Resource Center for Educators
Louisiana School for Math, Science, and Arts
Louisiana School for the Deaf
Louisiana School for the Visually Impaired
Louisiana Special Education Center
Louisiana State Board of Elementary and Secondary Education
Louisiana State Board of Practical Nurse Examiners
Louisiana State Employees' Retirement System
Louisiana State Law Institute
Louisiana State Senate
Louisiana State University – Health Sciences Center
Louisiana State University/Lallie Kemp Medical Center
Louisiana Universities Marine Consortium
Metropolitan Developmental Center
Office of Financial Institutions
Office of Student Financial Assistance
Office of the Legislative Auditor
Office of Youth Development
Secretary of State
Southeast Louisiana Hospital
Special Education District #1
Teachers' Retirement System of Louisiana
University Medical Center-Lafayette
W. O. Moss Regional Hospital
Ware Youth Center
Washington-Saint Tammany Regional Medical Center

OTHER

Associated Professional Educators of Louisiana
Court of Appeal, Fourth Circuit
Florida Parish Human Service Authority
Jefferson Parish Council
Jefferson Parish Human Services
Louisiana Association of Educators
Louisiana Federation of Teachers
Louisiana High School Athletic Association
Metropolitan Human Services
Monroe Federation of Teachers and School Employees
New Orleans Center for Creative Arts
Rapides Federation of Teachers/School Employees
Recovery School District
Saint Bernard Port, Harbor and Terminal District
Saint Tammany Federation of Teachers
United Teachers of New Orleans
UTNO Health and Welfare Fund
Webster Parish Sales Tax Commission

TRSL Total Active Members Statewide

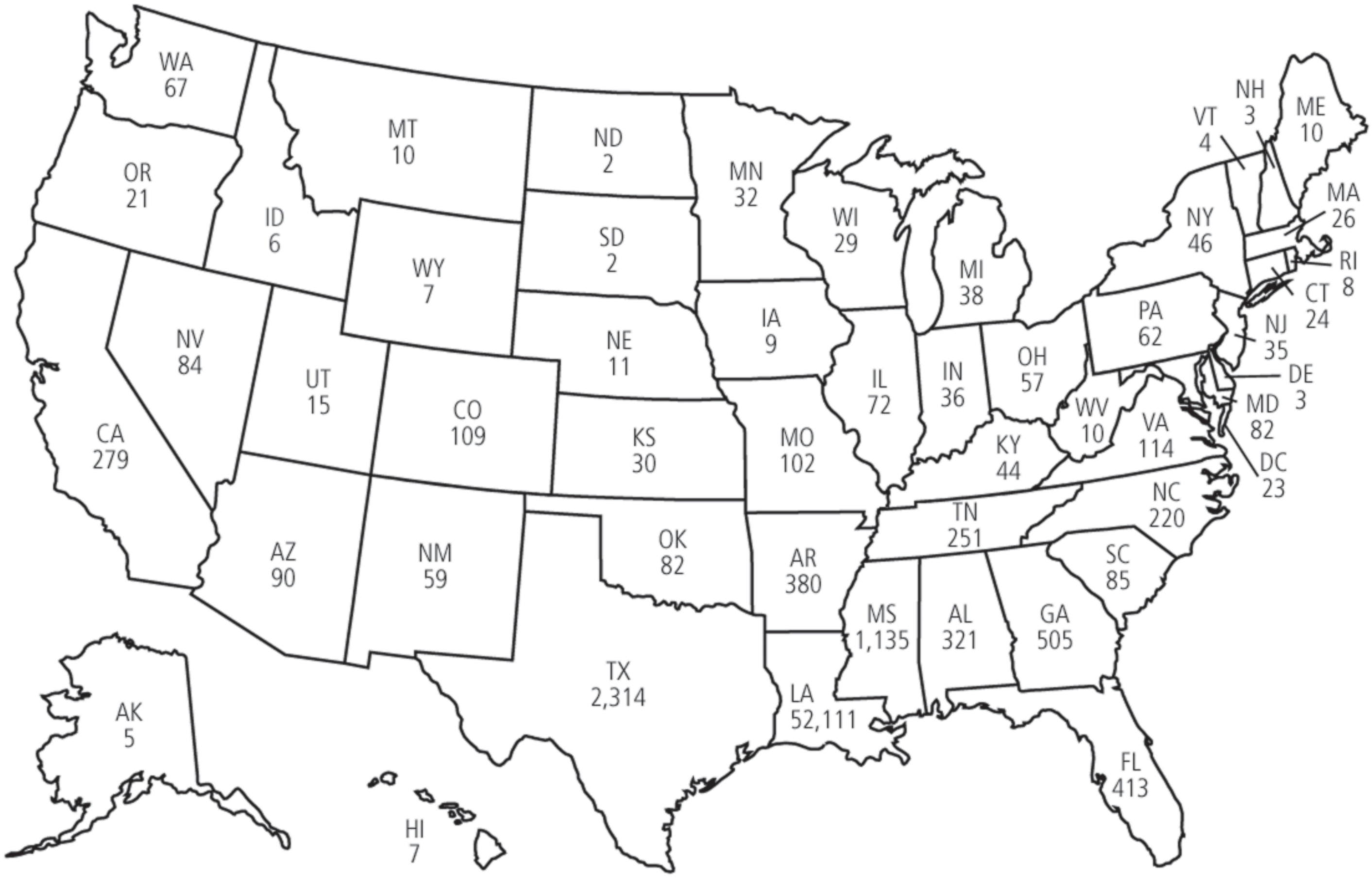
TOTAL NUMBER OF MEMBERS – 83,062



Year	Active Members
1998	87,193
1999	85,719
2000	85,462
2001	86,829
2002	87,356
2003	89,612
2004	89,909
2005	88,314
2006	81,962
2007	83,062

TRSL Total Retired Members Worldwide

TOTAL NUMBER OF RETIREES – 59,530



Foreign Countries

Australia	2	Finland	1	Pakistan	2
Canada	4	Germany	7	Portugal	1
Central America	1	Greece	1	Singapore	1
China	1	Ireland	1	Switzerland	2
Costa Rica	1	Mexico	2	Thailand	1
Czech Republic	2	New Zealand	1	United Kingdom	2

U.S. Overseas Military Bases 5

U.S. Possessions

Guam	1	Virgin Islands	1	Puerto Rico	1

Year	Retired Members
1998	42,445
1999	43,995
2000	45,668
2001	47,426
2002	49,053
2003	50,903
2004	52,900
2005	54,525
2006	57,512
2007	59,530

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Alternative Retirement Plans Section

Louisiana Coastal Marsh
Photo courtesy of Louisiana Office of Tourism

Optional Retirement Plan (ORP)

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

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

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

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

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

At June 30, 2007, and 2006, employees joining ORP consisted of:

	2007	2006
Members of TRSL joining ORP	114	86
New employees joining ORP	1,094	904
	1,208	**990**

At June 30, 2007, and 2006, the amounts transferred to ORP were:

	2007	2006
Amounts previously held in TRSL reserves	$ 433,695	$ 369,138
Contributions	77,662,379	72,879,692
	$ 78,096,074	**$ 73,248,830**

At June 30, 2007, and 2006, member and employer contribution rates were:

Member	2007	2006
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		
Employer contribution rate (normal cost is applicable for ORP transfers)	6.640%	6.507%
Unfunded rate (retained by TRSL)	9.160%	9.393%
	15.800%	**15.900%**

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.

	2007	2006	Percent Increase (Decrease)
Members Entering DROP	12*	82*	(85%)
Disbursements	$ 110,249,218	$ 116,569,398	(5%)
DROP Reserves at June 30	$ 771,131,122	$ 769,738,837	1%

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 20 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.

	2007	2006	Percent Increase (Decrease)
Members choosing ILSB	30*	31*	(3%)
Disbursements	$2,876,338	$3,691,939	(22%)
ILSB Reserves at June 30	$6,678,293	$5,932,773	13%

Drop/ILSB Account Interest Rates

Fiscal Year Ending June 30	2002	2003	2004	2005	2006	2007
Interest Rate	(6.34%)**	(6.05%)**	9.35%	9.37%	15.15%	14.70%

*Per Act 962 of 2003 members who become eligible for DROP or ILSB must now enter LaDROP or LaILSB.
**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. As of June 30, 2007, LaDROP/LaILSB accounts earned approximately 4.88 percent.

LaDROP	2007	2006	Percent Increase (Decrease)
Members Entering LaDROP	1,371	1,920	(29%)
Disbursements	$ 18,343,049	$ 5,133,840	257%
LaDROP Reserves at June 30	$251,121,195	$139,023,472	81%

LaILSB	2007	2006	Percent Increase (Decrease)
Members Entering LaILSB	60	37	63%
Disbursements	$2,649,316	$1,722,557	54%
LaILSB Reserves at June 30	$ 988,832	$ 497,419	99%

Excess Benefit Plan

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

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

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

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

	2007	2006	Percent Increase (Decrease)
Number of Excess Benefit Recipients	35	31	13%
Total Benefits	$514,126	$459,653	12%

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