2008 Comprehensive Annual Financial Report

Integrity

Accountability

Trust

Responsibility

TRSL

A component unit of the State of Louisiana for the fiscal year ended June 30, 2008

2008 Comprehensive Annual Financial Report

Prepared by:

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

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A component unit of the State of Louisiana for the fiscal year ended June 30, 2008

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Letter of Transmittal

October 1, 2008

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

Dear Board Members:

It is our privilege to present the Teachers' Retirement System of Louisiana (TRSL) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. We hope you find it to be thorough and informative.

In the design of our annual report, you'll come across the words responsibility, integrity, and accountability. It is by no accident that we chose to emphasize these words. They come directly from our newly adopted mission and vision statements. They capture the culture and spirit of TRSL, and they reflect the core values of the TRSL Board, management, and staff.

Our mission statement reads: *Retirement security in a changing world*. It's a simple but significant statement. Despite life's uncertainties, at TRSL our foremost concern is to provide a secure retirement system for Louisiana educators. This means working with all stakeholders to ensure the best interests of the System and its members are met; developing systems and processes to ensure the accurate and timely delivery of retirement benefits; positioning TRSL to achieve optimal investment results; and providing the resources to help members make informed decisions about their financial futures. During this last year, we continued our work toward this mission.

Highlights: Fiscal Year 2007-08

TRSL received a $40 million appropriation from the state's general fund during the second special legislative session of 2008 to pay down the unfunded accrued liability (UAL). These funds will bolster TRSL's funding status by enabling the System to pay down retirement debt sooner. In the 2008 Regular Session, the legislature approved a cost-of-living adjustment (COLA) for the second consecutive year. This enabled TRSL to grant a 3.0 percent COLA to help offset the increase in inflation. The significance of this benefit increase cannot be overstated given the modest retirement incomes upon which so many of our retired educators and school employees depend.

Operationally, we continue to move closer to our goal of providing a seamless and paperless retirement experience for our members. Through Member Access, we added more online self-service features, giving members increased flexibility in managing their retirement accounts. Also, we are continually expanding opportunities for employers to submit data to us electronically, which speeds up the time it takes to process retirements and provides those agencies with an additional layer of data security. By routinely submitting employee data to TRSL through our online Employer Inquiry System, employers automatically create a backup of critical retirement information should they lose records in the event of a disaster.

In the investment arena, we are guided by thoughtful and deliberative investment strategies that seek to add value to our portfolio while minimizing undue risk. Last year, we broadened our asset class definitions giving us an opportunity to increase the flexibility and position of our portfolio. We also enhanced the process by which we seek proposals for investment managers. This new process allows for a more rigorous evaluation of those who seek to manage the funds in our portfolio.

We continue to make retirement education available to members and employers no matter where they live or work. We hold retirement workshops throughout the state; we schedule individual retirement counseling; and we've added multimedia presentations to our website, *www.trsl.org*, to help members at various stages in their careers understand their retirement benefits. Employers can participate in employer workshops that focus on the latest updates in reporting procedures; they can attend web-based teleconferences to ask questions directly of our staff; and they can access training materials and information online. We look for every opportunity to provide the tools and resources our members and employers need to prepare themselves and their employees for retirement.

We have undertaken all of these enhancements with our customers in mind. We seek input from our members on everything from workshop presentations to publications to future self-service features. In the last year, we have conducted online surveys, assembled focus groups, and made comment cards available to members. The feedback we have received is invaluable. Still, while technology has given us the tools to launch many dynamic online products and services, nothing can replace the excellent personal service we strive to provide each member at every opportunity.

Furthermore, we continue to pursue the highest standards in public pension administration and financial investment. As mentioned earlier, we adopted new mission and vision statements which you can find on page 12. They are a visible reminder of what we come to work for every day. We expect the best of ourselves, and quite frankly, our members deserve nothing less.

As testament to this, a benchmarking service has once again recognized us for our cost efficiency and customer service when compared to other national public pension systems. Their findings show that our actual administrative costs are 52 percent lower than our predicted costs given the level of service we provide and the complex structure of our plan. We are extremely pleased with the positive results.

We encourage you to review the information in the following pages of this report. It has been prepared to meet all the requirements in Louisiana Revised Statute 11:832(B). Management is responsible for the veracity of all financial statements and disclosures. To the best of our knowledge, 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 complements the Management's Discussion and Analysis (MD&A) on page 28, and provides an overview and analysis of the System's basic financial statements.

This report consists of the following six sections:

- Introductory
  General information regarding TRSL operations
- Financial
  Management's Discussion and Analysis and financial statements
- Investment
  Summary of investments and performance information
- Actuarial
  Results from actuarial valuation and other actuarial statistics
- Statistical
  General statistical and historical information about TRSL finances and members
- Alternative Retirement Plans
  Information on TRSL's optional retirement products

About TRSL
TRSL is a defined-benefit pension plan, established by the state legislature in 1936 to provide retirement benefits for Louisiana teachers. All invested funds, cash, and property are held in the name of TRSL for the sole benefit of the membership. A 16-member Board of Trustees governs TRSL. The Board includes 10 active members, two retired members, and four ex officio members.

All duties of the Board and management are performed in accordance with their fiduciary responsibilities. There can be no conflict of interest concerning the membership; the highest standards of ethical management must be met; assets must be managed prudently; and the best legal and investment expertise must be employed in deciding on the allocation of funds.

TRSL also 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. We use leading technology, emphasize continuing professional development, and maintain an internal audit department to ensure the interests of our membership are never compromised.

Investment Performance
TRSL ended Fiscal Year 2007-08 with a -5.14 percent (-4.81 percent gross of fee) return on investments, which in the face of a lackluster performance by U.S. and international financial markets, still beat the policy benchmark by 1.83 percent. It is the diverse mix of investments in our portfolio that shields trust fund assets from periods of high market volatility.

In fact, returns for our alternative investments, core real estate, mortgage-backed fixed income, and global fixed income portfolios were 4.49 percent, 8.43 percent, 10.10 percent, and 13.46 percent respectively. Over a five-year period, TRSL has achieved an annualized total fund return of 11.35 percent, exceeding the actuarial assumed investment earnings of 8.25 percent.

Funding Requirements

In order to meet current and future benefit obligations, employers are required to make contributions to TRSL based on the normal cost of funding retirement benefits and the amortization of the unfunded accrued liability (UAL). Each year, TRSL's actuary determines our funding requirements, and recommends an employer contribution rate based on a percentage of payroll. The recommended employer contribution rate for Fiscal Year 2008-09 is 15.5 percent, and was approved for 16.6 percent for Fiscal Year 2007-08 by the Public Retirement Systems' Actuarial Committee (PRSAC).

As of June 30, 2008, TRSL was 68.5 percent funded with regard to current and future member benefit obligations. This is down slightly from last fiscal year when the System was 69.9 percent funded as of June 30, 2007. The tough economic conditions of this year did impact the System's funding status. Net assets held in trust totaled $15.0 billion at June 30, 2008, compared to $16.1 billion at June 30, 2007.

Major Initiatives

We continue to use our strategic planning tool, the Balanced Scorecard, to set goals, track progress, and recognize our accomplishments. These are just a few of the milestones we achieved last year:

- Added new, online self-service features to Member Access, including the ability for retirees to change tax withholding information
- Reduced the average processing time for finalization of retirement benefits by more than 20 percent
- Audited and certified certain employee data—prior to application of retirement—to expedite the processing of future retirement applications
- Instituted programs and incentives to recognize the professional growth and development of staff
- Implemented a corporate governance strategy of constructive engagement with respect to global investments that compels companies with whom the System invests to provide detailed information about any business interests in Iran, North Korea, Sudan, and Syria
- Adopted an internally managed terror-free equity index portfolio which excludes companies with holdings in prohibited nations
- Participated as co-lead plaintiff in a $3.25 billion securities litigation class-action settlement against Tyco International Ltd.

These accomplishments directly link to our goals in the Balanced Scorecard which focus on customer service, financial accountability, administrative and operational efficiency, public value and benefit, and workforce training and development. Our success is a result of our dedicated staff and our commitment to excellence in member services and in the administration of the retirement system.

In The Future

We continue to embrace leading technology that allows us to enhance the services and products we offer members. Building upon our achievements from the past year, we are moving ahead with enhancements to the foundation of our information technology systems. Presently, we are in the midst of a migration to web/browser-based Microsoft .NET system and environment. Once complete, this will increase programmer efficiency, enabling us to more easily enhance and expand our automated programs and services.

We have also embarked on a long-term project to assess and retool all of our communication vehicles from printed handbooks and newsletters to the content on our website. We want to ensure that all of our communication material is clear, direct, and user friendly.

Our focus is to administer a sound public retirement system marked by trust, fairness, and integrity, as well as an unwavering pledge to provide the highest degree of customer service to our members. We believe these projects and our many other efforts bring us closer to realizing our goals.

Independent Audit

The independent certified public accounting firm of Hawthorn, Waymouth & Carroll, L.L.P. located in Baton Rouge, La., performed the annual financial and compliance audit of TRSL. This 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. It is the opinion of the independent auditors that all financial statements contained in this report fairly present, in all material respects, the financial position of TRSL as of June 30, 2008 and 2007.

Awards

For the 17th consecutive year, TRSL received the Certificate of Achievement for Excellence in Financial Reporting award for our comprehensive annual financial report for the fiscal year ended June 30, 2007. This prestigious award is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government entities that 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, 2007. This is the sixth 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.

We also received the Public Pension Standards 2007 Award. The Public Pension Coordinating Council presents this certificate to public employee retirement systems that achieve high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. TRSL is a seven-time recipient of this prestigious award.

TRSL's commitment to community is unmistakable. Our staff contribute regularly to worthy causes that make a difference in our community. Last year, we raised money to help prevent birth defects in babies through the March of Dimes 2008 "March for Babies" campaign, and supported dozens of community organizations that rely on funding from the United Way.

Acknowledgments

TRSL staff prepared this report in cooperation with the Board of Trustees and executive management. We appreciate the efforts of those who helped in its preparation.

Respectfully submitted,

Maureen H. Westgard	Charlene T. Wilson
Director	Chief Financial Officer

TRSL Teachers' Retirement System of Louisiana

VISION

Retirement security in a changing world

MISSION

Manage the Teachers' Retirement System of Louisiana in a manner that creates the highest degree of confidence in our integrity, efficiency, fairness, and financial responsibility

VALUES AND GOALS

We are here to serve our customers.
Every customer will be provided timely, accurate, and courteous service.

We are committed to our role as fiduciaries of the trust.
We will manage the fund's assets with unwavering integrity and discipline to provide retirement benefits and achieve long-term, optimal results.

We believe in the value of public service and quality education for all Louisiana citizens.
We will foster an environment where innovation, initiative, and accountability are expected and supported.

We know that with an entrepreneurial spirit and team work, we can accomplish any task.
We will utilize quality principles, leading technology, and partnerships with our stakeholders to improve our products and services.

Ultimately, our performance comes from our people.
We value and support employees through open communication, professional development, recognition, and by creating a sense of community.

Board of Trustees

Sheryl R. Abshire, Ph.D.
Board Chair
Lake Charles
7th District
Term expires 12/31/10

Anne H. Baker
Board Vice Chair
Baton Rouge
Retired Teachers
Term expires 12/31/09

Darlene L. LeBlanc
Baton Rouge
1st District
Term expires 12/31/10

Eula M. Beckwith
New Orleans
2nd District
Term expires 12/31/11

Carole J. White
Zachary
3rd District
Term expires 12/31/11

Dominic Salinas, Ed.D.
Shreveport
4th District
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Hammond
5th District
Term expires 12/31/08

Joyce P. Haynes
Opelousas
6th District
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William C. "Bill" Baker, Ed.D.
Baton Rouge
Retired Teachers
Term expires 12/31/10

Jerry J. Baudin, Ph.D.
Baton Rouge
Colleges and Universities
Term expires 12/31/10

William Britt
Castor
Superintendents
Term expires 12/31/10

Bonnie H. Brooks
Ponchatoula
School Food Service Employees
Term expires 12/31/09

Honorable
D.A. "Butch" Gautreaux
Chairman,
Senate Retirement Committee

Honorable
John N. Kennedy
State Treasurer

Honorable
Paul G. Pastorek
State Superintendent
of Education

Honorable
Joel C. Robideaux
Chairman,
House Retirement Committee

Executive Management

Maureen H. Westgard
Director

Stuart Cagle
Deputy Director

Dana L. Vicknair
Assistant Director of Retirement Services

Roy A. Mongrue, Jr.
General Counsel

Robert S. Leggett
Chief Investment Officer

Department Managers

Roth Aymond
Information Technology Director

Trudy Berthelot
Human Resource Director

Doris Dumas
Retirement Education Consultant

Benjamin Foster
Audit Director

Philip Griffith
Deputy Chief Investment Officer

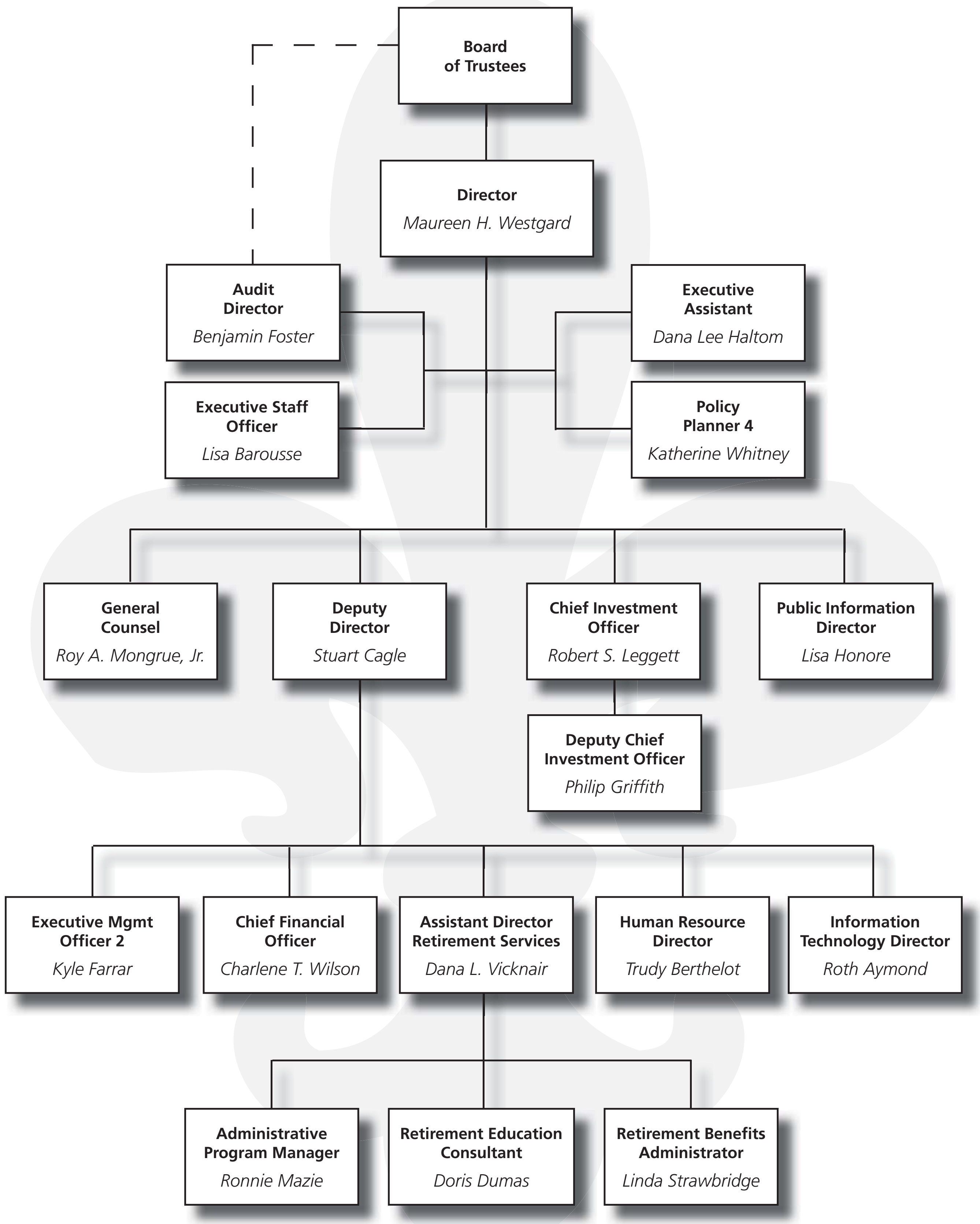
Lisa Honore
Public Information Director

Ronnie Mazie
Administrative Program Manager

Linda Strawbridge
Retirement Benefits Administrator

Charlene T. Wilson
Chief Financial Officer

Organizational Chart



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Hall Actuarial Associates
1624 LaSalle Parc
Baton Rouge, LA 70806

SJ Actuarial Associates
18645 Antebellum Court
Prairieville, LA 70769

Auditor

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Dallas, TX 75284-9887

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Newark, NJ 07189

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Carrollton, TX 75006

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Toronto, Ontario M5H 2A4

Mail Guard Transcontinental Printing G.P.
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Chicago, IL 60693

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Chicago, IL 60693

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Greenwood Villa, CO 80111

Scope Solutions Group
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IBM Corporation
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Jones, Day, Reavis and Pogue
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Los Angeles, CA 90017

Global Fixed Income Advisors

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Bevis Marks House
Bevis Marks London, EC3A 7NE England

Brandywine Global Investment
Management, Inc.
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Philadelphia, PA 19104

Fixed Income Domestic Investment Grade Advisors

Peregrine Capital Management, Inc.
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Minneapolis, MN 55402

JPMorgan Chase
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Mail Code OH1-0211
Columbus, OH 43240

ING Investment Management Americas
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Prosper, TX 75078

High Yield Fixed Income Advisors

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10801 Mastin Boulevard, Suite 220
Overland Park, KS 66210

Nicholas-Applegate Capital Management
600 West Broadway, 29th Floor
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Seix Investment Advisors
10 Mountainview Road, Suite C-200
Upper Saddle River, NJ 07458

Shenkman Capital Management, Inc.
461 Fifth Avenue, 22nd Floor
New York, NY 10017

Large Cap Growth Equity Advisors

The Smith Asset Management Group, L.P.
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Dallas, TX 75201

Atlanta Capital Management Company, L.L.C.
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LSV Asset Management
One North Walker Dr., 40th Floor
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International Core Equity Advisors

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New Star Institutional Managers Limited
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Small Cap International Equity Advisors

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Pittsburgh, PA 15258

Global Custodian

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Securities Lending Vendor

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Pittsburgh, PA 15262-0001

Core Real Estate

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Parsippany, NJ 07054

UBS Realty Investors LLC
UBS Tower
One North Wacker Drive, 32nd Floor
Chicago, IL 60606

JPMorgan Investment Management, Inc.
245 Park Avenue, 2nd Floor
New York, NY 10167-0001

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, 2007

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

Teachers' Retirement System of Louisiana

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H Winkle

Alan H. Winkle
Program Administrator

Summary of 2007-2008 Legislation

2008 First Special Session

Act 1 requires different levels of financial disclosure by certain public officials. (*Effective January 1, 2009*)

Act 3 requires ethics education for elected officials, lobbyists, and public servants. (*Effective April 26, 2008*)

Act 9 places new restrictions on the receipt of food and drink by public servants. (*Effective March 30, 2008*)

Act 11 requires state agencies to designate at least one person in the agency as the ethics instructor for the agency. (*Effective April 26, 2008*)

Act 13 changes the reporting requirements for both legislative and executive branch lobbyists. (*Effective January 1, 2009*)

HR 11 requires anyone seeking to testify before a legislative committee to sign a sworn statement in the form of a signed witness card affirming that the testimony is true and correct. (*Effective February 25, 2008*)

HCR 7 memorializes Congress to consider eliminating the GPO/WEP Social Security reductions of federal, state, and local government retirees. (*Effective February 25, 2008*)

2008 Second Special Session

Act 7 appropriates $40 million to pay down the unfunded accrued liability (UAL). (*Effective July 1, 2008*)

SR 8 requests a study of issues related to providing for the retirement of employees of charter schools. (*Effective February 27, 2008*)

2008 Regular Session (*TRSL-Recommended Legislation*)

SCR 1 grants approval of a cost-of-living increase requested by the Board of Trustees of the Teachers' Retirement System of Louisiana. (*Effective July 1, 2008*)

Act 19 is a General Appropriations bill that includes a $1,564,978 appropriation from the State General Fund to TRSL which reflects supplemental allowances provided by various legislation and supplemental payments to LSU Cooperative Extension retirees. (*Effective July 1, 2008*)

2008 Regular Session (*Legislation Affecting TRSL*)

Act 131 amends R.S. 42:7 of the public records law to prohibit a public body from considering a matter not on its meeting agenda unless a motion to do so is approved by a unanimous vote of the members present at the meeting. (*Effective August 15, 2008*)

Act 162 limits the applicability of financial disclosure provisions to those persons holding a covered office or position on or after July 1, 2008. (*Effective July 1, 2009*)

Act 472 amends the financial disclosure laws to create a new Tier 2.1 applicable to boards and commissions and provides for the financial disclosure requirements for boards and commissions covered by Tier 2.1. (*Effective July 1, 2008*)

Act 714 allows TRSL members who become eligible to participate in DROP or retire with the ILSB option on or after January 1, 2004, to elect to have their DROP/ILSB accounts earn interest at the System's rate equal to the realized return on the System's portfolio for each fiscal year as certified by the System's actuary less .50 percent, rather than at the liquid asset money market rate. It requires certain waivers and acknowledgments by the participant. (*Effective July 1, 2009*)

Act 875 provides that no person appointed or elected to a board or commission within the executive branch of state government shall serve in such position for more than three consecutive terms, unless another term limit is provided by law. (*Effective August 15, 2008*)

HSR 14 requests the House Committee on Retirement study issues relative to cost-of-living adjustments for retired teachers and state employees. (*Effective July 1, 2008*)

HR 78 requests the legislative auditor conduct a performance audit of the state retirement systems relative to the legal requirement that they direct certain percentages of investment trades through Louisiana broker-dealers. (*Effective June 16, 2008*)

Plan Summary

The Teachers' Retirement System of Louisiana (TRSL) is a public trust fund founded on August 1, 1936. It is responsible for safeguarding and managing the money it holds in trust to provide retirement income for its members.

TRSL has grown over the years to include members of the following retirement systems:

July 1, 1971
Orleans Teachers' Retirement Fund merged into TRSL.

January 1, 1979
LSU Retirement System employees transferred into TRSL or the Louisiana State Employees' Retirement System (LASERS).

July 1, 1983
Louisiana School Lunch Employees' Retirement System merged into TRSL.

Benefit Provisions

A. Eligibility Requirements

TRSL 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" as defined by state law are eligible for membership in TRSL.

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 formula to calculate the benefit is based on a percentage of the member's average salary for the 36 highest successive months.

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 %
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 became members on or after July 1, 1999:

Years Service	Minimum Age	Formula %
5	60	2.5%
20	Any age	2.5%*
25	55	2.5%
30	Any age	2.5%

*actuarially reduced

Plan A (School Food Service Employees)

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

Plan A members, 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 the employing agencies withdrew from Social Security coverage and retirement contributions were paid on the member's salary.

Plan B (School Food Service Employees)

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

C. Deferred Retirement

Any member with service credit of five or more years may cease covered employment, leave the accumulated contributions in TRSL 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.

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.

Plan A (School Food Service Employees)

The eligibility requirements and provisions previously stated regarding disability benefits for Regular Plan members also apply to 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.

Plan B (School Food Service Employees)

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, TRSL implemented a tax-sheltering plan whereby 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 (ORP)

In 1989, the Louisiana Legislature established the ORP for academic employees of public institutions of higher education who are eligible for membership in TRSL.

The ORP 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 ORP and purchase annuity contracts for benefits payable at retirement rather than participate in TRSL.

Louisiana Revised Statutes 11:921 through 11:931 required the TRSL Board of Trustees to implement the ORP by March 1, 1990, and public institutions of higher education to implement the ORP on July 1, 1990.

In accordance with the statutes, the TRSL Board 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 (TIAA-CREF), and AIG Valic.

Deferred Retirement Option Plan (DROP)

DROP became effective July 1, 1992. This plan, which is described on page 145 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 DROP 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, TRSL 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.

2008 Financial Section

Integrity

Accountability

Trust

Responsibility

TRSL

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

J.CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

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

October 10, 2008

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, 2008 and 2007, 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, 2008 and 2007, 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 October 10, 2008, 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 important for 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, L.L.P.

Management's Discussion & Analysis

Management is pleased to provide this overview 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. We encourage readers to consider the information and data presented here in conjunction with information provided in other areas of the Financial Section, as well as information presented in the Letter of Transmittal in the Introductory Section.

Financial Highlights

- The net assets held in trust were $15.0 billion in 2008 compared to $16.1 billion in 2007 and $14.0 billion in 2006.
- The market rate of return on the System's investments was -4.8 percent for 2008 compared to 19.67 percent for 2007 and 14.3 percent for 2006.
- The System's funded ratio (includes IUAL) decreased to 70.2 percent at June 30, 2008 compared to 71.3 percent at June 30, 2007, and 67.5 percent at June 30, 2006.
- The unfunded actuarial accrued liability (UAAL) increased from $6.0 billion in 2007 to $6.6 billion in 2008. The unfunded actuarial accrued liability was $6.3 billion in 2006.
- Total benefit payments increased from $1.3 billion in 2007 to $1.4 billion in 2008. The benefits payments were $1.2 billion in 2006.

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, 2008, and June 30, 2007.

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, and accumulated leave requirements.
- **Note C** provides information regarding member and employer contribution requirements.
- **Note D** provides information regarding TRSL employee pension benefit plans.
- **Note E** describes the System's investments and includes information regarding bank balances, security collateralization, investment credit risk, interest rate risk, foreign credit risk, and alternative investments.
- **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 implementation of GASB Statement 45.
- **Note L** provides information on implementation of GASB 50.
- **Note M** provides information on the upcoming implementation of GASB 51.

Required supplementary information consists of two schedules and related notes concerning the funded status of the System. It also includes the schedule of funding progress for the Other Post-Employment Benefits (OPEB) plan.

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, 2008, is $15.0 billion, compared to $16.1 billion held in trust at June 30, 2007, and $14.0 billion held in trust at June 30, 2006.

Condensed Comparative Statements of Plan Net Assets

	2008	2007	2006
Cash and cash equivalents	$ 36,087,141	$ 15,294,772	$ 59,572,968
Receivables	475,647,057	363,771,661	479,402,178
Investments (fair value)	14,764,880,898	16,045,489,228	13,755,624,235
Securities lending collateral	1,063,675,677	2,507,280,388	2,169,031,263
Capital assets	4,643,492	4,324,000	4,515,507
Total assets	16,344,934,265	18,936,160,049	16,468,146,151
Accounts payable and other liabilities	285,008,869	280,149,444	291,502,140
Securities lending collateral	1,063,675,677	2,507,280,388	2,169,031,263
Total liabilities	1,348,684,546	2,787,429,832	2,460,533,403
Net assets held in trust	**$ 14,996,249,719**	**$ 16,148,730,217**	**$ 14,007,612,748**

Changes in Plan Net Assets

For June 30, 2008, additions to TRSL's plan net assets were derived from member and employer contributions. For 2008, member contributions increased $41,352,351 (14.6 percent) while employer contributions increased $111,689,698 (20.5 percent) over 2007. For 2007, member contributions increased 9.3 percent and employer contributions increased 2.7 percent over 2006. In 2006, member contributions decreased 4.5 percent, while the employer contributions increased 2.3 percent over 2005. The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contributions annually. The employer rate was 16.6 percent for 2008, 15.8 percent for 2007, and 15.9 percent for 2006. For 2008, the increase in member contributions is directly related to a 9.6 percent increase in average teachers' salaries. The increase in salaries and a higher employer rate for 2008 were the main factors for the increased employee and employer contributions. In 2007, teacher salaries increased by 10.3 percent. For 2006, the decrease in employee contributions was directly related to the reduction of active members following Hurricanes Katrina and Rita.

The System experienced a net investment loss of $799,959,813 in 2008 compared to a net investment gain of $2,616,966,317 in 2007 and a net gain of $1,737,664,681 in 2006. For 2008, the loss is directly related to the downward turn the markets have taken on both domestic and international investments.

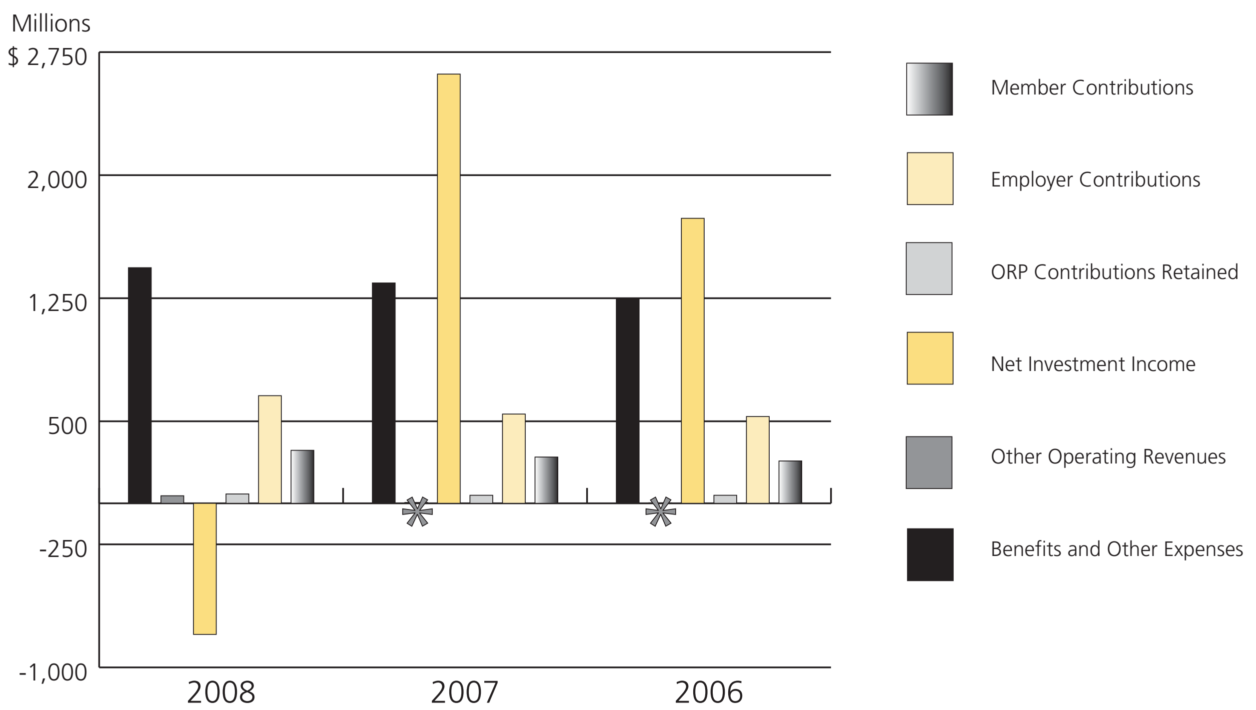
Condensed Comparative Statements of Changes in Plan Net Assets

	2008	2007	2006
Additions			
Member contributions	$ 323,678,452	$ 282,326,101	$ 258,412,024
Employer contributions	656,091,577	544,401,879	529,983,453
ORP contributions retained	57,569,465	49,429,250	49,293,547
Other operating revenues	46,264,759	5,496,271	3,208,183
Total net investment income (loss)	(799,919,813)	2,616,966,317	1,737,664,681
Total additions	283,684,440	3,498,619,818	2,578,561,888
Deductions			
Benefits and refunds	1,420,738,298	1,343,672,281	1,243,011,102
Administrative expenses	14,880,903	13,323,547	13,362,286
Other operating expenses	545,737	506,521	488,341
Total deductions	1,436,164,938	1,357,502,349	1,256,861,729
Net increase (decrease)	(1,152,480,498)	2,141,117,469	1,321,700,159
Net assets beginning of year	16,148,730,217	14,007,612,748	12,685,912,589
Net assets end of year	$ 14,996,249,719	$ 16,148,730,217	$ 14,007,612,748

Financial Section

Deductions from plan net assets totaled $1,436,164,938 in Fiscal Year 2008, an increase of $78,662,589 or 5.8 percent over Fiscal Year 2007. In 2007, total deductions from plan net assets increased by $100,640,620 or 8.0 percent over Fiscal Year 2006. Benefit payments continue to be the major reason for this increase. TRSL paid a 3.0 percent cost-of-living adjustment (COLA) to eligible retirees in 2008 and 2007. For 2008, benefit payments increased by 6.8 percent compared to 8.1 percent in 2007 and 6.2 percent in 2006. For the second consecutive year, the number of retirees added to payroll has decreased. In 2008, only 1,540 retirees were added to the payroll and in 2007 only 2,018 retirees were added, compared to 2,987 retirees in 2006. Refunds of contributions decreased by $13,048,600 or 27.1 percent from 2007. This 27.1 percent decrease from 2007 continues to realign the System's refund dollars and number of refunds to its pre 2005 hurricane (Katrina and Rita) status. Administrative expenses increased by $1,557,356 or 11.7 percent over Fiscal Year 2007. The underlying factors in the administrative increase are salaries, related benefits, system training on a new computer platform, and acquisition of computer infrastructure technology. Salaries of $8,139,981 were paid in 2008, resulting in a 17.1 percent increase over 2007. Related benefits increased by $389,982 or 17.5 percent over 2007. For 2008, the increase in salaries and training reflects management's commitment to achieving and retaining a highly skilled and competent workforce. Increases in other areas reflect TRSL's mission to expand its customer service while maximizing efficiency within the agency.

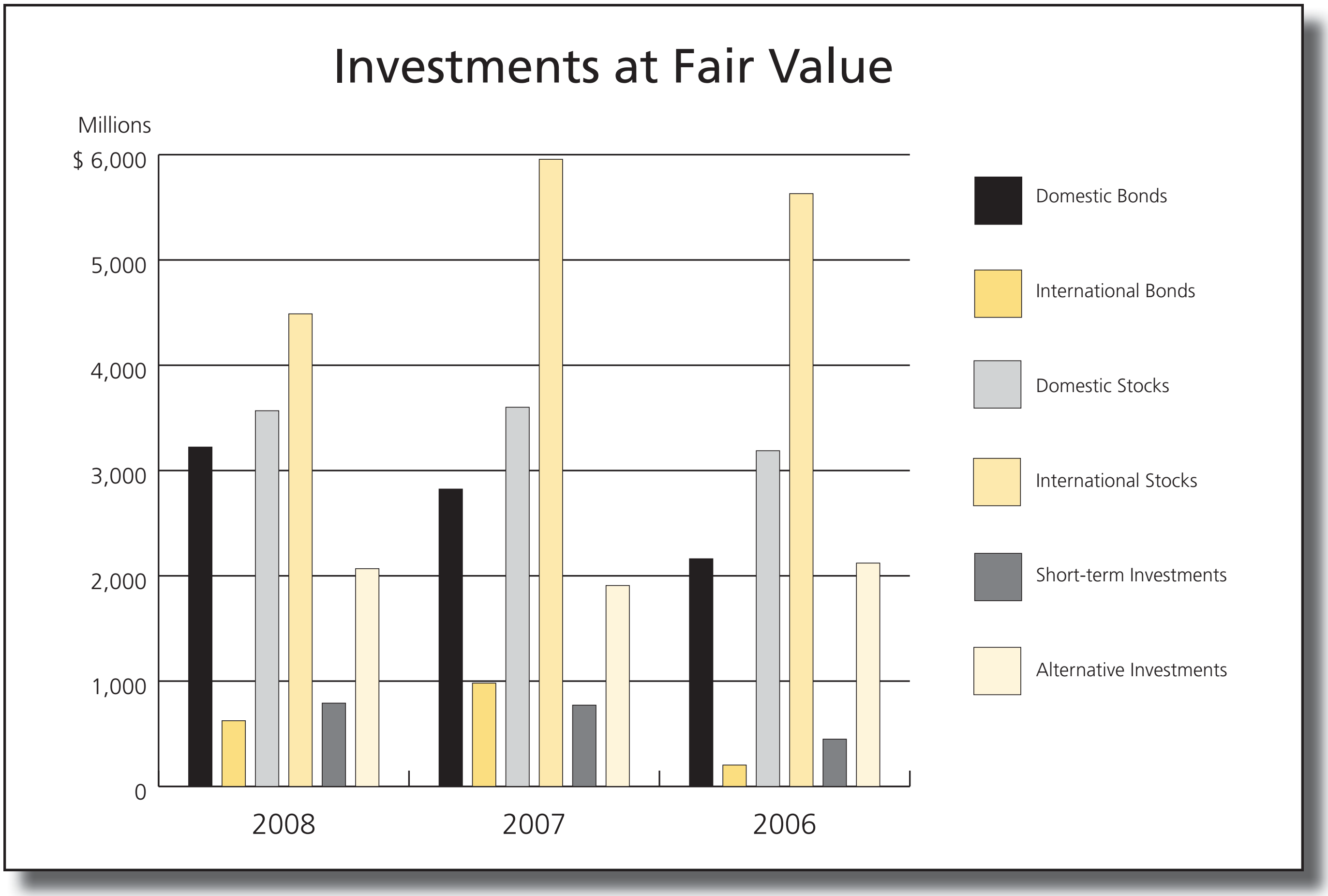
Changes in Plan Net Assets



* Other Operating Revenues for the years 2007 and 2006 were under $40 million and therefore are not visible on this graph. Please see "Condensed Comparative Statements of Changes in Plan Net Assets" on page 30 for these values.

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, 2008, amounted to $14.8 billion, compared to $16.0 billion at June 30, 2007, which is a decrease of $1.2 billion or 8.0 percent. The $16.0 billion at June 30, 2007 represents a 2.2 billion or 16.7 percent increase over 2006. The System experienced a net loss on investments of $800 million for the fiscal year ended June 30, 2008, a net gain of $2.6 billion at June 30, 2007, and a net gain of $1.7 billion in 2006. For 2008, the System's market rate of return is -4.81 percent. This return ranks in the 33rd percentile of the BNY Mellon Financial Public Funds. It places TRSL ahead of 67 percent of other public pension plans with assets greater than $1.0 billion. In 2008, the financial world market had major issues such as rising energy prices, and financial institution credit concerns that played key roles in the outcome of the System's earnings potential.



Investments at Fair Value			
	2008	**2007**	**2006**
Domestic bonds	$ 2,068,620,083	$ 1,908,652,650	$ 2,121,505,657
International bonds	791,074,725	772,811,203	449,917,634
Domestic stocks	4,488,267,744	5,956,585,766	5,630,073,349
International stocks	3,568,846,836	3,601,296,445	3,188,085,062
Short-term investments	624,681,156	981,706,327	203,642,122
Alternative investments	3,223,390,354	2,824,436,837	2,162,400,411
Total investments	$ 14,764,880,898	$ 16,045,489,228	$ 13,755,624,235

Funded Status

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio decreased to 70.2 percent at June 30, 2008, compared to 71.3 percent at June 30, 2007, and 67.5 percent at June 30, 2006. The amount by which TRSL's actuarial liabilities exceed the actuarial assets is $6.6 billion at June 30, 2008, compared to $6.0 billion at June 30, 2007, and $6.3 billion at June 30, 2006, thereby increasing the System's unfunded accrued liability (UAL) by $287 million since 2006. The increase in the plan's UAL is a result of an investment loss related to the assumed actuarial rate. For the year ending June 30, 2008, the net realized actuarial rate of return was 5.15 percent, which was less than the System's long-term investment assumption of 8.25 percent. This resulted in a net investment experience loss. The System also saw an experience loss primarily driven by higher teacher salaries paid than expected, and also a change in our actuarial assumptions. For the years ending June 30, 2007 and 2006, the net realized actuarial rates of return were 15.20 percent and 15.65 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, LA 70804-9123
charlene.wilson@trsl.org.

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Basic Financial Statements

Integrity

Accountability

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Responsibility

TRSL

Statements of Plan Net Assets as of June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	$ 36,087,141	$ 15,294,772
Receivables:		
Member contributions	57,451,866	57,266,938
Employer contributions	100,182,352	76,218,878
ORP contributions retained	4,230,253	3,641,433
Pending trades	257,071,878	170,641,032
Accrued interest and dividends	49,159,508	51,423,625
Other receivables	7,551,200	4,579,755
Total receivables	475,647,057	363,771,661
Investments, at fair value:		
Domestic bonds	2,068,620,083	1,908,652,650
International bonds	791,074,725	772,811,203
Domestic common and preferred stocks	4,488,267,744	5,956,585,766
International common and preferred stocks	3,568,846,836	3,601,296,445
Domestic short-term investments	624,681,156	981,706,327
Alternative investments	3,223,390,354	2,824,436,837
Total investments	14,764,880,898	16,045,489,228
Invested securities lending collateral:		
Collateral held under domestic securities lending program	776,026,712	2,115,371,825
Collateral held under international securities lending program	287,648,965	391,908,563
Total securities lending collateral	1,063,675,677	2,507,280,388
Property and equipment (at cost) – net	4,643,492	4,324,000
Total assets	16,344,934,265	18,936,160,049
Liabilities		
Accounts payable	11,370,139	13,006,673
Benefits payable	8,337,907	7,217,168
Refunds payable	6,615,715	5,858,882
Pending trades payable	255,395,415	252,855,646
Other liabilities	3,289,693	1,211,075
Total accounts payable and other liabilities	285,008,869	280,149,444
Securities lending collateral:		
Obligations under domestic securities lending program	776,026,712	2,115,371,825
Obligations under international securities lending program	287,648,965	391,908,563
Total securities lending collateral	1,063,675,677	2,507,280,388
Total liabilities	1,348,684,546	2,787,429,832
Net assets held in trust for pension benefits (A schedule for funding progress is presented on page 62.)	$ 14,996,249,719	$ 16,148,730,217

See accompanying notes to financial statements.

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2008 and 2007

	2008	2007
Additions		
Contributions:		
Member contributions	$ 323,678,452	$ 282,326,101
Employer contributions	656,091,577	544,401,879
Total contributions	979,770,029	826,727,980
ORP contributions retained	57,569,465	49,429,250
Investment income:		
From investment activities		
Net appreciation (depreciation) in fair value of domestic investments	(733,440,605)	1,423,223,165
Net appreciation (depreciation) in fair value of international investments	(439,358,948)	824,462,472
Domestic interest	151,520,486	144,497,859
International interest	39,474,147	30,984,724
Domestic dividends	88,058,251	97,594,609
International dividends	108,299,133	94,658,995
Alternative investment income	40,521,294	58,246,838
Miscellaneous investment income	104,281	0
Commission rebate income	617,547	566,068
Total investment income (loss)	(744,204,414)	2,674,234,730
Investment activity expenses:		
International investment expenses	(7,885,244)	(10,188,879)
Alternative investment expenses	(20,647,902)	(18,645,253)
Custodian fees	(744,317)	(763,878)
Performance consultant fees	(1,233,754)	(1,202,817)
Trade cost analysis fees	(40,000)	(40,000)
Advisor fees	(32,881,518)	(32,298,534)
Total investment expenses	(63,432,735)	(63,139,361)
Net income (loss) from investing activities	(807,637,149)	2,611,095,369
From securities lending activities		
Securities lending income	32,251,979	40,981,124
Securities lending expenses		
Fixed	(13,202,812)	(24,866,799)
Equity	(2,018,542)	(249,396)
International	(9,313,289)	(9,993,981)
Total securities lending activities expenses	(24,534,643)	(35,110,176)
Net income from securities lending activities	7,717,336	5,870,948
Total net investment income (loss)	(799,919,813)	2,616,966,317
Other operating revenues	46,264,759	5,496,271
Total additions	283,684,440	3,498,619,818
Deductions		
Retirement benefits	1,383,381,577	1,295,552,338
Refunds of contributions	35,071,343	48,119,943
Other post-retirement benefits	2,285,378	0
Administrative expenses	14,880,903	13,323,547
Depreciation expense	545,737	506,521
Total deductions	1,436,164,938	1,357,502,349
Net increase (decrease)	(1,152,480,498)	2,141,117,469
Net assets held in trust for pension benefits		
Beginning of year	16,148,730,217	14,007,612,748
End of year	$ 14,996,249,719	$ 16,148,730,217

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 30 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, 2008 and 2007, the number of participating employers was:

	2008	2007
School Boards	69	69
Colleges and Universities	28	28
State Agencies	55	53
Charter Schools	24	20
Other	15	18
Total	**191**	**188**

Membership of this plan consisted of the following at June 30, 2008 and 2007, the dates of the latest actuarial valuations:

	2008	2007
Retirees and beneficiaries receiving benefits	61,070	59,530
Deferred Retirement Option Plan participants	3,760	3,715
Terminated vested employees entitled to but not yet receiving benefits	6,043	6,624
Terminated nonvested employees who have not withdrawn contributions	10,571	11,966
Current active employees:		
Vested	54,556	54,210
Nonvested	28,284	25,586
Post Deferred Retirement Option Plan participants	3,139	2,876
Total	**167,423**	**164,507**

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. TRSL 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 22 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 TRSL. 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 TRSL and purchase annuity contracts for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of TRSL 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 TRSL, to continue to participate in the ORP.

The number of participating employers is currently 106. Current membership in the ORP is 22,668.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 9.6664 percent of the 16.6 percent ORP employer contributions. The amount transferred to the carriers is the employer portion of the normal cost contribution that has been determined by the Public Retirement Systems' Actuarial Committee to be 6.9336 percent.

Member contributions (8 percent) are transferred to the carriers in their entirety less 0.1 percent, which has been established by the Board of Trustees to cover the cost of administration and maintenance of the ORP. 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 TRSL 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 Statute 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 Statute 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 Statute 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 Statute 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

TRSL (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 TRSL. The Board of Trustees appoints the director, who is the System's managing officer.

2. Basis of Accounting

TRSL'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 as determined by the custodian under the direction of trustees.

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, 2007	Additions	Deletions	June 30, 2008
Asset Class (at Cost)				
Land	$ 858,390	$ 0	$ 0	$ 858,390
Building	5,283,493	192,664	0	5,476,157
Equipment, furniture, fixtures	3,622,063	673,986	(109,071)	4,186,978
Total Property and Equipment	9,763,946	866,650	(109,071)	10,521,525
Accumulated Depreciation				
Building	(2,418,636)	(136,269)	0	(2,554,905)
Equipment, furniture, fixtures	(3,021,310)	(409,468)	107,650	(3,323,128)
Total Accumulated Depreciation	(5,439,946)	(545,737)	107,650	(5,878,033)
Total Property and Equipment — Net	**$ 4,324,000**	**$ 320,913**	**$ (1,421)**	**$ 4,643,492**

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	250,562	(122,599)	3,622,063
Total Property and Equipment	9,571,531	315,014	(122,599)	9,763,946
Accumulated Depreciation				
Building	(2,285,205)	(133,431)	0	(2,418,636)
Equipment, furniture, fixtures	(2,770,819)	(373,090)	122,599	(3,021,310)
Total Accumulated Depreciation	(5,056,024)	(506,521)	122,599	(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, 2008 and 2007, includes the original Board of Trustees approved budget and appropriated State General Funds.

2008	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	$ 1,564,978	$ 56,310,975	$ 57,875,953
2007	**State General Funds**	**Self-Generated Revenue**	**Total**
Final approved budget and appropriations	$ 1,319,335	$ 51,378,237	$ 52,697,572

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 Statute 11:62, and rates are established by the Public Retirement Systems' Actuarial Committee. Administrative costs are financed through investment earnings. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 2008 and 2007.

Plan	% Earned Compensation	
	2008	2007
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, 2008 and 2007, are as follows:

Plan	% Earned Compensation	
	2008	2007
TRSL Regular Plan	16.6%	15.8%
TRSL Plan A	16.6%	15.8%
TRSL Plan B	16.6%	15.8%

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 sheriff's offices of the respective parishes.

D. Teachers' Retirement System of Louisiana (TRSL) Employee Pension Benefit

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.

TRSL is a cost sharing, multiple-employer, defined benefit plan administered by TRSL. 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 Fiscal Year 2008 is 16.6 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, 2008 and 2007, were $597,221 and $493,049 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. The 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 2008 is 18.1 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, 2008 and 2007, were $11,958 and $11,075 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 Fisacl Year 2008 is 20.4 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, 2008 and 2007, were $597,222 and $673,255, respectively.

Schedules for LASERS can be found on pages 44 and 45.

Most Recent Accrual Methods and Assumptions for Louisiana State Employees' Retirement System (LASERS)

Valuation Date	06/30/2007	06/30/2006	06/30/2005
Actuarial Cost Method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method – Closed by Statute	For unfunded accrued liability prior to 1993 - level percentage of payroll, increasing annuity to 2029	For unfunded accrued liability prior to 1993 - level percentage of payroll, increasing annuity to 2029	For unfunded accrued liability prior to 1993 - level percentage of payroll, increasing annuity to 2029
	For unfunded accrued liability changes occurring between 1993-1998 - level dollar payment to 2029	For unfunded accrued liability changes occurring between 1993-1998 - level dollar payment to 2029	For unfunded accrued liability changes occurring between 1993-1998 - level dollar payment to 2029
	For unfunded accrued liability changes occurring 1999 or later - level dollar payment over 30 years, from date of occurrence	For unfunded accrued liability changes occurring 1999 or later - level dollar payment over 30 years, from date of occurrence	For unfunded accrued liability changes occurring 1999 or later - level dollar payment over 30 years, from date of occurrence
Remaining Amortization Period	22-30 years dependent upon the amortization method as described above	23-30 years dependent upon the amortization method as described above	24-30 years dependent upon the amortization method as described above
Asset Valuation Method	Utilizes a four year weighted average of the unrealized gain or loss in value of all assets at market	Utilizes a four year weighted average of the unrealized gain or loss in value of all assets at market	Utilizes a four year weighted average of the unrealized gain or loss in value of all assets at market
Actuarial Assumptions:			
Investment Rate of Return	8.25% per annum	8.25% per annum	8.25% per annum
Inflation Rate	3.0% per annum	3.0% per annum	3.0% per annum
Mortality	Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Mortality Table with females set at attained age plus one.	Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Mortality Table with females set at attained age plus one.	Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Mortality Table with females set at attained age plus one.
Termination, Disability, and Retirement	Termination, disability, and retirement assumptions were projected based on a five-year (1997-2001) experience study of the System's members.	Termination, disability, and retirement assumptions were projected based on a five-year (1997-2001) experience study of the System's members.	Termination, disability, and retirement assumptions were projected based on a five-year (1997-2001) experience study of the System's members.
Salary Increases	Salary increases were projected based on a 1997-2001 experience study of the System's members. The salary increase range for regular employees is 4.25% - 14.0%. The salary increase range for specific types of members is Judges 2.5% - 4.7%, Corrections 4.0% - 14.0% and Wildlife 6.5% - 18.0%	Salary increases were projected based on a 1997-2001 experience study of the System's members. The salary increase range for regular employees is 4.25% - 14.0%. The salary increase range for specific types of members is Judges 2.5% - 4.7%, Corrections 4.0% - 14.0% and Wildlife 6.5% - 18.0%	Salary increases were projected based on a 1997-2001 experience study of the System's members. The salary increase range for regular employees is 4.25% - 14.0%. The salary increase range for specific types of members is Judges 2.5% - 4.7%, Corrections 4.0% - 14.0% and Wildlife 6.5% - 18.0%
Cost-of-Living Adjustments	Liability for raises already granted is included in the retiree reserve.	Liability for raises already granted is included in the retiree reserve.	Liability for raises already granted is included in the retiree reserve.

Most Recent Schedule of Employer Contributions for Louisiana State Employees' Retirement System (LASERS)

Date	Annual Required Contribution	Percentage Contributed
2005	$ 411,757,561	99.2%
2006	423,502,813	93.1%
2007	434,796,738	97.0%

Analysis of the percentage contributed over a period of years will give a relative indication of the funding progress for the liabilities of the Louisiana State Employees' Retirement System.

Most Recent Schedule of Funding Progress for Louisiana State Employees' Retirement System (LASERS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2005	$ 6,673,500	$ 10,847,062	$ 4,173,562	61.5%	$ 2,100,043	198.7%
2006	7,430,784	11,548,860	4,117,896	64.3%	1,979,705	208.0%
2007	8,345,495	12,421,907	4,076,411	67.2%	2,175,367	187.4%

The total actuarial accrued liability determined using the Projected Unit Credit Cost method increased by $873,226,730 from June 30, 2006, to June 30, 2007. There was a net experience gain of $131,000,739. Acts 414 and 353 of 2007 enhanced benefits for Peace Officers and Alcohol Tobacco Control employees, increasing the liability $5,404,214.

3. Defined Contribution Plan

Staff of TRSL who are members of the Optional Retirement Plan (ORP) before becoming employees of TRSL must remain participants in the ORP. The ORP is a defined contribution plan administered by TRSL. 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 144.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute 16.6 percent of the participating member's covered salary. A total of 7.9 percent of the employee's contribution and 6.9336 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, 2008 and 2007, were $8,654 and $7,224, 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 the excess is 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. TRSL had no custodial credit risk as of June 30, 2008.

3. Investments

Louisiana Revised Statute 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 five percent or more of the System's net plan assets, nor does the System hold more than five 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 2008, the System's investments (including investments bought, sold, and held during the year) depreciated in value by $1,172,799,553 compared to appreciation of $2,247,685,637 in 2007.

	2008	2007
Increase (decrease) in fair value of investments held at year end:	($ 1,723,242,861)	$ 757,785,374
Realized gains on investments including currency sold during the year:	550,443,308	1,489,900,263
Total	**($ 1,172,799,553)**	**$ 2,247,685,637**

The following table presents the fair value of investments by type at June 30, 2008 and 2007, respectively:

Investments — Type	2008 Fair Value	2007 Fair Value
Bonds		
Domestic not on securities loan	$ 1,869,150,425	$ 917,025,220
International not on securities loan	526,227,628	532,745,774
Common and preferred stocks		
Domestic not on securities loan	3,938,468,378	4,841,083,743
Domestic on securities loan for securities collateral or letters of credit		46,848,507
International not on securities loan	3,553,349,487	3,463,674,190
Investments held by broker – dealers under securities lending		
Bonds		
Domestic	199,469,658	991,627,430
International	264,847,097	240,065,429
Common Stocks		
Domestic	549,799,366	1,068,653,516
International	15,497,349	137,622,255
Domestic money market funds	624,681,156	981,706,327
Real estate investments	1,159,814,748	1,087,071,200
Mezzanine financing investments	321,268,963	326,691,790
Private equity investments	1,714,653,543	1,383,621,347
Hedge fund investments	27,653,100	27,052,500
Total	**$ 14,764,880,898**	**$ 16,045,489,228**

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 percent of the portfolio.
4. Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.
5. Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase.
6. Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.
7. Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25 percent of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.
8. Debt obligations of foreign governments, corporations, and supranationals issued outside 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 percent of the market value of the portfolio.
10. High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).
11. Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.
12. Investment grade fixed income portfolios shall not invest in mortgage–backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.
13. Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations, and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10 percent of the market value of the portfolio.

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 percent of the portfolio.
3. Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40 percent of

the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within nonmajor and emerging markets.

4. Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.
5. Permitted hedge vehicles for currency exposure management are as follows:
   a. Forward Foreign Exchange Contracts
   b. Currency Futures Contracts
   c. Options on Currency Futures Contracts
   d. Options on Spot Currencies
6. Net short foreign currency positions may not be taken in this portfolio.

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 percent of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.
3. No more than 5 percent of the cost or market value of the System's equity portfolio (whichever is more) or 15 percent of the market value of each manager's portfolio may be invested in the common stock of any one corporation.
4. No more than 20 percent of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.
5. Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.
6. Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50 percent and plus 100 percent of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).
7. Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50 percent of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).
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 percent 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 percent of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5 percent (of the 20 percent limit) in emerging market countries not contained in the IFC Investable Index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.
2. Investment managers may invest up to 10 percent of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.
3. No single industry group shall constitute more than 25 percent of the portfolio's market value or its equivalent representation in the EAFE Index; whichever is more, without prior Board approval.
4. No individual security shall constitute more than 10 percent of the portfolio's market value.
5. Cash held by the manager may be in U.S. dollars or foreign currencies of the 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 percent of the portfolio in Rule 144A securities.
8. Permitted hedge vehicles for currency exposure management are as follows:
   a. Forward Foreign Exchange Contracts;
   b. Currency Futures Contracts;
   c. Options on Currency Futures Contracts;
   d. Options on Spot Currencies
9. Net short foreign currency positions may not be taken in this portfolio.

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, 2008, was as follows:

Moody's Rating	Total	Domestic	International
Not Rated	$ 666,854,680	$ 666,854,680	$ 0
A1	71,836,310	24,200,408	47,635,902
A2	95,523,198	28,791,428	66,731,770
A3	45,289,655	9,422,052	35,867,603
AA1	19,448,826	3,121,540	16,327,286
AA2	17,903,553	12,189,573	5,713,980
AA3	20,911,680	17,792,784	3,118,896
AAA	685,050,143	267,212,381	417,837,762
AGY	571,776,081	571,776,081	0
B1	195,187,383	173,836,233	21,351,150
B2	117,738,253	110,102,965	7,635,288
B3	204,352,340	198,872,427	5,479,913
BA1	59,727,298	39,593,232	20,134,066
BA2	76,100,374	67,830,299	8,270,075
BA3	132,037,754	118,293,972	13,743,782
BAA1	59,237,387	16,964,563	42,272,824
BAA2	43,855,319	35,416,866	8,438,453
BAA3	34,162,200	34,162,200	0
CAA1	40,011,078	38,317,953	1,693,125
CAA2	2,044,375	880,000	1,164,375
CAA3	1,045,163	1,045,163	0
N/A	7,796,240	2,348,123	5,448,117
NR	135,943,320	103,008,445	32,934,875
UST	139,919,393	139,919,393	0
VMIG3	1,764,000	1,764,000	0
WR	38,859,961	9,584,478	29,275,483
Total credit risk debt securities	**$ 3,484,375,964**	**$ 2,693,301,239**	**$ 791,074,725**

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**

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, 2008, 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	$ 671,888,933	$ 44,387	$ 57,230,662	$ 119,008,637	$ 495,605,247
Collateralized Mortgage Obligations	415,929,281	1,105,388	549,436	3,888,751	410,385,706
Corporate Bonds	961,220,062	14,197,509	225,834,357	585,951,375	135,236,821
Foreign Corporate Bonds	184,853,367	2,261,474	44,199,058	109,549,181	28,843,654
Foreign Government Bonds	122,890,738	14,895,442	40,549,333	33,114,895	34,331,068
Foreign Treasuries	488,254,052	23,078,076	312,199,579	110,914,980	42,061,417
Other	639,339,531	629,065,397	2,449,870	4,052,823	3,771,441
TOTAL	**$ 3,484,375,964**	**$ 684,647,673**	**$ 683,012,295**	**$ 966,480,642**	**$ 1,150,235,354**

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**

TRSL, 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 $3,257,141,014 at June 30, 2008, as follows:

Currency	Percent	Total	Bonds	Stocks	Short-Term Investments
Australian Dollar	4.69%	$ 152,863,793	$ 49,167,852	$ 103,061,958	$ 633,983
Brazil Real	0.89%	28,983,296	18,594,366	10,370,657	18,273
British Pound Sterling	13.73%	447,352,754	89,196,313	356,388,334	1,768,107
Canadian Dollar	1.43%	46,446,322	13,577,135	32,671,464	197,723
Czech Koruna	0.18%	5,788,701	5,569,547		219,154
Danish Krone	0.42%	13,594,662		13,309,347	285,315
Euro Currency Unit	40.02%	1,303,452,387	260,760,664	1,035,540,297	7,151,426
Hong Kong Dollar	4.61%	150,034,181		147,310,878	2,723,303
Hungarian Forint	0.15%	4,987,720	4,987,617		103
Iceland Krona	0.28%	9,070,135	9,070,135		0
Indonesian Rupian	0.30%	9,729,719	9,729,719		0
Israeli Shekel	0.00%	13,581			13,581
Japanese Yen	16.96%	552,400,973	35,318,711	513,140,485	3,941,777
Malaysian Ringgit	0.97%	31,445,418	30,232,507	1,207,787	5,124
Mexican New Peso	0.89%	29,084,986	21,588,584	7,667,501	(171,099)
New Turkish Lira	0.05%	1,788,331		1,643,849	144,482
New Zealand Dollar	0.57%	18,633,750	18,394,946	237,816	988
Norwegian Krone	2.24%	73,072,948	5,825,307	66,847,891	399,750
Pakistan Rupee	0.01%	280,730		268,634	12,096
Polish Zloty	1.47%	48,016,507	47,280,044		736,463
S African Coom Rand	0.79%	25,661,228	16,406,618	9,246,733	7,877
Singapore Dollar	1.71%	55,630,709	28,368,508	26,814,648	447,553
South Korean Won	0.61%	19,981,784		19,974,865	6,919
Swedish Krona	1.50%	48,766,603	16,847,667	29,727,936	2,191,000
Swiss Franc	5.46%	177,835,196		177,196,150	639,046
Thailand Baht	0.07%	2,224,600		2,182,301	42,299
Total	100.00%	$ 3,257,141,014	$ 680,916,240	$ 2,554,809,531	$ 21,415,243

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**

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, TRSL 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, 2008, were $7.2 billion versus $5.5 billion as of June 30, 2007. The total amounts called for funding as of June 30, 2008, were $5.3 billion versus $4.6 billion as of June 30, 2007. The remaining commitments that could be called as of June 30, 2008, were $1.9 billion versus $1.6 billion as of June 30, 2007. Total distributions received by the System from the limited partnerships were $4.9 billion as of June 30, 2008, and $4.4 billion as of June 30, 2007.

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, 2008 and 2007.

G. Derivatives

During fiscal years 2008 and 2007, 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

The following table presents the market values of securities on loan and the collateral held for the System at June 30, 2008 and 2007:

Security Type	Fair Value of Securities on Loan 2008	Fair Value of Collateral Held 2008	Fair Value of Securities on Loan 2007	Fair Value of Collateral Held 2007
U.S. Government & Agency	$ 87,714,735	$ 91,896,490	$ 323,565,763	$ 329,283,199
U.S. Fixed	111,754,923	114,566,254	668,061,667	687,631,090
U.S. Equity	549,799,366	569,563,968	1,068,653,516	1,098,457,536
International Fixed	264,847,097	271,086,506	240,065,429	247,334,928
International Equity	15,497,349	16,562,459	137,622,255	144,573,635
	$ 1,029,613,470	$ 1,063,675,677	$ 2,437,968,630	$ 2,507,280,388

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 CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates than others that can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some 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 pages 62 and 63.

J. Implementation of GASB Statement 44

In accordance with GASB 44, the statistical section is presented on pages 122 through 141.

K. Implementation of GASB Statement 45

Other Post-Employment Benefits

Plan Description

The Office of Group Benefits (OGB) is an agent multiple-employer, post-employment healthcare plan that covers retired employees of the state, as well as school boards and various other non-state employers. OGB provides health and life insurance benefits to eligible retirees, their spouses, and their dependents. LRS 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. Additional information on the plan can be obtained by writing the Office of Group Benefits at 7389 Florida Boulevard, Suite 400, Baton Rouge, La. 70806 or by calling 1-800-272-8451.

Funding Policy. LRS 42:801-883 assigns the authority to establish and amend the benefit provisions of the plan to the state legislature. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

The state is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 375.68% of annual covered payroll.

Annual Other Post-Employment Benefits (OPEB) Cost

For Fiscal Year 2008, the annual OPEB cost (expense) of $2,285,378 was equal to the ARC. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2008 were as follows:

Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
100%	0

Funded Status and Funding Progress. The funding status of the plan as of June 30, 2008 was as follows:

Actuarial accrued liability *(in thousands)*	$22,585.2
Actuarial value of plan assets *(in thousands)*	$0.0
Unfunded actuarial accrued liability *(in thousands)*	$22,585.2
Funded ratio (actuarial value of plan assets/AAL) *(in thousands)*	0.00%
Covered Payroll (active plan members) *(in thousands)*	$6,011.8
UAAL as a percentage of covered payroll	375.68%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents the System's first year of information. In future years it will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

L. Implementation of GASB Statement 50

In accordance with GASB 50, the notes to financial statements include all required information on employee pension benefits. For a six-year history of funding progress and employer contributions, please see Required Supplementary Information (RSI) on pages 62 and 63.

The funding status of the plan as of June 30, 2008 was as follows:

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)
06/30/08	$ 15,507,834	$ 22,090,516	$ 6,582,683	70.2%	$ 3,675,014	179.1%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $1,318,186,648 from June 30, 2007, to June 30, 2008. There was a net experience loss to the fund from all sources of $796,416,277.

[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.

UFAL — Unfunded Frozen Accrued Liability **IUAL —** Initial Unfunded Accrued Liability

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
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 through 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, 2008. 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 $84,497 of a retiree's retirement benefit.

M. Implementation of GASB Statement 51

GASB 51, Accounting and Financial Reporting for Intangible Assets, is effective for TRSL beginning Fiscal Year 2010. The effects of GASB 51 have not yet been determined.

Required Supplementary Information

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Schedules of Funding Progress for Defined Benefit Plan
(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)
06/30/03	$ 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%
06/30/08	15,507,834	22,090,516	6,582,683	70.2%	3,675,014	179.1%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $1,318,186,648 from June 30, 2007, to June 30, 2008. There was a net experience loss to the fund from all sources of $796,416,277.

[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.

UFAL — Unfunded Frozen Accrued Liability **IUAL —** Initial Unfunded Accrued Liability

Schedules of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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%
2008	637,097,695	116.2%

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

Schedule of Funding Progress for Other Post-Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (in thousands) (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/08	$ 0.0	$ 22,585.2	$ 22,585.2	0.00%	$ 6,011.8	375.68%

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Supporting Schedules

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Schedules of Budgetary Expenses for the Years Ended June 30, 2008 and 2007

	2008			2007		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:						
Appropriated:						
State general fund	$ 1,564,978	$ 1,564,978	$ 0	$ 1,319,335	$ 1,281,350	($37,985)
Self-generated	56,310,975	50,695,024	(5,615,951)	51,378,237	47,943,964	(3,434,273)
Total revenues	57,875,953	52,260,002	(5,615,951)	52,697,572	49,225,314	(3,472,258)
Expenses:						
Salaries	11,904,950	10,877,019	1,027,931	10,623,320	9,347,655	1,275,665
Travel expenses	248,954	177,576	71,377	260,110	125,731	134,379
Operating services	2,991,072	2,717,964	45,676	2,975,307	2,560,159	415,148
Supplies	159,000	140,829	18,171	159,000	107,331	51,669
Office acquisitions	9,339	9,339	0	16,013	7,115	8,898
Professional services	999,265	868,871	170,394	1,140,246	1,140,246	0
Custodian fees	850,000	744,317	105,683	775,000	763,878	11,122
Performance consultant fees	1,500,000	1,273,754	226,246	1,202,817	1,202,817	0
Trade cost analysis fees	40,000	40,000	0	40,000	40,000	0
Advisor fees	36,580,000	32,881,518	3,930,600	33,761,797	32,298,534	1,463,263
Other charges — state general fund	1,564,978	1,564,978	0	1,319,335	1,281,350	37,985
Other charges — self-generated	52,584	52,584	0	26,200	2,681	23,519
Interagency transfers	56,594	36,721	19,873	49,812	32,629	17,183
Total expenses	56,956,736	51,345,470	5,615,951	52,348,957	48,910,126	3,438,831
Capital outlays	919,217	874,532	0	348,615	315,188	33,427
Total expenses and capital outlays	57,875,953	52,260,002	5,615,951	52,697,572	49,225,314	3,472,258
Excess of revenues over expenses and capital outlays	**$ 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, 2008 and 2007

	2008	2007
Salaries:		
Salaries - regular	$ 8,139,981	$ 6,949,645
Salaries - overtime	9,199	12,406
Salaries - termination	31,813	86,159
Other compensation - wages:temporary	0	4,874
Other compensation - student labor	58,083	46,160
Other compensation - compensation of board members	18,525	18,975
Related benefits	2,619,418	2,229,436
Total salaries	10,877,019	9,347,655
Travel expenses	177,576	125,731
Operating services:		
Advertising	8,320	34,448
Printing	152,261	135,523
Insurance	88,013	106,014
Maintenance - equipment	581,185	420,011
Rentals - building	656,223	662,374
Rentals - equipment	128,690	133,471
Rentals - off-site storage	109,432	107,440
Dues and subscriptions	134,128	66,205
Telephone	170,934	177,619
Postage	516,205	572,373
Bank service charges	126,090	115,570
Mail services	40,827	23,098
Miscellaneous	5,656	6,013
Total operating services	2,717,964	2,560,159
Supplies	140,829	107,331
Office acquisitions	9,339	7,115
Professional services:		
Accounting and auditing	39,760	37,240
Management and consulting	0	70,746
Graphic web design	29,225	42,900
CEM Benchmarking, Inc.	35,000	30,000
Legal	183,766	599,738
Medical	25,804	28,631
Computer system upgrades	208,927	0
Professional training	14,825	14,825
Professional election expense	10,691	25,870
SSA Consultants	23,750	20,000
Actuarial	176,000	152,000
Disaster testing	75,082	71,607
Professional travel	2,200	3,606
Investigative services	41,785	41,947
Design/annual report	742	822
Deaf interpreter services	3,514	3,920
Total professional services	868,871	1,140,246
Other charges:		
Educational expense	40,928	2,325
System condolence fund	280	257
Recruitment expense	11,311	0
Education supplies	65	99
Total other charges	52,584	2,681
Interagency transfers:		
Secretary of State - microfilm	1,348	991
Department of Civil Service	34,021	30,123
Office of Information Services	733	1,242
Bureau of Vital Statistics	619	273
Total interagency transfers	36,721	32,629
Total administrative expenses	$14,880,903	$13,323,547

Schedules of Investment Expenses for the Years Ended June 30, 2008 and 2007

	2008	2007
Investment activities expenses:		
International investment expenses	$ 7,885,244	$ 10,188,879
Alternative investment expenses*	20,647,902	18,645,253
Global custodian fees	744,317	763,878
Performance consultant fees	1,233,754	1,202,817
Trade cost analysis fees	40,000	40,000
Advisor fees	32,881,518	32,298,534
Total investment activities expenses	$ 63,432,735	$ 63,139,361
Securities lending activities expenses:		
Fixed	$ 13,202,812	$ 24,866,799
Equity	2,018,542	249,396
International	9,313,289	9,993,981
Total securities lending activities expenses	$ 24,534,643	$ 35,110,176

*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, 2008 and 2007

	2008		2007	
Board of Trustees	# of meetings	Amount	# of meetings	Amount
Sheryl R. Abshire, Ph. D.	17	$ 1,200	21	$ 1,575
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.	24	1,800	22	1,650
Eula M. Beckwith	22	1,650	22	1,650
Sarah F. Cox replaced by Dominic Salinas, Ed.D.	12	900	20	1,500
Dominic Salinas, Ed.D. replaced Sarah F. Cox	10	750	—	—
Clyde F. Hamner replaced by Carole J. White	2	150	15	1,125
Carole J. White replaced Clyde F. Hamner	10	750	—	—
Joyce P. Haynes	21	1,575	24	1,800
Lawrence J. Moody, Jr. replaced by Darlene L. LeBlanc	—	—	8	600
Darlene L. LeBlanc	20	1,500	12	900
Bonnie H. Brooks	22	1,650	22	1,650
William Britt	22	1,650	24	1,800
Irvin R. West, Jr.	18	1,350	15	1,125
Total compensation		$ 18,525		$ 18,975

Schedules of Building Maintenance Expenses for the Years Ended June 30, 2008 and 2007

	2008	2007
Building maintenance expenses:		
Property management services	$ 74,463	$ 72,791
Payroll expenses	0	1,478
Heating and air	35,938	36,371
Landscape maintenance	15,218	45,471
Elevator maintenance	3,117	2,648
Water and sewage	8,846	7,595
Utilities	155,634	147,676
Telephone	1,361	1,521
Insurance	37,563	36,906
Pest control	2,138	1,363
Janitorial services	43,129	43,116
Waste systems	3,365	3,312
Fire protection	2,629	10,175
General repairs	25,077	29,696
Plumbing expenses	1,887	2,472
Electrical expenses	2,442	2,210
Window washing	1,005	612
Miscellaneous operating services	3,329	2,131
Security system	12,465	14,269
Janitorial supplies	3,132	3,701
Architect/engineering services/legal	6,329	78,458
Total building maintenance expenses	$ 439,067	$ 543,972
Capital outlays	$ 227,432	$ 73,248

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, 2008 and 2007

	2008	2007
Accounting and auditing consultants	$ 39,760	$ 37,240
Auditor — Hawthorn, Waymouth & Carroll L.L.P.		
Management and consulting	428,716	307,812
Consultants:		
Best Software, Inc.		
Modiphy, Inc.		
Broadridge ICS		
VR Election Services		
CEM Benchmarking, Inc.		
Mail Guard Transcontinental Printing G.P.		
Sungard Availability Services		
EFL Associates		
Scope Solutions Group		
SSA Consultants		
IBM		
Legal	183,766	599,738
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	25,804	28,631
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	14,825
Computer Training		
Element K		
Actuarial	176,000	152,000
Actuaries:		
Hall Actuarial Associates		
SJ Actuarial Associates		
Total	$ 868,871	$ 1,140,246

A summary schedule of commissions paid to brokers is shown on pages 102 and 103.

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2008 Investment Section

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Teachers' Retirement System of Louisiana

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Baton Rouge LA 70804-9123

September 30, 2008

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

This is our annual review of the asset management of the Teachers' Retirement System of Louisiana (System or TRSL). The System's assets are managed in a manner to maintain proper and appropriate diversification calculated to meet the long-term goals and short-term liquidity requirements of TRSL. While the Board of Trustees has a duty to manage System assets consistent with the long-term nature of the pension plan, this review focuses on the fiscal year ended June 30, 2008.

Fiscal year 2007-2008 was an extremely challenging investment environment. Rising energy prices spurred concerns of a prolonged bout of inflation, and lingering credit-related concerns among major financial institutions weighed heavily on the markets. Consumer confidence fell to a 28-year low battered by higher prices, weak job growth and falling home values. The U.S. and international equity markets posted double digit negative returns (S&P 500 -13.1% and EAFE ($US) -10.6%) along with domestic real estate (NAREIT (All REITs) -16.6%). The U.S. and international bond market provided positive performance ending the fiscal year with returns of 7.1% for the Lehman Aggregate Bond Index and 17.0% Citigroup World Government Bond Index.

The total market value of the System investments was $14.8 billion on June 30, 2008. TRSL ended the fiscal year with a -5.14% return (-4.81% gross of fee) on investments beating the policy benchmark by 1.83%. Annualized total fund results over the past five years of 11.35% exceeded the actuarial assumed investment earnings of 8.25% by 3.10% per year.

The benefits of diversification helped mitigate the volatility in the market place. The System's core real estate and fixed income portfolios performance helped to offset the equity returns of -12.07%. Fiscal year returns for core real estate, mortgage backed fixed income and global fixed income portfolios were 8.43%, 10.10% and 13.46% respectively.

During the fiscal year, the Board of Trustees equalized the domestic and international investments and broadened the asset class definitions to increase flexibility and position the portfolio to take advantage of market dislocation. These actions have already rendered positive short-term results. While the outlook for the future remains uncertain, the above referenced actions taken by the Board of Trustees during the fiscal year help to ensure a proper and appropriate diversification for the System's portfolio.

Sincerely,

Robert S Leggett

Robert S. Leggett
Chief Investment Officer

Toll-Free: 1.877.ASK.TRSL | TDD: 225.925.3653

Investment Policy

Statement of System Objectives

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

The Board's investment objectives are to:

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

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

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

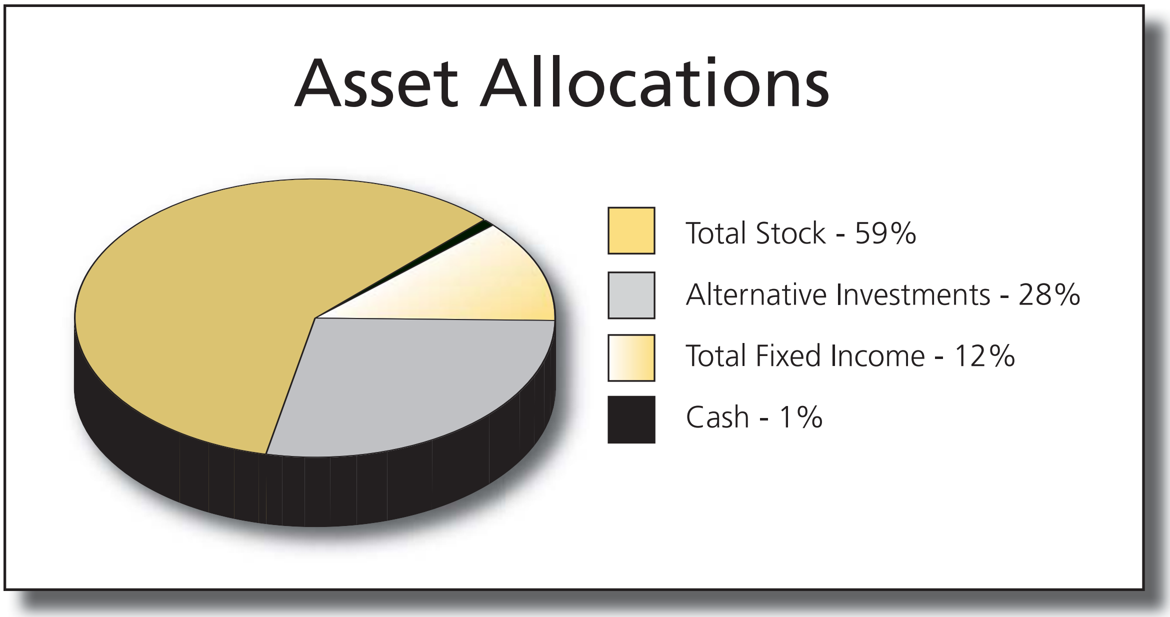
While there can be no complete assurance that these objectives will be realized, this investment policy is believed to provide a sound basis to successfully achieve System objectives.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25 percent), which ever 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 Category	Minimum	Target	Maximum
Domestic Stock			
Large Cap	5%	15%	25%
Small/Mid Cap	5%	15%	25%
International Stock	10%	29%	40%
Total Stock*	**20%**	**59%**	**65%**
U.S. Bonds	4%	6%	10%
Global Bonds	3%	6%	9%
Total Fixed Income	**7%**	**12%**	**19%**
Debt Related	**0%**	**8%**	**12%**
Core/Opportunistic Real Assets	0%	9%	13%
Private Equity	5%	10%	15%
Hedge Funds - Multi-Strategy	0%	1%	3%
Options/Derivatives	0%		
Total Alternative (Illiquid)**	**9%**	**28%**	**43%**
Cash and Equivalents	**0%**	**1%**	**5%**
Total	**n/a**	**100%**	**n/a**

* A 10 percent 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 percent.

** To determine the asset allocation for this asset category, only the actual amount invested, is applicable.



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.

Asset Allocation Guidelines

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 five-percent target. Managers have the discretion to deviate from the cash reserve target but will be accountable to the Board for justifying such action. Managers will be evaluated on the performance of the total portfolio, including cash.

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

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

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

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 percent of the portfolio.
4. Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.
5. Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase. With regards to structured, pooled, or commingled vehicles, the 5 percent 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 percent of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.
8. Debt obligations of foreign governments, corporations, and supranationals issued outside 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 percent of the market value of the portfolio.
10. High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).
11. Investment grade fixed income (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 percent 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 percent of the portfolio.
3. Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40 percent of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within nonmajor and emerging markets.
4. Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.
5. Permitted hedge vehicles for currency exposure management are as follows:
    a. Forward Foreign Exchange Contracts,
    b. Currency Futures Contracts,
    c. Options on Currency Futures Contracts,
    d. Options on Spot Currencies
6. Net short foreign currency positions may not be taken in this portfolio.

Stock Guidelines for Domestic Managers

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

1. Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.
2. No more than 5 percent of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.
3. No more than 5 percent of the cost or market value of the System's equity portfolio (whichever is more) or 15 percent of the market value of each manager's portfolio may be invested in the common stock of any one corporation.
4. No more than 20 percent of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.
5. Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.
6. Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50 percent and plus 100 percent of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).
7. Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50 percent of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).
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 percent 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 percent of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5 percent (of the 20 percent limit) in emerging market countries not contained in the IFC Investable index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.
2. Investment managers may invest up to 10 percent of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.
3. No single industry group shall constitute more than 25 percent of the portfolio's market value or its equivalent representation in the EAFE Index; whichever is more, without prior Board approval.
4. No individual security shall constitute more than 10 percent of the portfolio's market value.
5. Cash held by the manager may be in U.S. dollars or foreign currencies of the 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 percent of the portfolio in Rule 144A securities.
8. Permitted hedge vehicles for currency exposure management are as follows:
   a. Forward Foreign Exchange Contracts
   b. Currency Futures Contracts
   c. Options on Currency Futures Contracts
   d. Options on Spot Currencies
9. Net short foreign currency positions may not be taken in this portfolio

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 percent of the market value of the manager's portfolio without prior Board approval.
2. The manager's cash will be swept daily into a STIF account by the custodian.
3. STIF deposit accounts at foreign subcustodian banks are allowed only for the global and international managers.

Restricted Investments

Categories of investments that are not eligible include:

1. Use of margin or leverage (except limited partnerships 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 percent of trades (equity and fixed income) to brokers that are incorporated in Louisiana. Another 10 percent must be directed to brokers that have an office in Louisiana but are incorporated outside of Louisiana.

Alternative Investment Guidelines

Included in the Investment Policy of TRSL (the "System") dated October 6, 2003, are 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. Core/Value-add/Opportunistic Real Assets
b. Private Equity
c. Debt Related 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 percent.

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 percent) 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 percent 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 percent 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 percent, 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 percent of Total Allocation at the time of commitment may be committed to secondary investments.
- No more than 5 percent of Total Allocation at the time of commitment may be invested in co-investments.
- No more than 5 percent 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%

3. 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.

4. Advisory Board

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

5. 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.

6. 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 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 percent of the total investment capital in a Louisiana business, provided that nothing in this policy prohibits the ownership of more than 51 percent 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 percent 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 percent 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 percent of the market value of the security plus accrued interest.
2. Collateral on loans of international securities is set at a minimum 105 percent of the market value of the security plus accrued interest.
3. Securities of the System are not released until the custodian bank receives payment for the book-entry withdrawal of the loaned security.
4. Funds from the lending of securities accrue to the System's account and not to investment managers 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 the U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100 percent of the amount of their purchase agreement.
3. Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better.
4. No single issue may exceed 10 percent 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 percent 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 percent 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 percent above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25 percent), whichever 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 of Chief Investment Officer

This position administers the investment program of TRSL. Duties include:

a. Responsible for all functions of the Investment Department
b. Oversee all TRSL investments and investment managers
c. Meet with the Investment Committee/Board to review investments and policies
d. Monitor existing limited partnerships and review/recommend future investments
e. Monitor investment portfolios to ensure they are within the Investment Policy Statement (Policy) established by the Board
f. Research new investment vehicles and present viable investments to the Board for possible inclusion to the Policy Statement
g. Responsible for effectively implementing the Policy
h. Implement asset allocation shifts to maintain portfolio allocations within Policy guidelines
i. Direct the activities of the System's consultants for the best interest of TRSL and to leverage the activities of staff
j. Make recommendations concerning the hiring/terminating of investment manager/advisors
k. Represent TRSL at limited partnership meetings and Advisory Committee meetings.
l. Assist the Director with legislative issues.
m. During exigent circumstances, after consultation with and the concurrence of the Director, if practicable, and the Chairperson of the Investment Committee and/or the Chairperson of the Board, take such actions necessary to preserve and protect the assets and interests of TRSL.

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.

Alternative Investment Guidelines

The Alternative Investment Manager guidelines are incorporated by reference.

Investment Manager Watch List Policy

The Manager Watch List Policy is incorporated by reference.

Investment Summary as of June 30, 2008 and 2007

	June 30, 2008		June 30, 2007	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Domestic bonds:				
U.S. Treasury & government agency securities	$ 1,087,818,213	7.368%	$ 817,951,927	5.098%
Corporate bonds	972,046,281	6.583%	1,090,700,723	6.798%
Miscellaneous bonds	8,755,589	0.059%	0	0.000%
Total domestic bonds	2,068,620,083	14.010%	1,908,652,650	11.896%
International bonds	791,074,725	5.358%	772,811,203	4.816%
Domestic stocks:*				
Common	4,485,856,798	30.382%	5,953,910,562	37.106%
Preferred	2,410,946	0.017%	2,675,204	0.017%
Total domestic stocks	4,488,267,744	30.399%	5,956,585,766	37.123%
International stocks:*				
Common	3,550,727,948	24.048%	3,594,632,466	22.403%
Preferred	18,118,888	0.123%	6,663,979	0.042%
Total international stocks	3,568,846,836	24.171%	3,601,296,445	22.445%
Domestic short-term investments	624,681,156	4.231%	981,706,327	6.117%
Alternative investments:				
Private equity investments	1,714,653,543	11.613%	1,383,621,347	8.623%
Real estate investments	1,159,814,748	7.855%	1,087,071,200	6.775%
Hedge fund	27,653,100	0.187%	27,052,500	0.169%
Mezzanine financing instruments	321,268,963	2.176%	326,691,790	2.036%
Total alternative investments	3,223,390,354	21.831%	2,824,436,837	17.603%
Total investments	$ 14,764,880,898	100.000%	$ 16,045,489,228	100.000%

*The fair value of the equity index portfolios at June 30, 2008, was $1,405,213,029 which represents 17% of total equity and has a market value of $8,218,866,055.

List of Largest Assets Held at June 30, 2008

Largest Domestic Bond Holdings (By Fair Value)				
Description	**Coupon Rate**	**Maturity Date**	**Par Value**	**Fair Value**
US TREASURY & GOVERNMENT AGENCY SECURITIES				
FNMA POOL #0888209	5.50	05/01/2036	$ 41,794,040	$ 41,292,825
FNMA GTD REMIC P/T 07-74 A	5.00	04/25/2034	26,806,629	26,665,090
U S TREASURY NTS DTD	3.38	06/30/2013	23,190,000	23,226,176
FNMA POOL #0745418	5.50	04/01/2036	19,643,980	19,408,399
US TREASURY NOTES	3.88	05/15/2018	17,806,000	17,650,198
FHLMC MULTICLASS CTFS 2668 AZ	4.00	09/15/2018	15,110,845	14,137,253
US TREAS-CPI INFLAT	2.00	01/15/2016	13,025,719	13,716,994
FHLMC POOL #G1-2635	5.50	03/01/2022	11,841,893	11,928,959
U S TREAS BD STRIP PRIN PMT	0.00	02/15/2015	15,000,000	11,737,800
FNMA GTD REMIC P/T 04-75 GB	4.50	11/25/2030	12,322,485	11,461,267
U S TREAS STRIP GENERIC TINT	0.00	05/15/2013	13,490,000	11,430,617
U S TREASURY BONDS	5.00	05/15/2037	10,056,000	10,812,916
FHLMC MULTICLASS MTG 3377 A	4.50	07/15/2034	9,444,896	9,206,129
FEDERAL NATL MTG ASSN DEB	6.00	04/18/2036	8,715,000	8,761,190
FNMA POOL #0735378	4.50	10/01/2019	8,804,734	8,616,672
FHLMC MULTICLASS MTG	6.50	07/15/2028	8,040,315	8,440,401
FHLMC POOL #C9-0689	4.50	07/01/2023	8,863,715	8,336,349
FNMA POOL #0735646	4.50	07/01/2020	8,475,116	8,294,094
FHLMC MULTICLASS MTG 3134 TA	5.00	03/15/2026	8,428,645	7,992,547
GNMA POOL #0620951	4.50	09/15/2033	8,233,073	7,779,350
FNMA GTD REMIC P/T 2005-39 GL	5.00	05/25/2025	8,000,000	7,583,360
FNMA GTD REMIC P/T 05-63 CL-HB	5.00	07/25/2025	8,000,000	7,425,440
FHLMC MULTICLASS MTG	4.50	06/15/2032	7,512,271	7,368,486
U S TREASURY BONDS	4.38	02/15/2038	7,100,000	6,918,027
US TREAS-CPI INFLAT	2.00	04/15/2012	6,234,212	6,577,841

A complete list of portfolio holdings is available upon request.

Largest Domestic Bond Holdings (By Fair Value) — cont'd

Description	Coupon Rate	Maturity Date	Par Value	Fair Value
CORPORATE BONDS				
CHS/CMNTY HEALTH SYS INC SR NT	8.88	07/15/2015	$ 11,640,000	$ 11,712,750
HCA INC SR SECD NT	9.25	11/15/2016	9,285,000	9,563,550
ARAMARK CORP SR NT	8.50	02/01/2015	9,080,000	8,898,400
DIRECTV HLDGS LLC SR NT	8.38	03/15/2013	8,194,000	8,439,820
ENERGY FUTURE HLDGS CORP 144A	10.88	11/01/2017	7,780,000	7,857,800
WINDSTREAM CORP SR NT	8.63	08/01/2016	7,495,000	7,476,263
PETROHAWK ENERY SR NT 144A	7.88	06/01/2015	7,195,000	7,024,119
HERTZ CORP SR SUB NT	10.50	01/01/2016	7,485,000	6,811,350
TIME WARNER CABLE INC DEB	7.30	07/01/2038	6,568,000	6,488,873
NRG ENERGY INC SR NT	7.38	01/15/2017	6,645,000	6,279,525
PSYCHIATRIC SOLUTIONS INC SR	7.75	07/15/2015	6,205,000	6,142,950
FORD MTR CR CO GLOBAL LAND SEC	7.38	10/28/2009	6,550,000	5,965,609
FREEPORT MCMORAN COPPER & GOLD	8.38	04/01/2017	5,395,000	5,718,700
KRAFT FOODS INC BD	7.00	08/11/2037	5,642,000	5,484,754
COPANO ENERGY L L C	8.13	03/01/2016	5,427,000	5,454,135
BALDOR ELEC CO SR NT	8.63	02/15/2017	5,425,000	5,452,125
LENDER PROCESSING SVCS 144A	8.13	07/01/2016	5,435,000	5,441,794
AES CORP SR NT	8.00	10/15/2017	5,400,000	5,292,000
CINCINNATI BELL INC SR SUB NTS	8.38	01/15/2014	5,395,000	5,219,663
SANDRIDGE ENERGY SR NT 144A	8.00	06/01/2018	5,145,000	5,170,725
JADEN CORP SR SUB NT	7.50	05/01/2017	5,810,000	5,054,700
NEWPAGE CORP SR SECD NT	10.00	05/01/2012	4,940,000	5,001,750
NRG ENERGY INC SR NT	7.25	02/01/2014	5,200,000	4,966,000
UNITEDHEALTH GROUP INC NT	6.63	11/15/2037	5,427,000	4,937,378
DYNEGY HLDGS INC SR NT	7.75	06/01/2019	5,110,000	4,650,100

A complete list of portfolio holdings is available upon request.

Largest International Bond Holdings (By Fair Value)

Country Name	Description	Coupon Rate	Maturity Date	Shares/Par	Base Market Value
GERMANY	GERMANY (FED REP) BDS EUR0.01	4.50	01/04/2013	115,179,000	$ 180,065,149
FRANCE	FRANCE (GOVT OF)	3.00	01/12/2011	30,660,000	46,364,447
AUSTRALIA	NEW SOUTH WALES TREASURY CORP	5.50	03/01/2017	33,525,000	29,013,014
POLAND	POLAND (REPUBLIC OF)	5.25	10/25/2017	58,260,000	24,839,047
UNITED KINGDOM	UNITED KINGDOM (GOVERNMENT OF)	5.00	03/07/2018	10,600,000	20,925,560
SINGAPORE	SINGAPORE (GOVT OF) BDS SGD100	4.38	01/15/2009	27,870,000	20,913,013
BRAZIL	BRAZIL FED REP OF BDS	7.79	01/05/2016	29,680,000	18,594,366
MEXICO	MEXICO UTD MEX ST	8.00	12/19/2013	185,500,000	17,245,221
UNITED KINGDOM	UNITED KINGDOM (GOVERNMENT OF)	4.25	03/07/2011	8,729,000	16,965,514
SWEDEN	SWEDEN (KINGDOM OF)	4.00	12/01/2009	102,265,000	16,847,667
MALAYSIA	MALAYSIA BDS	3.76	04/28/2011	52,500,000	15,899,899
JAPAN	JAPAN	2.40	03/20/2037	1,622,000,000	15,253,884
UNITED KINGDOM	TREASURY	4.75	09/07/2015	7,615,000	14,806,427
FRANCE	FRANCE(GOVT OF) OAT STRPD PRIN	0.00	04/25/2023	19,150,000	14,579,609
SOUTH AFRICA	SOUTH AFRICA(REPUBLIC OF)	13.00	08/31/2010	109,060,000	14,241,555
MALAYSIA	MALAYSIA	3.72	06/15/2012	46,430,000	13,964,136
CANADA	GOVERNMENT OF CANADA	6.00	06/01/2011	12,844,000	13,577,135
UNITED KINGDOM	UNITED KINGDOM (GOVT OF)	4.00	09/07/2016	6,825,000	12,577,648
JAPAN	JAPAN BDS	0.80	12/10/2015	1,332,000,000	12,443,057
UNITED KINGDOM	TREASURY	4.75	12/07/2038	6,040,000	12,107,054
FRANCE	FRANCE GOVT OF OAT	0.00	10/25/2025	18,115,000	12,099,138
AUSTRALIA	NEW STH WALES TSY	6.00	05/01/2012	11,735,000	10,752,552
AUSTRALIA	QUEENSLAND TREASURY CORP	6.00	10/14/2015	10,435,000	9,402,286
POLAND	POLAND (GOVT OF) BDS PLN	5.00	10/24/2013	20,350,000	8,839,797
POLAND	POLAND (REPUBLIC OF)	4.75	04/25/2012	18,640,000	8,153,083

A complete list of portfolio holdings is available upon request.

Largest Domestic Common Stock Holdings (By Fair Value)

Description	Shares/Par	Fair Value
EXXON MOBIL CORP	877,917	$ 77,370,825
MICROSOFT CORP COM	2,036,736	56,030,607
CHEVRON CORPORATION COM	545,605	54,085,824
IBM CORP COM	407,596	48,312,354
HEWLETT PACKARD CO COM	988,730	43,711,753
AT & T INC COM	1,253,997	42,247,159
CONOCOPHILLIPS	447,199	42,211,114
INTEL CORP	1,763,393	37,877,682
APPLE INC	202,221	33,859,884
WALMART STORES INC COM	580,198	32,607,128
OCCIDENTAL PETE CORP COM	337,463	30,324,425
NATIONAL OILWELL VARCO INC	337,150	29,911,948
PROCTER & GAMBLE CO COM	488,700	29,717,847
PFIZER INC COM	1,684,602	29,429,997
CISCO SYS INC COM	1,236,673	28,765,014
ORACLE CORPORATION COM	1,330,866	27,948,186
JPMORGAN CHASE & CO COM	807,963	27,721,211
VERIZON COMMUNICATIONS COM	779,578	27,597,061
GENERAL ELEC CO COM	1,033,659	27,588,359
JOHNSON & JOHNSON COM	415,874	26,757,333
JACOBS ENGR GROUP INC COM	312,546	25,222,462
GOLDMAN SACHS GROUP INC COM	138,327	24,193,392
MEDTRONIC INC COM	463,942	24,008,999
BMC SOFTWARE INC COM	618,268	22,257,648
GOOGLE INC CL A	40,956	21,560,058

A complete list of portfolio holdings is available upon request.

Largest International Common Stock Holdings (By Fair Value)

Country	Description	Shares	Fair Value
LUXEMBOURG	DFA INTL SMALL CO PORTFOLIO	12,061,688	$ 205,651,778
SWITZERLAND	ROCHE HLDG AG GENUSSCHEINE NPV	231,041	41,735,268
SPAIN	TELEFONICA SA EUR1	1,524,520	40,545,042
FINLAND	FORTUM OYJ FIM20	796,452	40,481,459
FRANCE	TOTAL SA EUR2.5	463,980	39,621,484
NETHERLANDS	ROYAL DUTCH SHELL A SHS	941,599	38,378,761
GERMANY	E.ON AG NPV	184,230	37,197,277
GERMANY	BAYER AG ORD NPV	415,797	35,022,125
UNITED STATES	WORLD INVEST EMERGING MKT FD	777,990	33,550,291
UNITED KINGDOM	BP PLC	2,839,633	32,961,182
RUSSIA	OIL CO LUKOIL SPON ADR	311,257	30,565,437
RUSSIA	GAZPROM OAO LEVEL 1 ADR	504,512	29,211,245
NETHERLANDS	ASML HLDG NV EUR0.02	1,180,285	29,102,709
UNITED KINGDOM	VODAFONE GROUP	9,112,465	27,048,609
SWITZERLAND	NESTLE SA CHF1	591,150	26,789,205
GERMANY	ALLIANZ SE (SOCIETAS EUROPEAE)	150,498	26,533,406
FRANCE	ALSTOM EUR7	112,200	25,927,840
BERMUDA	SEADRILL LTD USD2	820,282	25,082,983
FRANCE	LVMH MOET HENNESSY EUR0.30	237,499	24,913,673
GERMANY	WACKER CHEMIE AG NPV (BR)	117,590	24,596,302
FRANCE	EDF EUR0.5	252,518	24,006,555
SWITZERLAND	HOLCIM CHF2 (REGD)	291,003	23,640,780
UNITED KINGDOM	GLAXOSMITHKLINE ORD GBP0.25	1,038,679	23,007,124
ITALY	ENI EUR1	615,484	22,982,502
UNITED KINGDOM	NATIONAL GRID PLC NEW ORD	1,686,730	22,171,966

A complete list of portfolio holdings is available upon request.

Largest Domestic Preferred Stock Holdings (By Fair Value)

Description	Shares	Fair Value
METLIFE INC PFD SER B	41,080	$ 879,112.00
ZURICH REG CAPS FDG TR V TR	854	816,103.75
MERRILL LYNCH & CO INC DP SH	28,025	379,738.75
DEUTSCHE BK CONTINGENT CAP TR	17,000	335,750.00
ZIFF DAVIS HLDGS INC PFD SER	239	239.00

Largest International Preferred Stock Holdings (By Fair Value)

Country	Description	Shares	Fair Value
BRAZIL	PETROLEO BRASILEIRO SA ADR	197,691	$ 11,456,193.45
BRAZIL	USINAS SID MINAIS GERAIS	62,550	3,106,853.19
SOUTH KOREA	SAMSUNG ELECTRONICS CO PFD	2,900	1,250,322.32
BRAZIL	COMPANHIA VALE DO RIO DOCE ADR	37,200	1,110,048.00
NETHERLANDS	AEGON N V PERP CAP SECS	36,932	631,537.20
NETHERLANDS	AEGON N V PERP CAP SECS FLTG	11,824	198,524.96
GERMANY	VOLKSWAGEN AG NON VTG PREF NPV	825	119,623.24
GERMANY	PORSCHE AUTOMOBIL HOLDING SE	690	106,419.11
GERMANY	HENKEL AG & CO KGAA NON VTG	1,430	57,024.35
GERMANY	RWE AG (NEW) NON VTG PRF NPV	308	31,032.98
GERMANY	FRESENIUS SE NON VTG PRF NPV	307	26,540.28
ITALY	UNIPOL NPV PRIV PFD	7,070	13,656.58
GERMANY	PROSIEBENSATI MEDIA AG NPV	573	5,750.77
GERMANY	BAYERISCHE MOTOREN WERKE AG	135	5,362.15

A complete list of portfolio holdings is available upon request.

Largest Alternative Investment Holdings (By Fair Value)

Description	Fair Value
PRIVATE EQUITY INVESTMENTS	
DLJ MERCHANT BANKING PARTNERS III, LP	$ 142,051,037.69
HICKS, MUSE, TATE & FURST EQUITY FUND V, LP	129,705,076.00
DOUGHTY HANSON & CO III, LP	126,657,717.00
WARBURG PINCUS PRIVATE EQUITY IX, LP	107,331,008.00
APOLLO INVESTMENT FUND IV LP	90,951,608.00
WARBURG PINCUS INTERNATIONAL PARTNERS, LP	87,434,336.00
APOLLO INVESTMENT FUND V LP	78,313,131.00
KKR 2006 FUND	74,477,995.00
FIRST RESERVE FUND XI	69,684,000.00
APOLLO INVESTMENT FUND VI	60,090,850.04
3I EUROFUND V, LP	56,162,857.25
TEXAS PACIFIC GROUP PARTNERS V, L.P.	55,783,641.00
HORSLEY BRIDGE VII, LP	54,172,959.00
CARLYLE PARTNERS IV, LP	51,744,887.00
LINDSAY, GOLDBERG & BESSEMER II	50,898,893.00
BEAR STEARNS MERCHANT BANKING PARTNERS II, LP	46,962,727.60
WARBURG PINCUS EQUITY PARTNERS, LP	43,224,777.00
PROVIDENCE EQUITY PARTNERS VI	39,940,842.00
HICKS, MUSE, TATE & FURST EQUITY FUND III, LP	33,548,237.00
PLATINUM EQUITY II	30,143,285.00
CARLYLE PARTNERS III, LP	26,476,593.00
BEAR STEARNS MERCHANT BANKING PARTNERS III, LP	26,454,282.79
SPECIAL PRIVATE EQUITY PARTNERS, LP	24,309,852.00
HEARTLAND INDUSTRIAL PARTNERS, LP	21,428,509.00
HICKS, MUSE, TATE & FURST EQUITY FUND IV, LP	20,804,357.00

A complete list of portfolio holdings is available upon request.

Largest Alternative Investment Holdings (By Fair Value) — cont'd

Description	Fair Value
REAL ESTATE INVESTMENT TRUST	
BLACKSTONE REAL ESTATE PARTNERS V, LP	$ 82,555,540.00
ROCKPOINT REAL ESTATE FUND II	61,905,438.02
STARWOOD GLOBAL OPPORTUNITY FUND VII	53,857,290.00
BLACKSTONE REAL ESTATE PARTNERS VI, LP	46,878,110.00
STARWOOD GLOBAL OPPORTUNITY FUND VI	40,194,505.00
ING REALTY PARTNERS II, LP	28,209,465.00
OLYMPUS REAL ESTATE FUND III, LP	24,105,754.00
CARLYLE REALTY PARTNERS V, LP	23,089,512.00
DLJ REAL ESTATE CAPITAL PARTNERS II, LP	21,394,265.00
STERLING AMERICAN PROPERTIES V, LP	15,556,993.00
DOUGHTY HANSON & CO EUROPEAN REAL ESTATE, LP	8,314,440.00
WESTBROOK REAL ESTATE FUND IV, LP	7,031,022.00
OLYMPUS REAL ESTATE FUND II, LP	6,757,538.00
STARWOOD OPPORTUNITY FD IV, LP	5,855,678.00
WESTBROOK REAL ESTATE FUND III, LP	4,115,757.00
ROCKPOINT REAL ESTATE FUND III	1,479,864.61
ING REALTY PARTNERS, LP	427,424.00
OLYMPUS CO- INVESTMENT (APARTMENT REIT)	371,186.00
WESTBROOK CO- INVESTMENT (SUNSTONE HOTEL)	45,925.00

A complete list of portfolio holdings is available upon request.

Largest Alternative Investment Holdings (By Fair Value) — cont'd

Description	Fair Value
MEZZANINE FINANCIAL INVESTMENTS	
TCW/CRESCENT MEZZANINE PARTNRS IV	$ 86,688,724.86
1818 MEZZANINE FUND II, LP	40,820,712.71
PRUDENTIAL CAPITAL PARTNERS, LP	36,537,134.00
FALCON MEZZANINE INVESTMENTS II, LP	36,003,997.00
PENINSULA FUND III, LP	28,265,377.30
LEVINE LEICHTMAN DEEP VALUE FUND	24,313,110.23
TCW/CRESENT MEZZANINE PARTNERS III	18,980,882.22
AUDAX MEZZANINE FUND, LP	17,859,733.00
BLACKSTONE MEZZANINE PARTNERS	15,986,499.00
GLEACHER MEZZANINE FUND, LP	7,163,233.00
DLJ INVESTMENT PARTNERS II, LP	5,093,797.00
GLEACHER MEZZANINE FUND II, LP	2,786,790.00
DLJ REAL ESTATE MEZZANINE CAPITAL PARTNERS, LP	768,973.00

A complete list of portfolio holdings is available upon request.

Net Earnings on Investments for the Years Ended June 30, 2008 and 2007

	2008		2007	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	($36,034,672)		$25,758,632	
Short-term investments	0		(654,858)	
Common and preferred stocks	(842,955,937)		134,956,281	
Alternative investments	(95,122,491)	($974,113,100)	241,152,523	$401,212,578
Net appreciation (depreciation) in international investments:				
Bonds	(5,526,195)		9,861,783	
Common and preferred stocks	(758,705,188)		334,114,244	
Alternative investments	15,101,623	(749,129,760)	12,596,771	356,572,798
Domestic interest income:				
Bonds	125,384,186		109,644,729	
Standish Mellon enhanced accounts	0		19,951,503	
Certificates of deposit	0		(969,333)	
Short-term investments	26,136,301	151,520,487	35,822,463	164,449,362
International interest income:				
Bonds	39,094,105		29,889,978	
Certificates of deposit	0		(186,217)	
Short-term investments	380,042	39,474,147	1,280,963	30,984,724
Domestic common and preferred dividends		88,058,249		97,594,609
International common and preferred dividends		108,299,133		94,658,995
Securities lending income:				
Fixed	14,959,500		25,719,319	
Equity	4,950,111		3,282,965	
International	12,342,367	32,251,978	11,978,840	40,981,124
Gain (loss) on sale of domestic securities, net:				
Bonds	(4,196,454)		(2,700,655)	
Common and preferred stocks	14,353,797		604,351,376	
Alternative investments	215,413,531	225,570,874	387,811,592	989,462,313
Gain (loss) on sale of international securities, net:				
Bonds	(2,998,611)		(105,859)	
Short-term investments	(57,143)		(827,552)	
Common and preferred stocks	169,322,192		431,171,271	
Alternative investments	40,521,295	206,787,733	58,246,838	488,484,698
Gain (loss) on international exchange transactions, net		158,605,996		50,248,585
Miscellaneous domestic income		104,281		0
Commission rebate income		617,548		566,068
Gross earnings (loss)		(711,952,434)		2,715,215,854
Charges against earnings:				
Securities lending expenses:				
Fixed	12,038,965		24,239,278	
Agents	1,163,847		627,521	
Equity	2,018,542		249,396	
International	9,313,289	24,534,643	9,993,981	35,110,176
International tax expense		7,885,244		10,188,879
Alternative investments expense		20,647,903		18,645,253
Custodian fees		744,317		763,878
Performance consultant fees		1,233,754		1,202,817
Trade cost analysis fees		40,000		40,000
Advisors fees		32,881,518		32,298,534
Total charges		87,967,379		98,249,537
Net income on investments (loss)		($799,919,813)		$2,616,966,317

Investment Performance Measurements—Year Ended June 30, 2008

	Rate of Return[1]	Rank[2]
Comparative Rates of Return on Total Fund		
Teachers' Retirement System of Louisiana	(4.8%)	33
Comparison indices:		
Median Return for Public Funds Greater than $1.0 billion	(4.3%)	49
Comparative Rates of Return on Domestic Equities		
Teachers' Retirement System of Louisiana	(12.1%)	19
Comparison indices:		
Median Return for US Equities of Public Funds Greater than $1.0 billion	(12.1%)	45
Standard and Poor's 500 Index	(13.1%)	29
Comparative Rates of Return on Domestic Bonds		
Teachers' Retirement System of Louisiana	4.2%	32
Comparison indices:		
Median Return for US Fixed Income of Public Funds Greater than $1.0 billion	5.5%	43
Lehman Brothers Aggregate Bond Index	7.1%	13
Comparative Rates of Return on International Equities		
Teachers' Retirement System of Louisiana	(11.0%)	43
Comparison indices:		
Median Return for Non-US Equity of Public Funds Greater than $1.0 billion	(8.1%)	47
MSCI EAFE Net Dividend Index	(10.6%)	42
Comparative Rates of Return on Global Bonds		
Teachers' Retirement System of Louisiana	13.7%	N/A
Comparison indices:		
Median Return for Global Bonds of Public Funds Greater than $1.0 billion[3]	8.5%	19
Citigroup World Government Bond Index	17.0%	1
Comparative Rates of Return on Alternatives		
Teachers' Retirement System of Louisiana	5.5%	N/A
Comparison indices:		
Median Alternative Return[4]	N/A	N/A
S&P 500 Index plus 4%	(9.1%)	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, 2008	9.2%	11
Five-year period ended June 30, 2008	11.4%	13
Ten-year period ended June 30, 2008	6.9%	14

[1] Investment return calculations were prepared with time-weighted return methodology using market values and cash flows gross of fees.
[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 funds.
[4] BNY Mellon Financial does not provide a universe for alternative investments.

Rates of Return[1]

	ANNUAL YEARS ENDING JUNE 30					ANNUALIZED	
	2008	2007	2006	2005	2004	3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	(4.8%)	19.7%	14.3%	10.9%	18.2%	9.2%	11.4%
Median Large Fund Returns[2]	(4.3%)	18.0%	11.2%	9.8%	16.2%	8.2%	10.3%
Inflation (CPI Index)	5.0%	2.7%	4.3%	2.5%	3.2%	4.0%	3.6%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	(12.1%)	15.8%	9.5%	8.2%	22.1%	3.7%	8.0%
Median Return for US Equity Segment[2]	(12.7%)	20.0%	11.6%	8.3%	23.4%	4.8%	8.8%
Standard & Poor's 500 Index	(13.1%)	20.6%	8.6%	6.3%	19.1%	4.4%	7.6%
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	4.2%	7.8%	1.8%	7.9%	4.1%	4.6%	5.1%
Median Bond Return for US Bonds Segment[2]	5.5%	6.5%	0.5%	7.2%	1.3%	3.9%	4.1%
Lehman Brothers Aggregate Index	7.1%	6.1%	(0.8%)	6.8%	0.3%	4.1%	3.9%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	(11.0%)	30.2%	27.7%	12.0%	29.9%	14.0%	16.6%
Median Return for Non-US Equity Segment[2]	(8.1%)	30.6%	27.6%	15.2%	31.7%	15.4%	18.8%
MSCI EAFE Net Dividend Index	(10.6%)	27.0%	26.6%	13.7%	32.4%	12.8%	16.7%
GLOBAL BONDS							
Teachers' Retirement System of Louisiana	13.7%	4.8%	0.6%	9.6%	10.0%	6.2%	7.6%
Median Return for Non-US Fixed Segment[3]	N/A	7.9%	0.6%	8.3%	6.1%	N/A	N/A
Citigroup World Government Bond Index	17.0%	2.9%	(0.4%)	7.6%	5.7%	6.2%	6.4%
ALTERNATIVE INVESTMENTS							
Teachers' Retirement System of Louisiana	5.5%	35.6%	32.3%	20.2%	19.6%	23.6%	22.6%
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%	(9.1%)	24.4%	12.6%	10.3%	23.1%	8.4%	11.6%

[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.

Summary Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2008

		COMMISSION	
	SHARES Traded	DOLLAR Amount	PER Share
Domestic			
Louisiana Incorporated Brokers	22,523,116	$ 853,795	0.038
Cullen Investment Group			
Doley Securities (Minority)			
Dorsey & Company, Inc.			
FBI Investments			
Francis Financial (Minority)			
Johnson Rice			
Sisk Investments			
Sisung Securities			
Louisiana Domiciled Brokers	24,510,557	925,451	0.038
A. G. Edwards & Sons			
Morgan Keegan			
Morgan Stanley			
Smith Barney			
The Stanford Group			
Wachovia Securities			
Williams Capital (Minority)			
Minority Brokers	9,912,885	369,966	0.037
GRW			
Jackson Partners			
Magna Securities			
Pacific American			
Out-of-State Brokers	33,976,728	1,077,962	0.032
Abel Noser			
Cantor Fitzgerald			
Citation*			
Dain Rauscher Pierce			
A. G. Edwards & Sons			
First Southwest			
Raymond James			
External Managers	147,149,432	3,083,618	0.021
Recapture Brokers	28,800,572	897,367	
Donaldson & Co			
Lynch, Jones & Ryan			
State Street Brokerage			
Rebate to Teachers' Retirement System of Louisiana		(595,154)	
Net Recapture Brokers		302,213	0.010
Total Domestic	**266,873,290**	**$ 6,613,005**	**0.025**

*Includes $164,715 in soft dollar commission for Citation to pay for Bloomberg Services

Summary Schedule of Commissions Paid to Brokers for the Year Ended June 30, 2008

		COMMISSION	
	SHARES Traded	DOLLAR Amount	PER Share
International*			
External Managers	381,864,514	$ 3,242,369	0.008
Subtotal International	381,864,514	3,242,369	
Rebate to Teachers' Retirement System of Louisiana		0	
Total International*	381,864,514	3,242,369	0.008
Total Domestic and International	648,737,803	$ 9,720,639	0.015

*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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2008 Actuarial Section

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ACTUARIAL ASSOCIATES

Shelley R. Johnson
M.A.A.A, A.S.A, F.C.A.
P.O. Box 1157
Prairieville, LA 70769-1157
(225) 272-7339

September 19, 2008

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, 2008. 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, also includes a legislative allocation of $26,400,000 per Act 642 of 2006 and a legislative allocation of $40,000,000 per Act 7 of the second Extraordinary Session of 2008. 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, 2008 is 13.8% of payroll, but Act 588 of 2004 requires the employer to contribute a minimum of 15.5%. The difference of 1.7% will be credited to the Employer Credit Account. The current rate of 15.5% equals last year's projected employer rate. 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 of Louisiana
September 19, 2008

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, 2008 was $15,852,201,026. The Actuarial Value of Assets, when adjusted for the Employer Credit Account in the amount of $38,671,113, the Experience Account Fund in the amount of $344,683,573, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of -$316,156, and the side-fund assets from the Initial IUAL Amortization Fund of $346,270,915 yields assets for funding purposes of $15,122,891,581.

In performing the June 30, 2008 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, 2008 actuarial valuation and supporting statistical schedules of this certification, which 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 following supporting schedules were prepared by me for the Comprehensive Annual Financial Report:

Actuarial Section

- Summary of Actuarial Assumptions
- Actuarial Valuation Balance Sheet
- Summary of Unfunded Actuarial Liabilities
- Summary of Actuarial and Unfunded Actuarial Liabilities
- Reconciliation of Unfunded Actuarial Liabilities
- Amortization of Unfunded Actuarial Accrued Liability
- Membership Data
- Principle Provisions of the Plan

Financial Section

- Schedule of Funding Progress
- Schedule of Employer Contributions

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SJ Actuarial Associates

Board of Trustees
Teachers' Retirement System of Louisiana
September 19, 2008

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. This valuation is based upon assumptions adopted by the Board of Trustees following the most recent study, which covers the five year observation period of 2002-2007.

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, FCA,MAAA,ASA
Consulting Actuary

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Summary of Assumptions

The following assumptions were adopted by the Board of Trustees of the Teachers' Retirement System of Louisiana (TRSL) based on the 2002-2007 actuarial experience study 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 through 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 shortfall 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:

	Range
Regular Teachers	3.20% — 7.80%
School Lunch	2.50% — 6.50%
University	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 most recent 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 most recent 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 most recent 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, 2008 and 2007

Assets	2008	2007
Payable Assets Creditable to:		
Members' Savings Account	$ 2,100,936,422	$ 1,984,063,899
Annuity Reserve Account	13,406,897,187	12,828,643,692
Total Present Assets	15,507,833,609	14,812,707,591
Present Value of Prospective Contributions Payable to:		
Members' Savings Account	2,335,473,673	2,384,603,552
Annuity Reserve Account		
Normal	1,826,857,002	2,201,808,916
Accrued Liability	7,587,356,456	6,839,113,442
Total Prospective Contributions	11,749,687,131	11,425,525,910
Total Assets	**$ 27,257,520,740**	**$ 26,238,233,501**

Liabilities	2008	2007
Present Value of Prospective Benefits Payable on Account of:		
Current Retiree Members	$ 14,993,971,987	$ 13,950,016,362
Current Active Members	11,879,422,655	11,840,285,818
Deferred Vested & Reciprocal Members	384,126,098	447,931,321
Total Liabilities	**$ 27,257,520,740**	**$ 26,238,233,501**

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)
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%
2008	2,100.9	15,378.1	4,611.5	15,507.8	100%	87%	0%

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

Valuation Date	Actuarial Accrued Liabilities	Actuarial Valuation Assets	Ratio of Assets to AAL	Unfunded AAL	Active Member Payroll	Unfunded AAL as a % of Active Payroll
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%
2008	22,090.5	15,507.8	70.2%	6,582.7	3,675.0	179.1%

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

Reconciliation of Unfunded Actuarial Liabilities
(in thousands of dollars)

	2008	2007	2006	2005
Unfunded Actuarial Liability at Beginning of Fiscal Year (7/1)	$ 6,250,578	$ 6,554,990	$ 6,812,643	$ 6,836,079
Interest on Unfunded Liability	515,672	540,786	562,043	563,977
Investment Experience (gains) decreases UAL	470,047	(1,076,635)	(862,859)	(178,459)
Plan Experience (gains) decreases UAL	326,425	292,738	(11,575)	(141,393)
Employer Amortization Payments (payments) decreases UAL	(303,273)	(322,685)	(331,786)	(325,744)
Employer Contribution Variance (excess contributions) decreases UAL	(103,413)	(37,534)	(44,898)	(31,047)
Experience Account Allocation (allocations) decreases UAL	-	298,918	431,422	89,230
Other – Miscellaneous gains and losses from transfers or Acts of the legislature	(188,411)	-	-	-
Unfunded Actuarial Liability at End of Fiscal Year (6/30)	$ 6,967,625	$ 6,250,578	$ 6,554,990	$ 6,812,643

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

Amortization of Unfunded Actuarial Accrued Liability June 30, 2008

Date 06/30	Description	Amortization Method	Amortization Period	Initial Liability	Years Remain	Remaining Balance	Mid-year Payment
1993	Initial Liability	I	36	$ 4,848,270,248	21	$ 6,826,377,582	$ 470,380,310
1993	Change in Liability	L	25	(838,057,486)	21	(788,072,831)	(77,075,133)
1994	Change in Liability	L	25	(285,027,105)	21	(268,027,100)	(26,213,598)
1995	Change in Liability	L	25	(11,255,751)	21	(10,584,419)	(1,035,178)
1996	Change in Liability	L	25	(227,335,061)	21	(213,776,010)	(20,907,731)
1997	Change in Liability	L	25	72,828,575	21	68,484,826	6,697,956
1998	Change in Liability	L	25	(312,542,081)	21	(293,900,987)	(28,744,117)
1999	Change in Liability	L	25	(361,354,605)	21	(339,802,163)	(33,233,346)
2000	Change in Liability	L	25	(672,461,184)	21	(632,353,267)	(61,845,442)
2001	Change in Liability	I	27	59,149,207	23	63,820,520	4,140,592
2002	Change in Liability	I	28	859,751,039	24	933,040,245	58,901,946
2003	Change in Liability	I	29	2,115,958,339	25	2,308,613,544	142,042,682
2004	Change in Liability	L	30	27,253,793	26	26,214,573	2,381,906
2005	Change in Liability	L	30	(230,622,183)	27	(224,294,658)	(20,155,736)
2006	Change in Liability	L	30	(470,579,056)	28	(462,316,927)	(41,127,297)
2007	Change in Liability	L	30	(485,035,058)	29	(480,945,772)	(42,390,712)
2008	Change in Assumptions	L	30	(188,411,115)	30	(188,411,115)	(16,466,606)
2008	Change in Liability	L	30	796,416,277	30	796,416,277	41,324,981
				Total Outstanding Balance		**$ 7,120,482,318**	**$ 389,608,689**
				Employers' Credit Balance			
2004	Contribution variance	L	5	29,662,467	1	6,908,242	7,187,561
2005	Contribution variance	L	5	(31,046,965)	2	(13,910,302)	(7,523,041)
2006	Contribution variance	L	5	(17,430,843)	3	(11,274,085)	(4,223,696)
2007	Contribution variance	L	5	(37,534,025)	4	(31,167,920)	(9,094,931)
2008	Contribution variance	L	5	(103,413,475)	5	(103,413,475)	(25,058,287)
				Total Credit Balance		**$ (152,857,540)**	**$ (38,712,394)**
				Total Unfunded Actuarial Accrued Liability		**$ 6,967,624,778**	

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.

	2008		2007	
Active Members	**Census**	**Average Salaries**	**Census**	**Average Salaries**
Regular Teachers	75,126	$ 41,330	72,432	$ 37,595
University Members	6,283	58,016	5,889	55,148
School Lunch A	189	23,257	253	22,318
School Lunch B	1,242	17,711	1,222	15,853
Post DROP	3,139	57,074	2,876	52,753
Total	85,979	$ 42,743	82,672	$ 39,005

	2008	2007
Males (%)	17.2%	16.9%
Females (%)	82.8%	83.1%

Valuations' salaries were $3,675,013,831 for 2008 and $3,224,562,742 for 2007.

Inactive Members	2008 Census	2007 Census
Due Refunds	10,571	11,966
Vested & Reciprocals	6,043	6,624

	2008		2007	
Annuitants and Survivors	**Census**	**Average Annual Annuities**	**Census**	**Average Annual Annuities**
Retirees	51,916	$ 22,698	50,566	$ 21,730
Disabilities	3,969	10,956	3,961	10,697
Survivors	5,185	16,103	5,003	15,389
DROP	3,760	30,467	3,715	30,094
Total	64,830	$ 21,902	63,245	$ 21,029

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 Active Member Average Payroll	Percentage Change in Payroll
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%
2008	85,979	4.00%	3,675,014	13.97%

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

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

Year Ended 6/30	Total Members No.	Total Members Amount	Members Added No.	Members Added Amount	Members Removed No.	Members Removed Amount	Average Annuity	% Change in Annuity
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%
2008	61,070	1,305,367	2,704	66,525	1,164	17,354	21,375	7.2%

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, who have not terminated their agreements with the Department of Health, Education, and Welfare, participate in Plan A. Food service programs of schools without agreements enroll employees in Plan B.

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

Administration

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of 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 Senate Retirement Committee, and State Superintendent of Public Education serve as ex officio members.

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

Member Contributions

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

Regular Plan	Plan A	Plan B
8.0%	9.1%	5.0%

Member contributions have been tax-deferred for federal income tax purposes since 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 is subject to a statutory minimum of 15.5 percent 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 five 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 2.0 percent annual accrual rate at age 60 with five 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 five 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 five 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 five years of service. Benefits are reduced by three 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 third 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 five years of creditable service (two 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 a minor child(ren) is no longer eligible to receive survivor benefits, the spouse's benefit reverts to a survivor benefit in accordance with the provisions for a surviving spouse with no minor child(ren). Benefits for the minor child(ren) cease when he/she is 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).
c. 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 (two 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 COLAs 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.

2008 Statistical Section

Integrity

Accountability

Trust

Responsibility

TRSL

Statements of Plan Net Assets as of June 30, 2008 through June 30, 1999

	2008	2007	2006	2005	2004
Assets					
Cash and cash equivalents	$ 36,087,141	$ 15,294,772	$ 59,572,968	$ 24,677,100	$ 30,677,716
Receivables					
Member contributions	57,451,866	57,266,938	48,790,153	48,912,587	48,885,390
Employer contributions	100,182,352	76,218,878	72,017,765	72,934,679	64,691,821
ORP contributions retained	4,230,253	3,641,433	3,498,870	3,375,808	2,319,164
Pending trades	257,071,878	170,641,032	281,323,928	52,151,909	33,712,000
Accrued interest and dividends	49,159,508	51,423,625	44,597,792	42,821,985	40,170,526
Other receivables	7,551,200	4,579,755	29,173,670	2,473,479	1,518,187
Total receivables	475,647,057	363,771,661	479,402,178	222,670,447	191,297,088
Investments, at fair value					
Domestic bonds	2,068,620,083	1,908,652,650	2,121,505,657	1,913,039,451	1,659,559,992
International bonds	791,074,725	772,811,203	449,917,634	497,213,792	560,651,839
Domestic common and preferred stocks	4,488,267,744	5,956,585,766	5,630,073,349	5,796,790,444	4,926,745,546
International common and preferred stocks	3,568,846,836	3,601,296,445	3,188,085,062	1,969,333,621	1,454,136,303
Domestic short-term investments	624,681,156	981,706,327	178,839,314	256,739,631	910,719,505
International short-term investments	0	0	24,802,808	40,210,400	0
Alternative investments	3,223,390,354	2,824,436,837	2,162,400,411	2,017,705,199	2,263,185,124
Total investments	14,764,880,898	16,045,489,228	13,755,624,235	12,491,032,538	11,774,998,309
Invested securities lending collateral					
Collateral held under domestic securities lending program	776,026,712	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121
Collateral held under international securities lending program	287,648,965	391,908,563	308,982,174	233,943,130	344,348,505
Total securities lending collateral	1,063,675,677	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626
Building at cost, net of accumulated depreciation	2,921,252	2,864,857	2,933,836	2,995,632	3,127,099
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	863,850	600,753	723,281	823,147	937,545
Land	858,390	858,390	858,390	858,390	858,390
Total assets	16,344,934,265	18,936,160,049	16,468,146,151	14,485,767,969	13,940,066,773
Liabilities					
Accounts payable	11,370,139	13,006,673	10,936,762	9,240,444	7,096,770
Benefits payable	8,337,907	7,217,168	5,118,886	2,077,116	2,616,254
Refunds payable	6,615,715	5,858,882	5,369,804	5,385,301	4,875,048
Pending trades payable	255,395,415	252,855,646	269,051,248	39,836,267	92,991,945
Other liabilities	3,289,693	1,211,075	1,025,440	605,537	919,238
Total accounts payable and other liabilities	285,008,869	280,149,444	291,502,140	57,144,665	108,499,255
Securities lending collateral					
Obligations under domestic securities lending program	776,026,712	2,115,371,825	1,860,049,089	1,508,767,585	1,593,822,121
Obligations under international securities lending program	287,648,965	391,908,563	308,982,174	233,943,130	344,348,505
Total securities lending collateral	1,063,675,677	2,507,280,388	2,169,031,263	1,742,710,715	1,938,170,626
Total liabilities	1,348,684,546	2,787,429,832	2,460,533,403	1,799,855,380	2,046,669,881
Net assets held in trust for pension benefits	$14,996,249,719	$16,148,730,217	$ 14,007,612,748	$ 12,685,912,589	$11,893,396,892

Statements of Plan Net Assets as of June 30, 2008 through June 30, 1999 (cont'd)

	2003	2002	2001	2000	1999
Assets					
Cash and cash equivalents	$ 7,808,257	$ 38,505,718	$ 34,067,604	$ 76,563,877	$ 26,814,445
Receivables					
Member contributions	47,231,216	52,108,891	47,661,308	44,975,206	38,523,001
Employer contributions	57,746,203	54,589,415	51,136,424	58,860,987	68,730,284
ORP contributions retained	2,040,857	1,773,663	1,918,443	2,017,245	2,016,327
Pending trades	157,176,524	147,253,370	230,779,724	116,274,494	77,063,815
Accrued interest and dividends	41,423,260	47,177,102	49,568,799	65,091,918	66,200,600
Other receivables	1,444,449	1,168,914	1,513,198	1,957,455	1,543,783
Total receivables	307,062,509	304,071,355	382,577,896	289,177,305	254,077,810
Investments at fair value					
Domestic bonds	1,704,534,901	1,902,126,260	1,675,616,284	1,443,147,839	1,656,281,321
International bonds	416,432,668	472,011,350	620,253,212	1,062,108,327	1,119,040,286
Domestic common and preferred stocks	4,468,939,880	4,586,782,472	5,304,131,380	5,530,165,003	5,351,480,155
International common and preferred stocks	1,033,655,198	1,075,238,305	1,349,446,396	2,015,682,285	1,465,452,007
International futures and options	0	0	0	0	0
Domestic short-term investments	434,080,034	470,234,146	470,686,508	525,024,201	444,791,846
International short-term investments	0	0	0	49,466,390	78,369,738
Alternative investments	2,318,479,242	2,003,507,564	2,286,753,704	1,850,828,055	1,083,650,711
Total investments	10,376,121,923	10,509,900,097	11,706,887,484	12,476,422,100	11,199,066,064
Invested securities lending collateral					
Collateral held under domestic securities lending program	3,064,894,429	2,938,825,140	2,819,398,141	490,061,426	600,370,800
Collateral held under international securities lending program	471,789,763	188,926,541	431,905,885	803,922,551	784,220,679
Total securities lending collateral	3,536,684,192	3,127,751,681	3,251,304,026	1,293,983,977	1,384,591,479
Building at cost, net of accumulated depreciation	3,240,290	3,291,565	3,255,087	3,365,190	3,484,736
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	900,324	937,121	1,149,829	904,520	752,034
Land	858,390	889,816	889,816	889,816	889,816
Total assets	14,232,675,885	13,985,347,353	15,380,131,742	14,141,306,785	12,869,676,384
Liabilities					
Accounts payable	6,214,751	7,089,866	9,288,515	12,551,351	9,891,518
Benefits payable	3,067,010	2,067,335	2,040,453	1,610,336	1,301,052
Refunds payable	4,730,334	4,191,545	3,953,477	3,615,639	3,180,968
Pending trades payable	160,488,115	214,835,778	257,744,890	140,694,287	164,053,534
Other liabilities	813,873	917,097	829,785	836,756	689,189
Total accounts payable and other liabilities	175,314,083	229,101,621	273,857,120	159,308,369	179,116,261
Securities lending collateral					
Obligations under domestic securities lending program	3,064,894,429	2,938,825,140	2,819,398,141	490,061,426	600,370,800
Obligations under international securities lending program	471,789,763	188,926,541	431,905,885	803,922,551	784,220,679
Total securities lending collateral	3,536,684,192	3,127,751,681	3,251,304,026	1,293,983,977	1,384,591,479
Total liabilities	3,711,998,275	3,356,853,302	3,525,161,146	1,453,292,346	1,563,707,740
Net assets held in trust for pension benefits	$ 10,520,677,610	$ 10,628,494,051	$ 11,854,970,596	$ 12,688,014,439	$ 11,305,968,644

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2008 through June 30, 1999

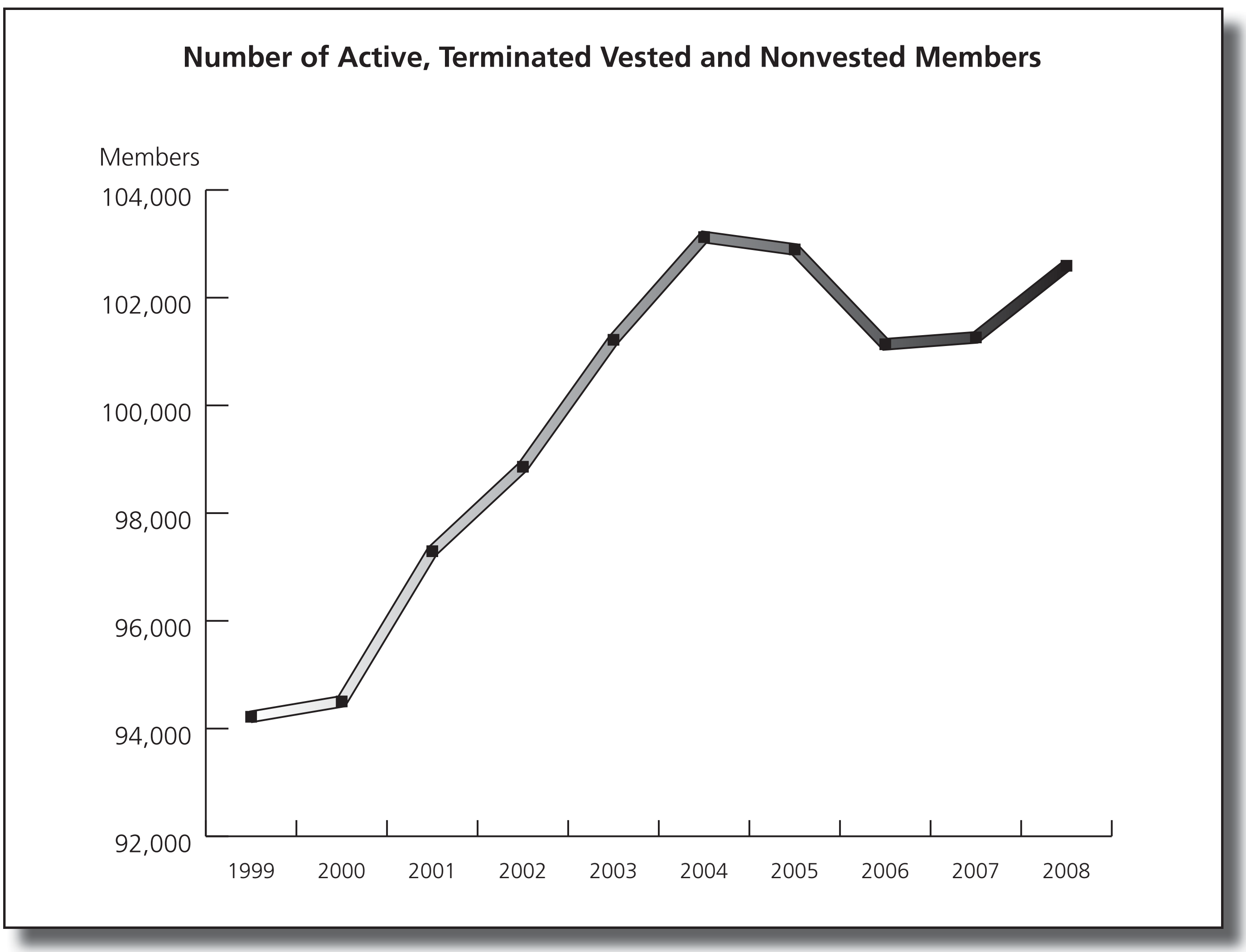
	2008	2007	2006	2005	2004
Additions					
Contributions					
Member contributions	$ 323,678,452	$ 282,326,101	$ 258,412,024	$ 270,619,181	$ 264,999,131
Employer contributions	656,091,577	544,401,879	529,983,453	517,815,361	444,104,350
Total contributions	979,770,029	826,727,980	788,395,477	788,434,542	709,103,481
ORP contributions retained	57,569,465	49,429,250	49,293,547	48,754,970	35,244,313
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	(733,440,605)	1,423,223,165	809,290,218	663,699,379	1,164,647,179
Net appreciation (depreciation) in fair value of international investments	(439,358,948)	824,462,472	584,857,302	197,833,593	323,405,540
Domestic interest	151,520,486	144,497,859	135,047,865	111,850,200	110,597,008
International interest	39,474,147	30,984,724	27,792,233	29,898,190	23,800,877
Domestic dividends	88,058,251	97,594,609	77,813,221	84,579,303	64,865,361
International dividends	108,299,133	94,658,995	68,564,525	31,583,991	41,800,161
Alternative investment income	40,521,294	58,246,838	97,733,026	108,622,676	81,696,047
Miscellaneous investment income	104,281	0	0	0	0
Commission rebate income	617,547	566,068	675,608	571,219	1,078,487
Total investment income (loss)	(744,204,414)	2,674,234,730	1,801,773,998	1,228,638,551	1,811,890,660
Investment activity expenses:					
International investment expenses	(7,885,244)	(10,188,879)	(9,493,180)	(5,710,058)	(4,995,570)
Alternative investment expenses	(20,647,902)	(18,645,253)	(28,474,213)	(64,918,175)	(49,401,029)
Custodian fees	(744,317)	(763,878)	(761,689)	(760,908)	(786,062)
Performance consultant fees	(1,233,754)	(1,202,817)	(1,077,254)	(618,996)	(507,749)
Trade cost analysis fees	(40,000)	(40,000)	(40,000)	(10,000)	(40,000)
Advisor fees	(32,881,518)	(32,298,534)	(29,802,772)	(26,020,649)	(23,311,668)
Total investment expenses	(63,432,735)	(63,139,361)	(69,649,108)	(98,038,786)	(79,042,078)
Net income (loss) from investing activities	(807,637,149)	2,611,095,369	1,732,124,890	1,130,599,765	1,732,848,582
From securities lending activities					
Securities lending income	32,251,979	40,981,124	22,168,519	24,508,470	13,854,504
Securities lending expenses:					
Fixed	(13,202,812)	(24,866,799)	(11,354,478)	(12,174,022)	(6,053,776)
Equity	(2,018,542)	(249,396)	(249,909)	(249,954)	(249,934)
International	(9,313,289)	(9,993,981)	(5,024,341)	(7,860,336)	(1,847,440)
Total securities lending activities expenses	(24,534,643)	(35,110,176)	(16,628,728)	(20,284,312)	(8,151,150)
Net income from securities lending activities	7,717,336	5,870,948	5,539,791	4,224,158	5,703,354
Total net investment income (loss)	(799,919,813)	2,616,966,317	1,737,664,681	1,134,823,923	1,738,551,936
Other operating revenues	46,264,759	5,496,271	3,208,183	3,425,773	3,217,889
Total additions	283,684,440	3,498,619,818	2,578,561,888	1,975,439,208	2,486,117,619
Deductions					
Retirement benefits	1,383,381,577	1,295,552,338	1,204,472,977	1,139,814,334	1,075,298,667
Refunds of contributions	35,071,343	48,119,943	38,538,125	30,454,374	26,804,821
TRSL employee health & life expenses	2,285,378				
Administrative expenses	14,880,903	13,323,547	13,362,286	12,178,533	10,786,450
Depreciation expenses	545,737	506,521	488,341	476,270	508,399
Total deductions	1,436,164,938	1,357,502,349	1,256,861,729	1,182,923,511	1,113,398,337
Net increase (decrease)	(1,152,480,498)	2,141,117,469	1,321,700,159	792,515,697	1,372,719,282
Net assets held in trust for pension benefits					
Beginning of year	16,148,730,217	14,007,612,748	12,685,912,589	11,893,396,892	10,520,677,610
End of year	$14,996,249,719	$16,148,730,217	$14,007,612,748	$12,685,912,589	$11,893,396,892

Statements of Changes in Plan Net Assets for the Years Ended June 30, 2008 through June 30, 1999 (cont'd)

	2003	2002	2001	2000	1999
Additions					
Contributions					
Member contributions	$ 251,297,401	$ 246,119,537	$ 226,754,298	$ 224,684,434	$ 216,102,491
Employer contributions	421,838,213	400,478,248	401,243,346	423,690,949	442,793,009
Total contributions	673,135,614	646,597,785	627,997,644	648,375,383	658,895,500
ORP contributions retained	29,499,096	27,196,232	27,869,220	29,274,452	30,017,065
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	(9,358,002)	(1,141,008,157)	(284,368,048)	778,721,458	601,181,137
Net appreciation (depreciation) in fair value of international investments	(3,830,620)	(146,482,391)	(637,986,221)	422,921,458	35,257,940
Domestic interest	120,174,045	141,728,180	152,499,662	141,621,871	139,410,346
International interest	30,745,264	32,004,011	49,391,412	78,593,438	80,464,211
Domestic dividends	59,353,555	64,226,682	65,715,460	60,573,874	58,274,331
International dividends	28,041,533	23,023,499	28,808,467	25,019,498	23,424,136
Alternative investment income	44,050,485	137,200,613	73,591,989	45,886,076	16,052,573
Miscellaneous foreign income	0	0	109	0	0
Commission rebate income	1,026,354	1,649,282	1,954,976	1,555,065	1,812,934
Total investment income (loss)	270,202,614	(887,658,281)	(550,392,194)	1,554,892,738	955,877,608
Investment activity expenses:					
Domestic investment expenses	0	0	0	0	0
International investment expenses	(2,530,171)	(2,618,482)	(3,092,036)	(2,417,575)	(1,896,400)
Alternative investment expenses	(31,682,592)	(41,418,046)	(21,519,745)	(8,035,266)	(6,268,112)
Custodian fees	(800,000)	(800,000)	(800,000)	(800,000)	(697,344)
Performance consultant fees	(279,786)	(252,000)	(250,000)	(182,001)	(175,500)
Trade cost analysis fees	(40,000)	(40,000)	0	0	0
Advisor fees	(19,283,122)	(22,812,775)	(26,103,079)	(24,803,085)	(20,167,356)
Total investment expenses	(54,615,671)	(67,941,303)	(51,764,860)	(36,237,927)	(29,204,712)
Net income (loss) from investing activities	215,586,943	(955,599,584)	(602,157,054)	1,518,654,811	926,672,896
From securities lending activities					
Securities lending income	16,602,783	20,960,004	50,709,086	59,961,994	59,035,769
Securities lending expenses:					
Fixed	(9,749,608)	(11,104,163)	(15,769,655)	(14,838,553)	(14,357,718)
Equity	(249,933)	(249,706)	(249,246)	(249,436)	(197,298)
International	(824,609)	(2,677,010)	(27,847,838)	(39,123,376)	(39,214,613)
Total securities lending activities expenses	(10,824,150)	(14,030,879)	(43,866,739)	(54,211,365)	(53,769,629)
Net income from securities lending activities	5,778,633	6,929,125	6,842,347	5,750,629	5,266,140
Total net investment income (loss)	221,365,576	(948,670,459)	(595,314,707)	1,524,405,440	931,939,036
Other operating revenues	4,976,629	1,787,499	988,233	1,365,976	811,363
Total additions	928,976,915	(273,088,943)	61,540,390	2,203,421,251	1,621,662,964
Deductions					
Retirement benefits	1,003,327,453	920,593,341	858,979,906	791,183,546	735,328,349
Refunds of contributions	22,287,120	23,432,296	26,948,712	22,458,244	21,238,599
TRSL employee health & life expenses					
Administrative expenses					
Depreciation expenses	490,780	475,734	435,128	364,259	430,497
Total deductions	1,036,793,356	953,387,602	894,584,233	821,375,456	763,611,380
Net increase (decrease)	(107,816,441)	(1,226,476,545)	(833,043,843)	1,382,045,795	858,051,584
Assets held in trust for pension benefits					
Beginning of year	10,628,494,051	11,854,970,596	12,688,014,439	11,305,968,644	10,447,917,060
End of year	$10,520,677,610	$10,628,494,051	$11,854,970,596	$12,688,014,439	$11,305,968,644

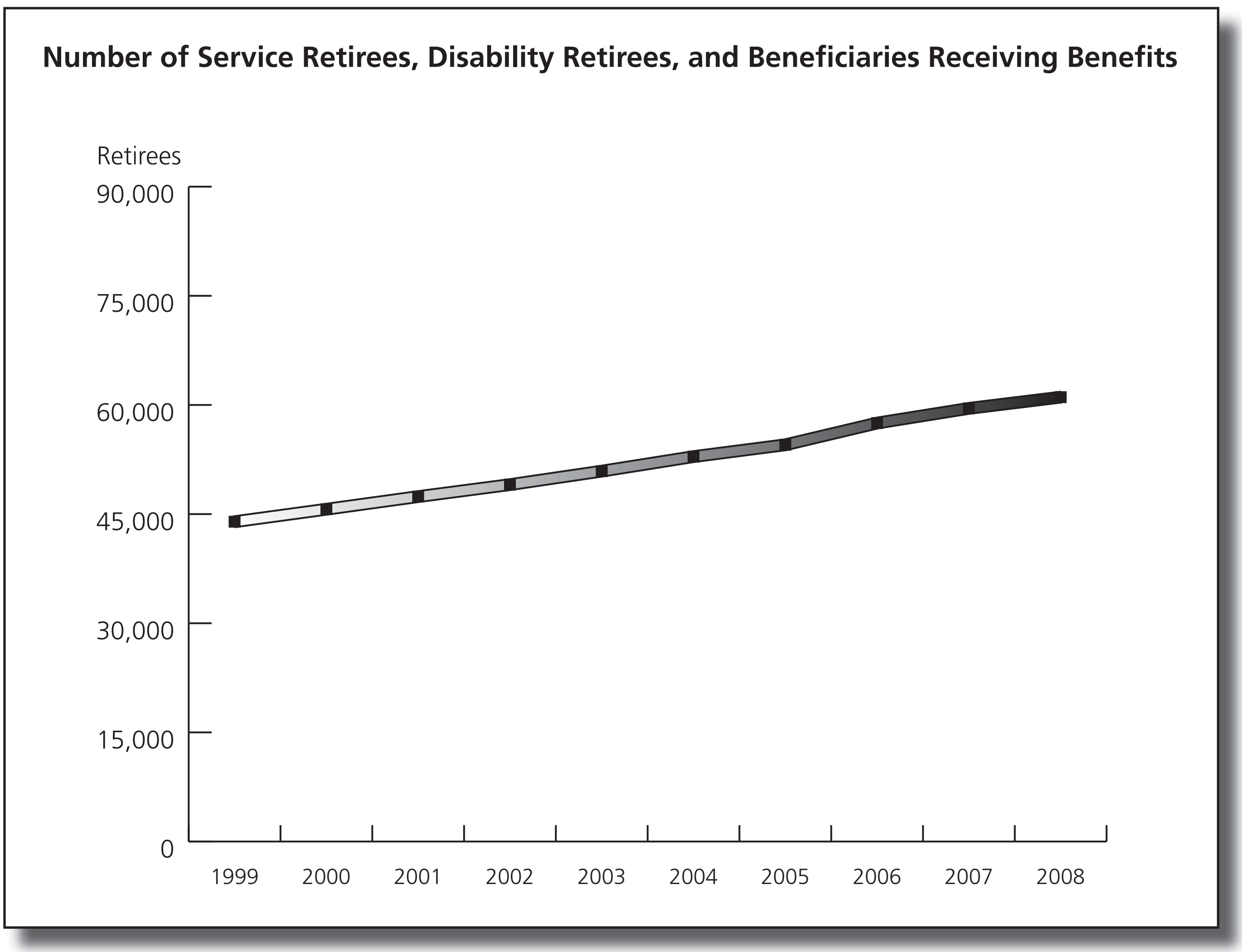
Number of Active, Terminated Vested and Nonvested Members

Fiscal Year	Members	% Increase Each Year
1998-1999	94,219	
1999-2000	94,504	0.3%
2000-2001	97,293	3.0%
2001-2002	98,861	1.6%
2002-2003	101,218	2.4%
2003-2004	103,125	1.9%
2004-2005	102,896	(0.2%)
2005-2006	101,135	(1.7%)
2006-2007	101,262	0.1%
2007-2008	102,593	1.3%



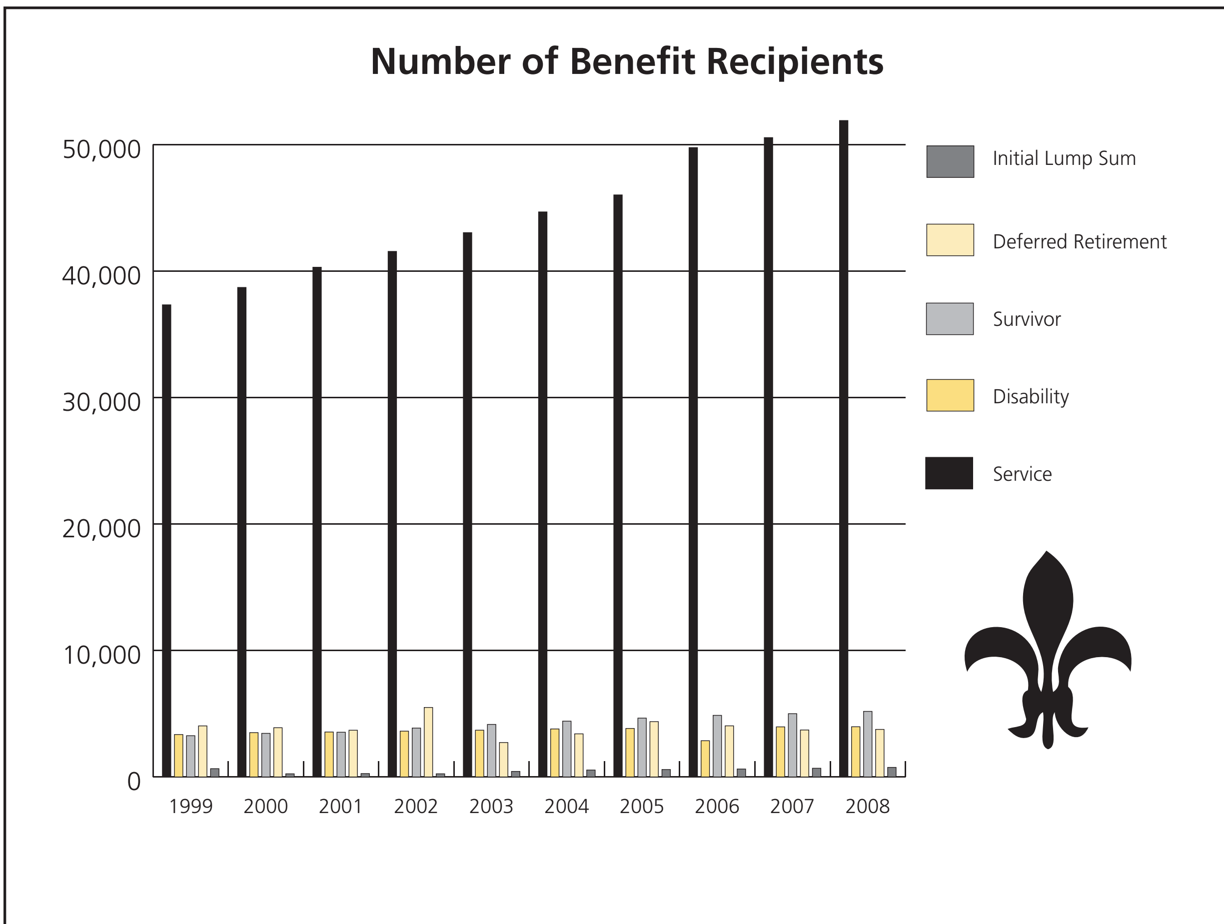
Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits

Fiscal Year	Retirees	% Increase Each Year
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%
2007-2008	61,070	2.5%



Number of Benefit Recipients

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1998-1999	37,341	3,354	3,260	4,038	654	48,647
1999-2000	38,715	3,505	3,448	3,893	247	49,808
2000-2001	40,313	3,555	3,536	3,695	266	51,365
2001-2002	41,566	3,622	3,865	5,496	248	54,797
2002-2003	43,050	3,698	4,155	2,722	437	54,062
2003-2004	44,690	3,797	4,413	3,409	547	56,856
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
2007-2008	51,916	3,969	5,185	3,760	755	65,585

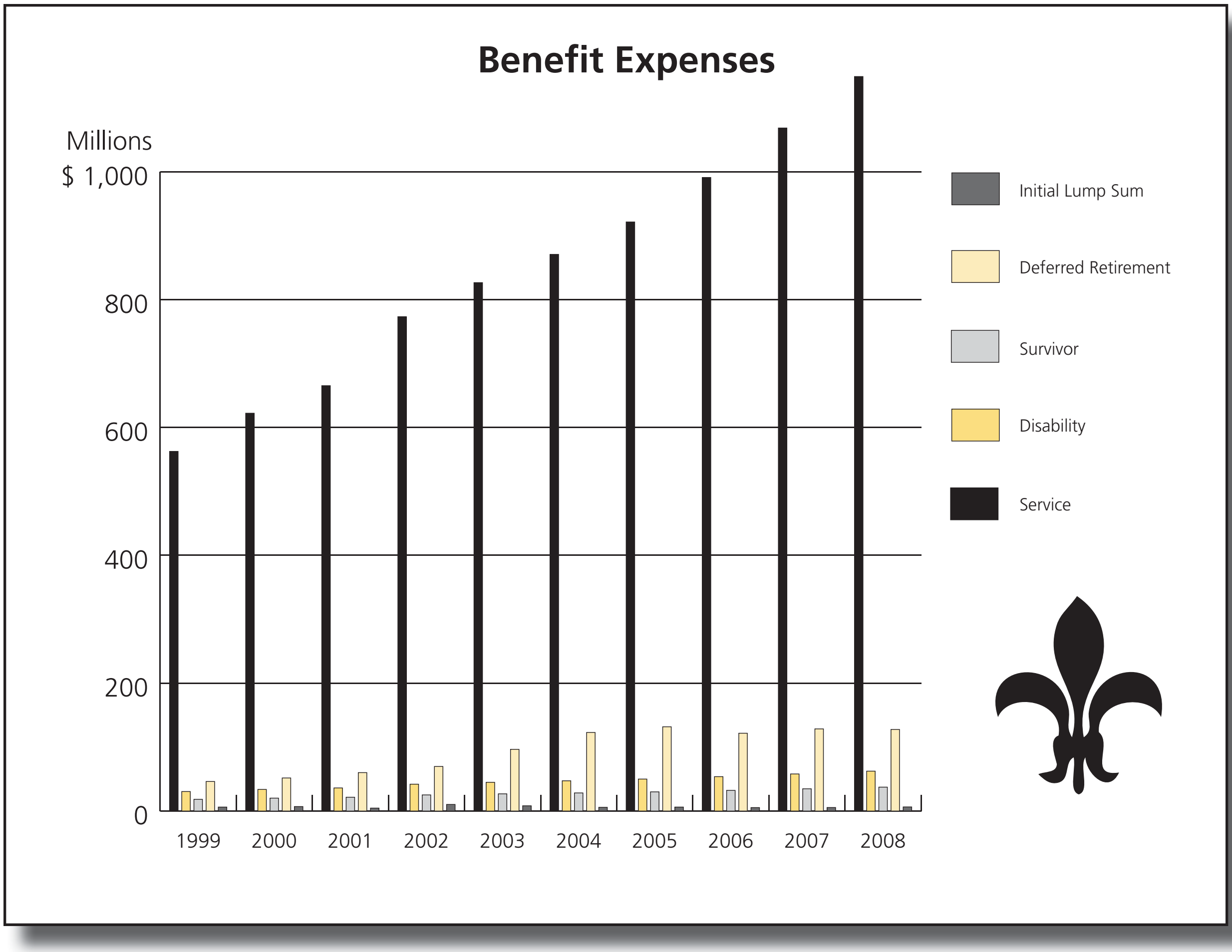


Schedule of Retired Members By Type of Benefit as of June 30, 2008
(Data include all plans)

Amount of Monthly Benefit			Service Retirees	Disability Retirees	Beneficiaries/ Survivors	Total
$0.00	-	$249.99	890	61	322	1,273
$250.00	-	$499.99	3,651	564	713	4,928
$500.00	-	$749.99	4,218	1,180	713	6,111
$750.00	-	$999.99	4,862	727	610	6,199
$1,000.00	-	$1,249.99	5,260	614	563	6,437
$1,250.00	-	$1,499.99	4,025	348	482	4,855
$1,500.00	-	$1,749.99	3,237	209	358	3,804
$1,750.00	-	$1,999.99	3,177	131	277	3,585
$2,000.00	-	$2,249.99	3,726	49	239	4,014
$2,250.00	-	$2,499.99	4,396	34	235	4,665
$2,500.00	-	$2,749.99	3,981	23	189	4,193
$2,750.00	-	$2,999.99	3,175	15	119	3,309
$3,000.00	-	$3,249.99	2,271	11	103	2,385
$3,250.00	-	$3,499.99	1,547	2	73	1,622
$3,500.00	-	$3,749.99	1,069	1	54	1,124
$3,750.00	-	and above	2,431	0	135	2,566
		Total for all plans	51,916	3,969	5,185	61,070

Benefit Expenses

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1998-1999	$ 622,387,271	$ 33,825,395	$ 20,295,237	$ 51,764,526	$ 7,055,920	$ 735,328,349
1999-2000	665,449,247	36,165,720	21,699,432	60,169,167	7,699,980	791,183,546
2000-2001	717,799,621	39,010,849	23,406,509	69,087,607	9,675,320	858,979,906
2001-2002	773,311,519	42,027,800	25,216,680	69,718,252	10,319,090	920,593,341
2002-2003	826,661,700	44,927,266	26,956,360	96,539,409	8,242,718	1,003,327,453
2003-2004	870,865,365	47,329,639	28,397,784	122,905,311	5,800,568	1,075,298,667
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
2007-2008	1,149,302,721	62,462,104	37,477,263	127,670,669	6,468,820	1,383,381,577



10-Year Average Benefit Payments For Service Retirees

Fiscal Year	Status Type	Years of Service Credit 00-05	05-10	10-15	15-20	20-25	25-30	30-35	35-40	Over 40	All Members
1999	Average Benefit	$148	$326	$461	$823	$1,221	$2,032	$2,486	$3,433	$3,399	$1,709
	Average Comp	$1,396	$1,879	$1,930	$2,224	$12,202	$10,662	$3,304	$3,995	$3,667	$7,564
	Retiree Count	2	41	167	243	562	704	453	86	17	2,275
2000	Average Benefit	$842	$444	$524	$883	$1,237	$2,115	$2,485	$3,319	$3,652	$1,739
	Average Comp	$2,330	$2,496	$2,103	$2,331	$10,169	$3,152	$3,449	$4,022	$4,085	$5,000
	Retiree Count	4	33	158	285	708	812	481	89	17	2,587
2001	Average Benefit	$12	$459	$519	$927	$1,379	$2,138	$2,616	$3,506	$3,214	$1,826
	Average Comp	$183	$2,098	$2,146	$2,461	$11,844	$3,211	$14,345	$4,461	$3,777	$7,274
	Retiree Count	1	44	178	282	598	861	501	74	18	2,557
2002	Average Benefit	$525	$309	$542	$977	$1,417	$2,203	$2,674	$3,084	$3,528	$1,855
	Average Comp	$2,541	$2,111	$2,252	$24,784	$2,852	$3,291	$3,684	$4,015	$4,112	$5,230
	Retiree Count	9	92	169	243	566	882	499	74	18	2,552
2003	Average Benefit	$514	$366	$579	$905	$1,451	$2,335	$2,796	$3,361	$3,559	$1,963
	Average Comp	$2,212	$2,256	$2,403	$2,503	$2,909	$3,488	$3,883	$4,310	$4,395	$3,269
	Retiree Count	6	86	156	230	578	939	510	68	20	2,593
2004	Average Benefit	$191	$418	$561	$962	$1,538	$2,317	$2,821	$3,736	$4,268	$2,022
	Average Comp	$1,747	$2,492	$2,354	$2,663	$3,090	$3,418	$3,925	$4,999	$5,382	$3,354
	Retiree Count	9	94	186	242	557	1,015	538	93	34	2,768
2005	Average Benefit	$316	$377	$616	$1,037	$1,580	$2,398	$2,917	$3,657	$3,758	$2,117
	Average Comp	$3,426	$2,344	$2,560	$2,813	$3,092	$3,554	$4,023	$4,938	$4,926	$3,465
	Retiree Count	7	84	190	273	607	1,163	658	110	26	3,118
2006	Average Benefit	$447	$457	$618	$1,043	$1,624	$2,487	$2,965	$3,603	$3,830	$2,173
	Average Comp	$2,779	$2,828	$2,642	$2,936	$3,288	$3,720	$4,132	$4,931	$4,976	$3,619
	Retiree Count	11	120	224	349	867	1,570	824	161	41	4,167
2007	Average Benefit	$419	$431	$614	$1,110	$1,699	$2,581	$3,082	$4,013	$4,812	$2,163
	Average Comp	$2,115	$2,753	$2,659	$3,158	$3,373	$3,862	$4,282	$5,551	$5,859	$3,691
	Retiree Count	19	114	249	313	599	1,059	621	88	18	$3,080
2008	Average Benefit	$434	$496	$642	$1,128	$1,794	$2,612	$3,110	$4,128	$4,884	$2,230
	Average Comp	$3,898	$2,939	$2,681	$3,183	$3,464	$3,897	$4,452	$5,819	$6,302	$3,802
	Retiree Count	11	115	193	245	464	931	493	79	22	2,553

10-Year Average Benefit Payments For Disability Retirees

Fiscal Year	Status Type	Years of Service Credit									All Members
		00-05	05-10	10-15	15-20	20-25	25-30	30-35	35-40	Over 40	
1999	Average Benefit	$560	$529	$644	$859	$878	$848	$0	$0	$0	$730
	Average Comp	$1,576	$1,385	$1,654	$1,834	$1,814	$1,702	$0	$0	$0	$1,677
	Retiree Count	4	40	50	52	36	8	0	0	0	190
2000	Average Benefit	$638	$607	$697	$941	$949	$805	$0	$0	$0	$801
	Average Comp	$1,933	$1,524	$1,690	$2,109	$2,084	$1,606	$0	$0	$0	$1,865
	Retiree Count	8	54	56	90	34	6	0	0	0	248
2001	Average Benefit	$625	$625	$688	$1,000	$971	$1,416	$0	$0	$0	$809
	Average Comp	$1,647	$1,686	$1,795	$2,223	$2,009	$2,650	$0	$0	$0	$1,923
	Retiree Count	3	68	59	53	32	8	0	0	0	223
2002	Average Benefit	$606	$570	$663	$949	$970	$938	$0	$0	$0	$786
	Average Comp	$1,121	$1,454	$1,647	$2,049	$1,763	$1,721	$0	$0	$0	$1,755
	Retiree Count	1	50	58	74	30	4	0	0	0	217
2003	Average Benefit	$647	$631	$723	$991	$1,185	$1,279	$0	$0	$0	$831
	Average Comp	$2,041	$1,658	$1,875	$2,135	$2,450	$2,182	$0	$0	$0	$1,947
	Retiree Count	3	66	53	55	21	7	0	0	0	205
2004	Average Benefit	$1,027	$679	$764	$1,072	$919	$1,252	$0	$0	$0	$894
	Average Comp	$2,968	$1,944	$2,042	$2,404	$1,796	$2,504	$0	$0	$0	$2,149
	Retiree Count	2	50	42	65	21	11	0	0	0	191
2005	Average Benefit	$652	$650	$785	$988	$1,006	$1,648	$0	$0	$0	$868
	Average Comp	$905	$1,863	$2,178	$2,336	$2,029	$3,156	$0	$0	$0	$2,150
	Retiree Count	2	52	55	57	23	8	0	0	0	197
2006	Average Benefit	$749	$692	$833	$1,075	$1,345	$1,436	$0	$0	$0	$929
	Average Comp	$2,099	$1,966	$2,150	$2,415	$2,733	$3,130	$0	$0	$0	$2,253
	Retiree Count	5	63	66	62	29	2	0	0	0	227
2007	Average Benefit	$645	$675	$835	$1,052	$1,358	$1,805	$0	$0	$0	$926
	Average Comp	$1,726	$2,048	$2,083	$2,241	$2,739	$4,619	$0	$0	$0	$2,243
	Retiree Count	6	51	64	37	28	4	0	0	0	190
2008	Average Benefit	$790	$783	$929	$1,166	$1,538	$900	$0	$0	$0	$991
	Average Comp	$1,238	$2,109	$2,268	$2,651	$3,092	$1,730	$0	$0	$0	$2,352
	Retiree Count	2	62	49	37	19	6	0	0	0	175

10-Year Average Benefit Payments For Beneficiaries/Survivors

Fiscal Year	Status Type	Years of Service Credit									All Members
		00-05	05-10	10-15	15-20	20-25	25-30	30-35	35-40	Over 40	
1999	Average Benefit	$1,652	$397	$577	$591	$977	$1,209	$1,539	$1,289	$1,692	$1,080
	Average Comp	$1,786	$557	$165	$258	$679	$652	$865	$1,005	$626	$628
	Retiree Count	2	12	49	47	78	110	79	35	8	420
2000	Average Benefit	$256	$370	$529	$626	$937	$1,313	$1,641	$1,414	$1,490	$1,066
	Average Comp	$0	$256	$221	$569	$679	$933	$698	$531	$1,576	$644
	Retiree Count	2	39	42	55	70	86	83	32	11	420
2001	Average Benefit	$359	$323	$521	$756	$980	$1,359	$1,527	$1,520	$1,584	$1,104
	Average Comp	$1,201	$855	$652	$823	$935	$1,418	$1,084	$522	$216	$991
	Retiree Count	3	30	34	49	61	98	66	31	9	381
2002	Average Benefit	$343	$400	$504	$675	$942	$1,519	$1,469	$1,440	$3,426	$1,131
	Average Comp	$0	$834	$774	$483	$1,159	$1,284	$729	$449	$4,302	$962
	Retiree Count	1	22	41	54	93	104	72	28	5	420
2003	Average Benefit	$0	$455	$552	$641	$983	$1,480	$1,568	$1,797	$1,292	$1,183
	Average Comp	$0	$796	$1,420	$843	$1,030	$1,352	$1,285	$1,316	$1,961	$1,208
	Retiree Count	0	25	39	56	69	123	77	32	10	431
2004	Average Benefit	$0	$433	$420	$772	$1,025	$1,274	$1,781	$1,888	$1,240	$1,163
	Average Comp	$0	$1,186	$1,369	$1,551	$1,573	$1,814	$1,144	$1,061	$0	$1,423
	Retiree Count	0	35	45	37	76	105	75	35	9	417
2005	Average Benefit	$0	$456	$543	$768	$929	$1,477	$1,777	$1,968	$1,809	$1,247
	Average Comp	$0	$1,799	$1,491	$1,720	$1,370	$1,929	$1,729	$1,890	$2,584	$1,724
	Retiree Count	1	26	48	57	90	113	91	40	15	481
2006	Average Benefit	$0	$434	$591	$875	$1,047	$1,472	$1,608	$1,741	$2,087	$1,203
	Average Comp	$0	$1,510	$1,313	$1,762	$1,460	$1,836	$1,490	$1,537	$1,785	$1,598
	Retiree Count	1	34	45	68	99	126	89	31	7	500
2007	Average Benefit	$682	$518	$624	$776	$1,076	$1,342	$1,482	$1,723	$2,621	$1,157
	Average Comp	$0	$1662	$1,564	$1,389	$1,705	$2,218	$1,172	$628	$1,944	$1,611
	Retiree Count	2	39	54	65	104	141	102	35	6	548
2008	Average Benefit	$531	$467	$465	$845	$1,069	$1,559	$1,909	$1,891	$1,820	$1,324
	Average Comp	$1,845	$2,084	$1,714	$1,053	$1,743	$2,170	$1,986	$1,406	$975	$1,821
	Retiree Count	5	27	56	51	91	136	116	32	10	524

Number of Refunds of Contributions

Fiscal Year	Number of Refunds	% Increase Each Year
1998-1999	4,160	
1999-2000	3,648	(12.3%)
2000-2001	3,848	5.5%
2001-2002	5,191*	34.9%
2002-2003	5,422*	4.5%
2003-2004	5,657*	4.3%
2004-2005	6,572*	16.2%
2005-2006	8,718*	32.7%
2006-2007	7,907*	(9.3%)
2007-2008	5,762*	(27.13%)

*Includes refunds of retirees who returned to work.

Number of Staff Positions

Fiscal Year	Staff	% Increase Each Year
1998-1999	122	
1999-2000	127	4.1%
2000-2001	134	5.5%
2001-2002	143	6.7%
2002-2003	159	11.2%
2003-2004	172	8.2%
2004-2005	173	0.6%
2005-2006	173	0.0%
2006-2007	173	0.0%
2007-2008	173	0.0%

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Acts 642* and 28**	Net Investment Income	Other Operating Revenues	Total
1998-1999	$ 216,102,491	$ 442,793,009	$ 30,017,065		$ 931,939,036	$ 811,363	$1,621,662,964
1999-2000	224,684,434	423,690,949	29,274,452		1,524,405,440	1,365,976	2,203,421,251
2000-2001	226,754,298	401,243,346	27,869,220		(595,314,707)	988,233	61,540,390
2001-2002	246,119,537	400,478,248	27,196,232		(948,670,459)	1,787,499	(273,088,943)
2002-2003	251,297,401	421,838,213	29,499,096		221,365,576	4,976,629	928,976,915
2003-2004	264,999,131	444,104,350	35,244,313		1,738,551,936	3,217,889	2,486,117,619
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
2007-2008	323,678,452	656,091,577	57,569,465	40,000,000 **	(799,919,813)	6,264,759	283,684,440

***Act 642 of 2006** ****Act 28 of 2007**

Expenses by Type

Fiscal Year	Benefits	Refunds	Administrative Expenses	Depreciation Expenses	Total
1998-1999	$ 735,328,349	$ 21,238,599	$ 6,613,935	$ 430,497	$ 763,611,380
1999-2000	791,183,546	22,458,244	7,369,407	364,259	821,375,456
2000-2001	858,979,906	26,948,712	8,220,487	435,128	894,584,233
2001-2002	920,593,341	23,432,296	8,886,231	475,734	953,387,602
2002-2003	1,003,327,453	22,287,120	10,688,003	490,780	1,036,793,356
2003-2004	1,075,298,667	26,804,821	10,786,450	508,399	1,113,398,337
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
2007-2008	1,385,666,955	35,071, 343	14,880,903	545,737	1,436,164,938

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
Central Community School System
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

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 Tech University
Louisiana Technical College
Louisiana Technical College — Region 1
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.

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
Choice Foundation/Lafayette 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.
The Leona Louisiana Employment Group
The Maxine Giardina Charter School, Inc.
New Orleans College Prep
New Vision Learning Academy, Inc.
Priestley School of Architecture
TCSA McDonogh 42 Elementary Charter School
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
E.A. 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 Education — Contract
Louisiana Department of Environmental Quality
Louisiana Department of Health and Hospitals
Louisiana Department of Health and Hospitals — Office of Citizens with Disabilities
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
Office of Financial Institutions
Office of Homeland Security
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

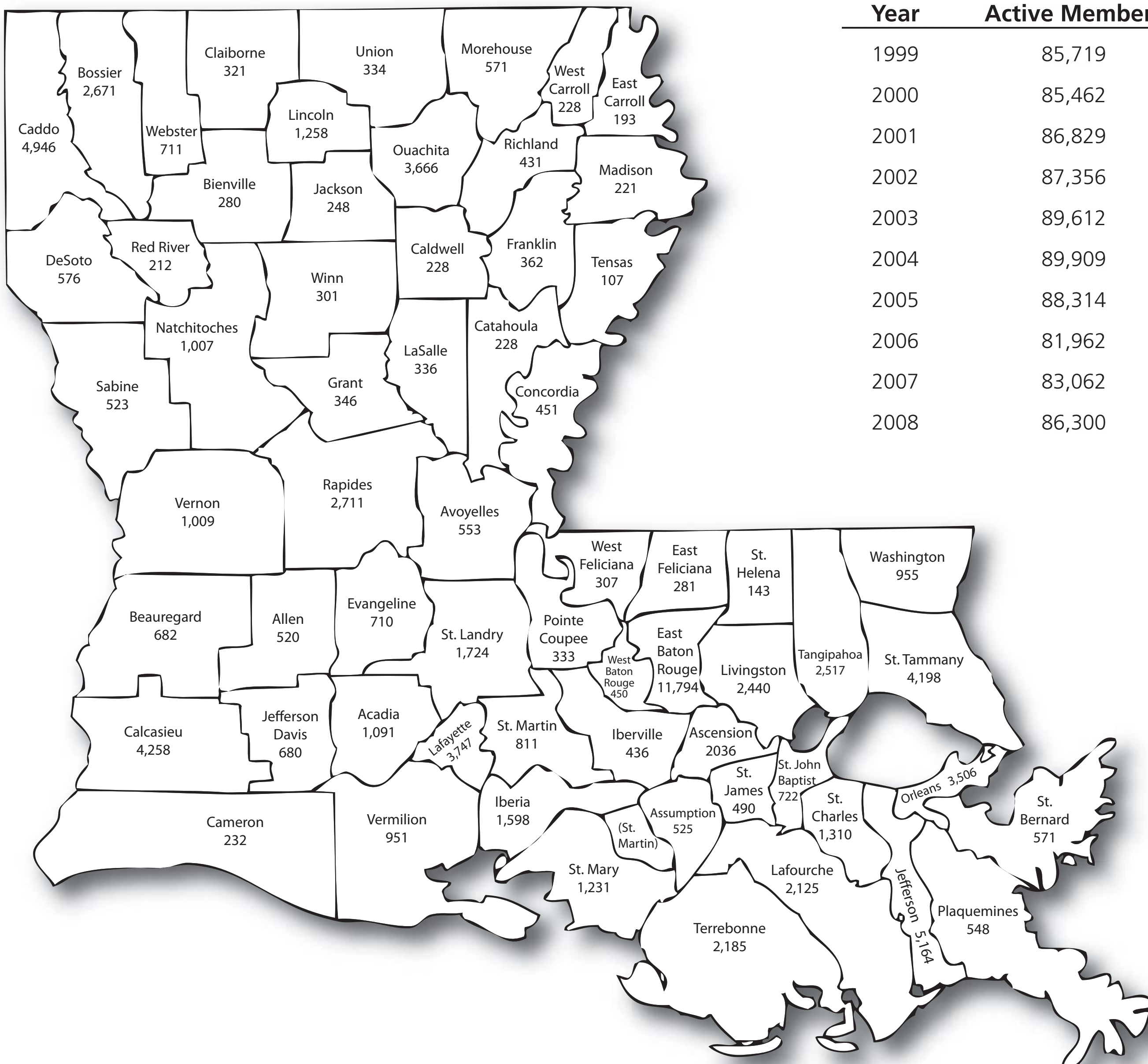
Associated Professional Educators of Louisiana
Florida Parishes Human Service Authority
Jefferson Parish Human Services
Louisiana Association of Educators
Louisiana Federation of Teachers
Louisiana High School Athletic Association
Metropolitan Human Services
Monroe Federation of Teachers and School Employees
New Orleans Center for Creative Arts
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

Total Active Members Statewide

Total Number of Members — 86,300

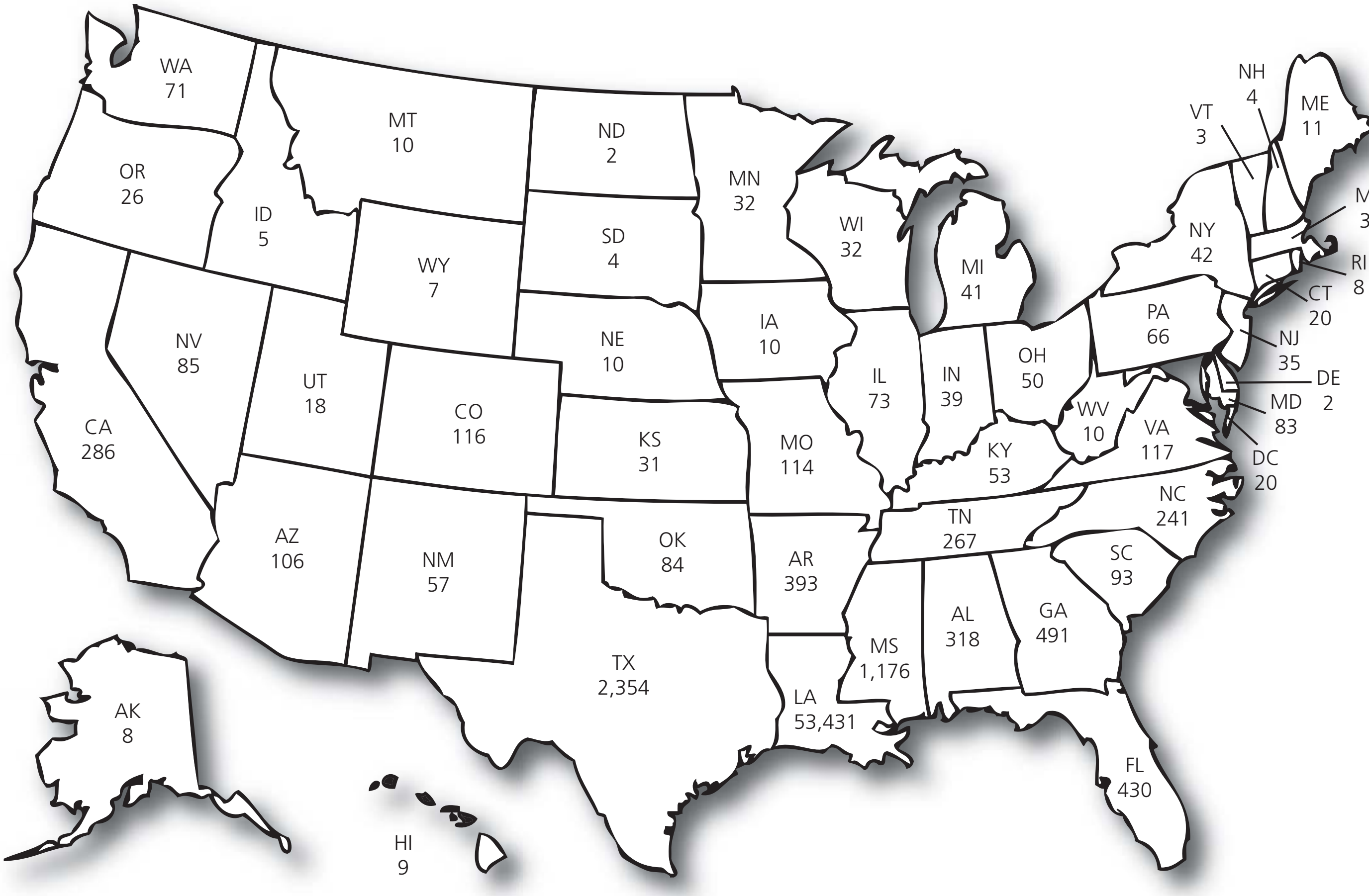
*Includes all employing agencies located within each parish

Year	Active Members
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
2008	86,300



Total Retired Members Worldwide

Total Number of Retirees — 61,070



Foreign Countries

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

U.S. Overseas Military Bases 6

U.S. Possessions

Guam	1	Virgin Islands	1

Year	Retired Members
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
2008	61,070

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2008

Alternative Retirement Plans Section

Integrity

Accountability

Trust

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TRSL

Alternative Retirement Plans

Optional Retirement Plan (ORP)

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

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

The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the TRSL Board of Trustees. 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, 2008, and 2007, employees joining ORP consisted of:

	2008	2007
Members of TRSL joining ORP	161	114
New employees joining ORP	1,129	1,094
	1,290	**1,208**
Total actively contributing members	**9,049**	**8,688**

At June 30, 2008, and 2007, the amounts transferred to ORP were:

	2008	2007
Amounts previously held in TRSL reserves	$ 485,876	$ 433,695
Contributions	87,461,726	77,662,379
	$ 87,947,602	**$ 78,096,074**

At June 30, 2008, and 2007, member and employer contribution rates were:

Member	**2008**	**2007**
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	**2008**	**2007**
Employer contribution rate (normal cost is applicable for ORP transfers)	6.9336%	6.640%
Unfunded rate (retained by TRSL)	9.6664%	9.160%
	16.6000%	**15.800%**

Deferred Retirement Option Plan (DROP)
For members who became eligible to participate before January 1, 2004

TRSL first implemented DROP on July 1, 1992, under Louisiana Revised Statute 11:786. The original program had a two-year participation period. DROP was modified on January 1, 1994, to allow a three-year period of participation.

DROP allows members to accumulate retirement benefits in a special reserve fund while continuing to work and draw a full salary. During this period of employment, neither members nor their employing agencies make contributions to TRSL. After termination of employment, members receive both their regular monthly retirement benefits and the funds accumulated in their DROP accounts. Members receive DROP funds as either a total distribution or as an additional monthly annuity.

All monthly DROP deposits are sheltered from taxes until withdrawal from the account after termination of employment. Single lump-sum withdrawals or withdrawals lasting for a period of less than 10 years are eligible for roll over to an individual retirement account (IRA), individual retirement annuity, or another qualified plan. Certain restrictions apply. Members should carefully review all DROP provisions to determine what is best for his or her particular situation. TRSL also suggests that members consult their tax accountants before making a DROP 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.

Deferred Retirement Option Plan (DROP)
For members who became eligible to participate before January 1, 2004

	2008	2007	%Increase (Decrease)
Members Entering DROP	1	12	(92%)
Disbursements	$ 83,619,805	$110,249,218	(24%)
DROP Reserves at June 30	$ 805,814,517	$771,131,122	4%

Initial Lump Sum Benefit (ILSB)

The ILSB program became effective on January 1, 1996. Retiring members who have not participated in the Deferred Retirement Option Plan (DROP) can choose the ILSB alternative. ILSB 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 lifetime monthly benefit 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 regarding distribution of the single-sum payment:

- The member may receive the entire amount, less a 20-percent federal income tax withholding.
- The member may roll over the entire amount to an IRA, 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.

DROP/ILSB Account Interest Rates

Fiscal Year Ending June 30	Interest Rate
2003	(6.05%)**
2004	9.35%
2005	9.37%
2006	15.15%
2007	14.70%
2008	4.65%

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

Deferred Retirement Option Plan (DROP)/ Initial Lump Sum Benefit (ILSB)
For members who became eligible to participate on or after January 1, 2004

In 2003, the legislature passed (Act 962 of 2003) that established a new method of calculating interest earnings on all affected DROP and ILSB accounts. The law applies to all members who became 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.

Under the new method of calculation, DROP/ILSB accounts earn interest at the liquid asset money market rate less a 0.25 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, 2008, DROP/ILSB accounts for members who joined on or after January 1, 2004, earned approximately 3.98 percent.

Initial Lump Sum Benefit (ILSB)
For members who became eligible to participate on or after January 1, 2004

	2008	2007	% Increase (Decrease)
Members choosing ILSB	16	30	(47%)
Disbursements	$ 2,041,666	$ 2,876,338	(29%)
ILSB Reserves at June 30	$ 7,038,451	$ 6,678,293	5%

Deferred Retirement Option Plan (DROP)/Initial Lump-Sum Benefit (ILSB)
For members who became eligible to participate on or after January 1, 2004

DROP	2008	2007	% Increase (Decrease)
Members Entering DROP	1,803	1,371	32%
Disbursements	$ 44,050,865	$ 18,343,049	140%
DROP Reserves at June 30	$ 355,001,868	$ 251,121,195	41%
ILSB	**2008**	**2007**	**% Increase (Decrease)**
Members Entering ILSB	68	60	13%
Disbursements	$ 4,427,155	$ 2,649,316	67%
ILSB Reserves at June 30	$ 673,300	$ 988,832	(32%)

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, and is administered by the TRSL Board of Trustees, which holds the same rights, duties and responsibilities for this plan as for the pension plan.

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. The amount is to be 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 Louisiana Revised Statute 11:784.1.

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.

Excess Benefit Plan

	2008	2007	% Increase (Decrease)
Number of Excess Benefit Recipients	45	35	29%
Total Benefits	$625,362	$ 514,126	22%

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Baton Rouge, LA 70809-7017

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