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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 22 1997**

COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE STATE OF LOUISIANA

FISCAL YEAR ENDED JUNE 30, 1997

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT -
A COMPONENT UNIT OF THE STATE OF LOUISIANA
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

**JAMES P. HADLEY, JR.
DIRECTOR**

OFFICE LOCATION

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
THIRD FLOOR
8401 UNITED PLAZA BOULEVARD
BATON ROUGE, LOUISIANA 70809
(504) 925-6446**

MAILING ADDRESS

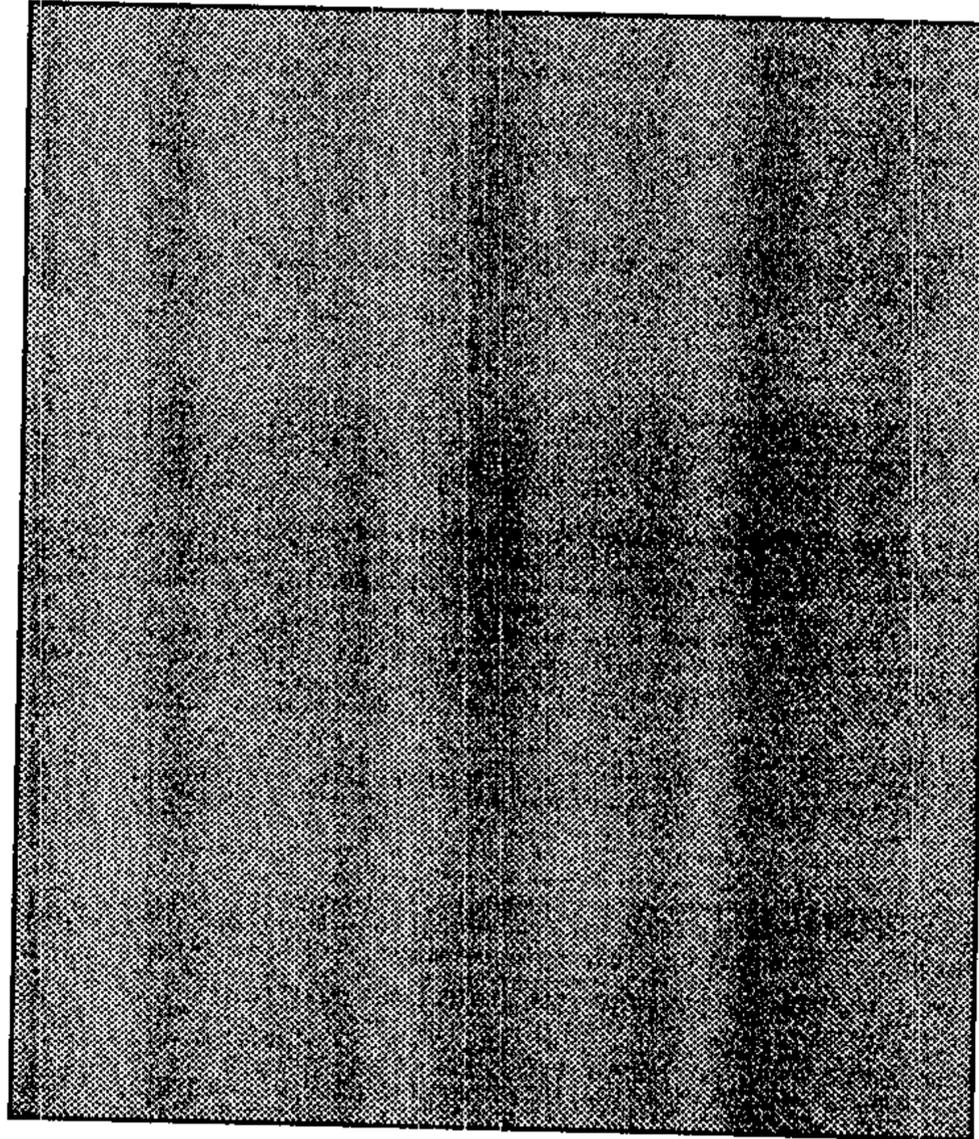
**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
P. O. BOX 94123
BATON ROUGE, LOUISIANA 70804-9123**

**PREPARED BY THE ACCOUNTING AND
INVESTMENT DEPARTMENTS OF THE
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA**

TABLE OF CONTENTS

INTRODUCTORY SECTION		STATISTICAL SECTION (Continued)	
Letter of Transmittal	5	Benefit Expenses	125
Board of Trustees and Ex Officio Members	12	Graph-Benefit Expenses	125
Administrative Staff	13	Average Monthly Pension Benefit	126
Professional Consultants	14	Number of Refunds of Contributions	126
Organizational Chart	16	Number of Staff Positions	126
Certificate of Achievement for Excellence in Financial Reporting	17	Revenues By Source	127
Public Pension Principles Achievement Award	18	Expenses By Type	127
Summary of 1996-1997 Legislative Acts	19	Schedule of Participating Employers	128
Plan Summary	20	Map-State of Louisiana (Total Active Members)	130
FINANCIAL SECTION		Map-Location of TRSL Retirees Worldwide	131
Independent Auditor's Report	24	ALTERNATIVE RETIREMENT PLANS	
General Purpose Financial Statements:		Optional Retirement Plan	134
Statements of Plan Net Assets	26	Deferred Retirement Option Plan	135
Statements of Changes in Plan Net Assets	27	Option 5	136
Notes to the Financial Statements	28		
Required Supplementary Information:			
Schedule of Funding Progress	36		
Schedule of Employer Contributions	37		
Notes to the Schedules of Trend Information	38		
Supporting Schedules:			
Schedules of Budgetary Expenses	40		
Schedules of Administrative Expenses	41		
Schedules of Investment Expenses	42		
Schedules of Board Compensation	43		
Schedules of Building Maintenance Expenses and Capital Outlays	44		
Schedules of Payments to Consultants	45		
Graph-1997 Revenue - Where it Came From	46		
Graph-1997 Revenue - Where it Went	46		
INVESTMENT SECTION			
Report on Investment Activity	48		
Investment Policy	49		
Investment Summary	54		
List of Investments	55		
Net Earnings on Investments	103		
Investment Performance Measurements	104		
Average Yield on Bonds Purchased	104		
Annual Rates of Return	105		
Summary Schedule of Commissions Paid To Brokers	106		
ACTUARIAL SECTION			
Actuary's Certification Letter	108		
Summary of Assumptions	110		
Actuarial Valuation Balance Sheet	112		
Summary of Unfunded Actuarial Liabilities/Salary Test	113		
Summary of Actuarial and Unfunded Actuarial Liabilities	113		
Reconciliation of Unfunded Actuarial Liabilities	114		
Amortization of Unfunded Actuarial Accrued Liability	115		
Membership Data	116		
Historical Membership Data	117		
Principle Provisions of the Plan	118		
STATISTICAL SECTION			
Number of Active, Terminated Vested and Nonvested Members	122		
Graph-Number of Active, Terminated Vested and Nonvested Members	122		
Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits	123		
Graph-Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits	123		
Number of Benefit Recipients	124		
Graph-Number of Benefit Recipients	124		

INTRODUCTORY SECTION



James P. Hadley, Jr.
Director



TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

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Baton Rouge, Louisiana 70804-9123

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JAMES P. HADLEY, JR.
DIRECTOR

LETTER OF TRANSMITTAL

October 14, 1997

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Teachers' Retirement System of Louisiana (TRSL) for the fiscal year ended June 30, 1997, is submitted as mandated by Louisiana Revised Statutes 11:832(B). This law requires that a report be published annually "showing the fiscal transactions of the retirement system for the preceding school year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system."

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

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

The introductory section contains the letter of transmittal, a listing of the Board of Trustees, a listing of the administrative staff and professional service providers, the System's organizational chart, a plan summary, the Certificate of Achievement for Excellence in Financial Reporting, a summary of 1996-1997 Legislative Acts, and the Public Pension Principles Achievement Award.

The financial section is composed of the Independent Auditor's Report, General Purpose Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Supporting Schedules.

The investment section is comprised of a report on investment activity, the Investment Policy, a presentation of the portfolio by investment category, Summary of Investment Transactions, Listing of Investments, Investment Performance Measurements, Annual Rates of Return, a schedule of commissions paid to brokers, Net Earnings on Investments and Average Yield on Bonds Purchased.

The actuarial section contains the actuary's certification letter, a summary of assumptions, actuarial valuation balance sheet and other pertinent actuarial data.

The statistical section displays trend information on selected data, various graphs and a list of employing agencies who remit contributions to the System.

The last section of the report contains information on TRSL's three additional retirement alternatives; the Optional Retirement Plan (ORP), Deferred Retirement Option Plan (DROP) and the Option 5 program.

DEFINITION AND PURPOSE OF THE ENTITY

The Teachers' Retirement System of Louisiana, a defined benefit pension plan, was established by legislation on August 1, 1936, to provide retirement allowances and other benefits for Louisiana teachers. TRSL is governed by a Board of Trustees, and all invested funds, cash and property are held in the name of TRSL for the sole benefit of the membership and retirees.

ECONOMIC CONDITIONS AND OUTLOOK

Louisiana's economy is still on the rise, albeit at a slower pace and 1997 will mark a decade of continuous expansion with employment levels at an all time high for the state. Oil & gas, petrochemicals, shipyards and casinos are major industries contributing to Louisiana's economic expansion.

Louisiana's eight metropolitan areas continue to grow. Lake Charles is experiencing the strongest growth due to the additional boost from the expanding casino industry and chemical industry. One area that has seen continuous growth is Baton Rouge. The large petrochemical industry along with a more financially sound state government continue to contribute to Baton Rouge's economic stability. Houma and Lafayette continue to benefit from oil and gas extraction industries while Shreveport will continue to experience growth due to the casino industry and hotel and lodging industry. Alexandria and Monroe will get a boost from the construction industry and continue to prosper in the retail and service trade areas.

New Orleans is the slowest growing area in the state largely because of the postponed completion of the land based casino, and the cutbacks in Medicaid and intensive managed care reforms which have caused health care employment to suffer. The retail trade and construction sectors continue to stimulate growth, surpassing the casino and health care declines.

The national economy has a significant effect on the performance of Louisiana's economy. Projections are that the national economy will grow slowly. However, one positive outlook for the national economy is that international sector growth is projected to be stronger than in the U.S. giving a boost to U.S. exports. The effects of the North American Free Trade Agreement (NAFTA) and the amendments to the General Agreements on Tariffs and Trade (GATT) will open up opportunities for the national economy and for Louisiana's economy. Another positive outlook for the national economy is the stability of energy prices and the continued growth of the worldwide demand for energy. As the nation's number two producer of natural gas and its number three source of crude oil, Louisiana has a vested interest in the worldwide demand for energy.

Louisiana's future continues to look bright. Even with the national economy showing restrained growth, Louisiana should continue to stay healthy and strong.

MAJOR INITIATIVES

For the Year:

The imaging software vendor was selected and the software was installed. The pilot program began with the processing of refunds and enrollment data through the imaging system. The overall progress of the pilot program has been extremely positive. To facilitate this positive momentum, the Board of Trustees approved three temporary retirement department positions to process the initial backfile conversion of all member folders.

TRSL began voluntary payroll deductions for retirees on January 1, 1997. This program allows a retiree to continue payroll deductions for payment of health, life, supplemental, dental, cancer and other insurance premiums, loan payments and deposits to savings accounts. These deductions are in addition to those presently allowed for the State Employees' Group Benefit Program. As of June 30, 1997, TRSL had 12 vendors on the approved list for receiving voluntary payroll deductions.

This year marked the transition from a dual custodian concept, domestic and international, to one of a single global custodian. Request for Proposals were provided to 20 companies and of these, 10 were reviewed by a sub-committee

of the Investment Committee with ultimate selection and transition expected to occur prior to 1998.

Our internet web site: <http://www.trsl.state.la.us> is up and running. Members, retirees, employers or other interested parties can visit our site and get information on TRSL. The current information base includes: publications, board member data, staff EMAIL and phone directories, TRSL news and other selected data. We are very pleased that TRSL was the first retirement system in the state of Louisiana to have its own web site.

For the Future:

TRSL will continue to increase the database included in the imaging system with the next major effort being the processing of active member death payments. Additionally, all personal computers are being upgraded to either Windows 95 or Windows NT to accommodate the imaging software. Thirty-six 19-inch monitors have been purchased and are scheduled to be installed to facilitate the use of imaging in the daily transactions performed by retirement system staff.

A single global custodian will be chosen with visits made to the home offices of the finalists. Both staff and board members will make these visits, insuring that all aspects of the custody business are considered. Each finalist will also be given the opportunity to visit our facilities and demonstrate the types of services they can provide to facilitate the investment and accounting functions. After reviewing all information, the selection committee will recommend finalists to the Investment Committee of the Board of Trustees for their review and final selection.

The effort to convert the retiree payroll checks to a pressure sealed format is also on the verge of becoming a reality. With the purchase of a new laser printer, TRSL will be able to print checks in a self-sealing format, thus eliminating the need for the time consuming process of stuffing checks into envelopes. This will also allow TRSL more control over the timing of retiree check mailings resulting in savings of both time and money.

SERVICE EFFORTS AND ACCOMPLISHMENTS

TRSL is continually striving to provide the best possible service to its membership and retirees, and this past year was no exception.

During the year, TRSL paid retirees, survivors, and beneficiaries more than \$577 million in benefits. A total of 482,933 checks and electronic fund transfers were disbursed for these benefits. In addition, distributions totaling \$46,854,767 were made to participants in the Deferred Retirement Option Plan and Option 5 programs.

The average monthly benefit of a retiree at the end of this fiscal year, was \$1,199, an increase of 2 percent from the June 1996 benefit of \$1,173. The average monthly withdrawal from accounts of DROP retirees was \$523, a decrease of 2 percent from the June 1996 withdrawal of \$534. A total of 683 DROP recipients elected to use rollover provisions to transfer their funds to an I.R.A. (or qualified plan) rather than receive a monthly withdrawal.

Refunds were issued to 5,540 members and beneficiaries of deceased members. Of this number, 946 used rollover provisions to tax shelter their refunds.

Not all members request a refund of their contributions upon their termination of employment. Some choose to have their contributions remain with the System. Since state statutes provide that these individuals become ex-members of the System after five years, TRSL has utilized the D-TEK software of the Baton Rouge Credit Bureau to help locate some of these ex-members, listed the names of everyone in ex-member status on our internet web site, and used every possible avenue available to contact individuals who may be entitled to a refund of contributions.

During the year, 2,052 members received individual counseling on the various retirement options, including the DROP and Option 5 programs. Cost computations for service purchases were provided to over 1,300 members and almost 4,500 calculations of estimated retirement benefits were completed during the fiscal year. A total of 2,424 members retired and 1,624 members entered DROP during the fiscal year.

Preretirement workshops were conducted throughout the state to assist our members in understanding and selecting their retirement choice. Experts ranging from Certified Public Accountants (CPA) and financial consultants to retirees are invited to participate and discuss issues that affect our members when they retire. These speakers address issues such as the psychological aspects of retiring, financial planning for retirement, estate planning and

social security pension offsets. These workshops enable TRSL to provide our membership with a well-rounded introduction to the start of retirement. This fiscal year, our two retirement field representatives held 119 workshops, attended by 4,954 members.

The herculean effort required to provide superior support to TRSL members is partially reflected by reviewing the number of documents that required processing. Last year, our staff processed 4,857 enrollments for new members, 6,787 changes of employment, 3,113 changes of beneficiaries, and 1,350 name changes due to marriage or divorce and made 11,466 corrections to the monthly employer contribution reports. Earnings limits were computed for 4,093 retirees who returned to the teaching profession under the various laws which govern earnings after retirement. A total of 11,808 transactions were entered into the computer for the retiree benefit and DROP payments. These transactions involved address changes, federal withholding changes, federal tax levies, child support orders, bankruptcy papers, divorce decrees, and direct deposits.

Another indication of support to members is the number of incoming and outgoing phone calls for retirement-related business, the number of personal visits, and the volume of mail processed. This fiscal year, in excess of 164,700 phone calls were received, approximately 3,300 members visited TRSL's office to speak with staff and to obtain information on retirement planning, refund of contributions, tax withholding or benefit options. Over 131,000 pieces of incoming mail were processed by the TRSL mail room. In response to these needs, staff requested a total of 33,944 member files be provided and 41,151 items of correspondence were added to the folders. There were 728 requests for research of microfilmed records. An estimated 612,756 pieces of correspondence were mailed to members, employing agencies and retirees and over 8,077 messages were faxed to members or employers concerning retirement related matters.

In order to facilitate and enhance the processing of data vital to the membership, TRSL prints its own forms. This past year, TRSL processed 185 print requirements totaling over 280,000 forms during the year.

Ensuring that our membership stays informed is one of TRSL's primary objectives. To accomplish this responsibility, TRSL produces pamphlets that explain the different benefits the System offers, the technicalities of service eligibility and benefit computation, the Deferred Retirement Option Plan, the Optional Retirement Plan, Disability and Survivor Benefits, and Return-To-Work provisions just to name a few. Newsletters are published for both our active and retired members to provide them with current relevant information. A major publication in which TRSL takes pride, is the Annual Report. This report is distributed to employing agencies, the Senate and House Retirement committees, the legislative auditor's office, financial institutions, investment managers and other interested parties.

An additional method TRSL uses to keep the membership informed is by keeping the employers informed. During the fiscal year, TRSL provided employer training classes, conducted on two separate days to allow all employers to choose the most convenient day for them, with more than 100 employer representatives in attendance. TRSL also has an employer newsletter, "The Key", that is sent out periodically to all employers of members of TRSL. "The Key" is used to keep employers updated on changes in retirement laws, upcoming reporting deadlines or other information that could be useful in meeting our members' needs.

TRSL maintains agency vehicles that are used by staff to attend various preretirement programs, area educational programs, conduct field audits and other miscellaneous functions. Staff traveled almost 30,615 miles throughout the state using agency vehicles without a single accident. TRSL is indeed proud of this safety record.

TRSL's investment department remained a hub of activity throughout the year. Over 1,865 individual stock trades were executed by staff, an average of over 155 trades per month. During the year, TRSL purchased in excess of 49,582,760 million shares of stock and sold over 53,767,667 million shares of stock. In addition, \$450,000,000 worth in private equity partnerships were established with \$268,153,597 already invested.

CONTROLS

In accordance with Board's and management's goals and policies, TRSL maintains a system of internal controls that provides reasonable assurance that all assets are properly safeguarded, all resources have been efficiently and economically employed, and all financial information is reliable and accurate. To achieve these objectives, TRSL utilizes advanced computer technology, places emphasis on continuing education for its staff, and employs numerous checks and balances within the control environment. An operating budget for administrative expenses is prepared

each year and submitted for approval of the Board of Trustees. Any changes to the budget document during the year must also receive the approval of the Board.

ADDITIONS TO PLAN NET ASSETS

TRSL had revenues of \$1,848,625,901 for fiscal year 1997, an increase of \$271,778,819 or 15 percent over the prior year. Revenues were derived from member and employer contributions, investment earnings (less external management investment fees), and state general fund appropriations for supplementary benefits for retirees. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Funds are maintained for the exclusive benefit of all members. The main increase in revenue was due to the performance of the investment portfolio.

	1997	1996	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	\$ 191,704,402	\$ 182,144,749	\$ 9,559,653	5%
Employer Contributions	387,153,226	372,728,942	14,424,284	4%
ORP Contributions Retained	24,551,761	21,197,751	3,354,010	14%
Mineral Revenue Audit and Settlement Receipts	0	29,175,475	(29,175,475)	(100%)
Net Investment Income	1,244,291,864	970,634,468	273,657,396	22%
Other Operating Revenues	<u>924,648</u>	<u>965,697</u>	<u>(41,049)</u>	<u>(5%)</u>
Total	<u>\$1,848,625,901</u>	<u>\$1,576,847,082</u>	<u>\$271,778,819</u>	15%

DEDUCTIONS FROM PLAN NET ASSETS

Expenses totaled \$651,590,100 in fiscal year 1997, an increase of \$29,612,807 or 5 percent over fiscal year 1996. The major expenses were benefits paid to retirees and refunds paid to terminated members.

	1997	1996	Increase (Decrease) Amount	Increase (Decrease) Percentage
Retirement Benefits	\$624,736,789	\$597,840,991	\$26,895,798	5%
Refunds of Contributions	20,869,261	18,536,343	2,332,918	12%
Administrative Expenses	5,565,516	5,208,861	356,655	7%
Depreciation Expense	<u>418,534</u>	<u>391,098</u>	<u>27,436</u>	<u>7%</u>
Total	<u>\$651,590,100</u>	<u>\$621,977,293</u>	<u>\$29,612,807</u>	5%

FUNDING

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

The employer contribution rate, established by the Public Retirement Systems' Actuarial Forecast Committee, was 16.3 percent for 1996-1997 and will be 16.4 percent for 1997-1998. The member contribution rate for both years remains 8 percent.

At June 30, 1997, the last valuation date, the System was 62.7 percent funded as compared to 61.4 percent funded at June 30, 1996.

FIDUCIARY RESPONSIBILITY

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

CASH MANAGEMENT

TRSL's cash management program is designed to achieve the fastest possible utilization of cash receipts in order to enhance the earnings potential of the System. This program is also designed to control and manage disbursements in a manner that is economically beneficial to the System and its members.

In order to accelerate receipt of contributions from the employing agencies, TRSL promotes wire transfers directly to the System's bank account. For those employers who do not wire funds, TRSL provides self-addressed, bar-coded envelopes to reduce mail and processing time. Individual checks received from members at the TRSL office are deposited daily.

Disbursement procedures, designed to lengthen float and minimize idle cash, range from overnight investments to zero-balance concentration bank accounts. The investment department maximizes returns on cash balances by purchasing high-quality, short-term instruments through money market accounts, U.S. Treasury securities, repurchase agreements, commercial paper and bank certificates of deposit.

Debit programs are in place to retrieve funds transferred to retirees' bank accounts after their deaths. The System is also capable of placing stop payments on checks via computer.

TRSL continues to search for new and innovative methods to control and manage its cash.

INVESTMENTS

As the state's largest public retirement system, TRSL is responsible for the prudent management of \$8.9 billion in trust for our members' pension benefits. With a portfolio of this size, diversification to reduce risk is evident in every area of our investments. TRSL utilizes both domestic and international stocks, bonds, futures and options, real estate trusts, lending of securities and short-term investments, to provide the diversification necessary to control risks. Diversification is fine-tuned even further by breaking down the previously mentioned categories into growth, value and income-producing stocks, corporate bonds, U.S. Treasuries, Ginnie Maes, etc. For fiscal year 1997, investments provided a 16.6 percent rate of return with the 3 year and 5 year averages at 16.0 percent and 12.5 percent, respectively. A more detailed list of Investment Performance can be found on page 104. For a complete listing of individual investments, please refer to pages 55 to 102. The Investment Policy of this System can be found on pages 49 to 53.

INDEPENDENT AUDIT

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

AWARDS

For the sixth consecutive year, the Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Louisiana for its comprehensive annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement systems' accounting and financial reporting, and its attainment represents a significant accomplishment by TRSL's staff.

As a Certificate of Achievement is valid for only one year, we are submitting this report to GFOA for consideration for this fiscal year's award. We believe our current report continues to conform to the Certificate of Achievement program requirements.

In addition, TRSL is proud to announce that it has received the Public Pension Principles Achievement Award for the year ended June 30, 1996. This award covers a two-year period and is given by the Public Pension Coordinating Council to public employee retirement systems in recognition of the achievement of high professional standards in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

TRSL is also justifiably proud of the civic awards received this past year for contributions made by our staff to the community. The System received the first place award from the March of Dimes/Walk America Organization for donating the largest amount of money per capita in the state government category and received the second place award for the second largest donation made by all agencies who participated in the state government category. Our employees donated their time, their talents and successfully raised almost \$4,800. This money will be used for research to eliminate birth defects for our current and future generations.

ACKNOWLEDGEMENTS

We thank our staff for their continuous dedication to serve our membership in a professional, timely and accurate manner. We are fortunate to have people who care enough to go that extra step to assure that the membership is properly served. To the Accounting and Investment Departments a special "thank you" for their diligence and hard work in making this annual report possible.

Finally, to the Board of Trustees of TRSL, we express our deepest appreciation for the dedication, enthusiasm and generous support provided to our members and our staff. Your tireless efforts and devotion of talent and time ensures that TRSL is properly managed and will continue to perform at its very best. Your personal efforts are commended.

Sincerely,

James P. Hadley, Jr.
Director

Dana Vicknair
Accountant Administrator

BOARD OF TRUSTEES



William C. Baker, Ed.D.
Board Chairman
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/98



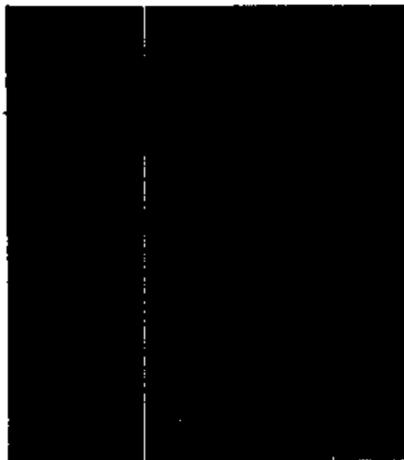
Jerry J. Baudin, Ph.D.
Board Vice Chairman
Baton Rouge, Louisiana
Colleges & Universities
Term expires 12/31/98



Lawrence J. Moody, Jr.
Harvey, Louisiana
1st District
Term expires 12/31/98



Eula M. Beckwith
New Orleans, Louisiana
2nd District
Term expires 12/31/99



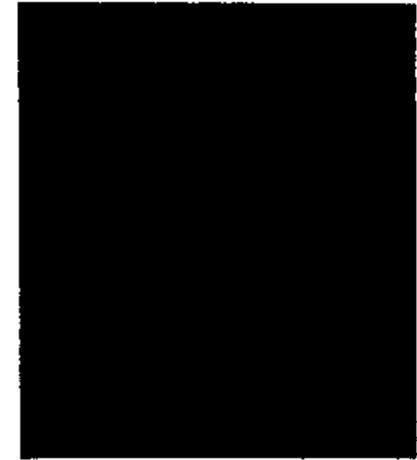
Clyde F. Hamner
Houma, Louisiana
3rd District
Term expires 12/31/99



S. L. Slack
Shreveport, Louisiana
4th District
Term expires 12/31/99



Diane R. Holland
Tallulah, Louisiana
5th District
Term expires 12/31/00



James T. Stewart
Pineville, Louisiana
6th District
Term expires 12/31/00



Sheryl R. Abshire
Lake Charles, Louisiana
7th District
Term expires 12/31/98



Thomas W. McCall
Grand Chenier, Louisiana
Superintendents
Term expires 12/31/98

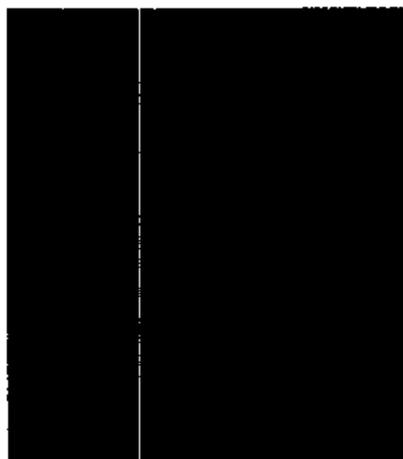


Anne H. Baker
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/01

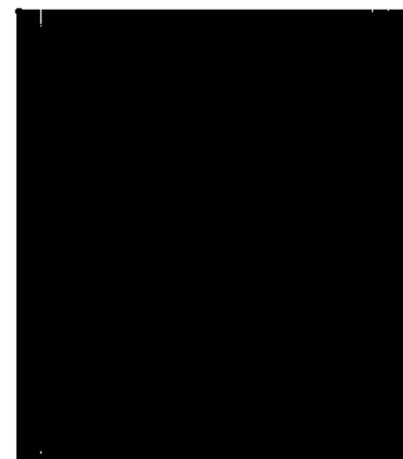


Syble T. Jones
Alexandria, Louisiana
School Food Service Workers
Term expires 12/31/97

EX OFFICIO MEMBERS



Honorable Cecil J. Picard
State Superintendent of Education



Honorable Kenneth A. Duncan
State Treasurer



Honorable Victor T. Stelly
Chairman, House Retirement
Committee



Honorable Francis C. Heitmeier
Chairman, Senate Retirement
Committee

ADMINISTRATIVE STAFF

James P. Hadley, Jr.
Director

Bonita B. Brown, CPA
Assistant Director

Graig A. Luscombe
Assistant Director

William T. Reeves, Jr.
General Counsel

Liz Guidry-Saizan
Executive Secretary

Dana Vicknair
Accountant Administrator

Sally Cook, CPA
Audit Supervisor

Maurice Winker
Information Systems Center Manager

Jennifer Netterville
Investment Officer

Evelyn Sistrunk
Retirement Benefits Manager

Todd Daigle
Administrative Manager

Clany Soileau
Communications Director

Doris Dumas
Education Field Manager

Trudy Adrian
Human Resource Director

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Boatmen's Trust Company
100 North Broadway
St. Louis, MO 63101

Nicholas-Applegate Capital Management
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Trust Company of the West
Suite 1800
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Los Angeles, CA 90017

Wellington Management Company, LLP
Suite 3150
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Atlanta, GA 30309

DOMESTIC EQUITY ADVISORS

Brinson Partners, Incorporated
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The Boston Company Institutional
Investors
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Los Angeles, CA 90071

Furman Selz Capital Management,
Incorporated
10th Floor
230 Park Avenue
New York, NY 10169

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

Harris Bretall Sullivan & Smith
Suite 3300
One Sansome Street
San Francisco, CA 94104

Loomis Sayles
Suite 200
2001 Pennsylvania Avenue NW
Washington, DC 20006

MacKay Shields
37th Floor
9 West 57th Street
New York, NY 10019

STI Capital Management
Post Office Box 3786
Orlando, FL 32802

SMALL-MID CAP ADVISORS

Fleet Financial Advisors
75 State Street, MA BO F07E
Boston, MA 02109-1810

G. D. Bjurman & Associates
Suite 550
14785 Preston Road
Dallas, TX 75240

Mississippi Valley Advisors
Suite 2100
One Mercantile Center
Post Office Box 387
St. Louis, MO 63166-0387

NM Capital Management Incorporated
Suite 950
6501 Americas Parkway NE
Albuquerque, NM 87110-5372

Scudder, Stevens & Clark
26th Floor
345 Park Avenue
New York, NY 10154

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(Continued)

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Boston, MA 02108-4402

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ADVISORS

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Two International Place
Boston, MA 02110-4103

Strategic Fixed Income
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Arlington, VA 22209

INTERNATIONAL EQUITY ADVISORS

Invista Capital Management,
Incorporated
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699 Walnut
Des Moines, IA 50309

Scudder, Stevens & Clark
345 Park Avenue
New York, NY 10154-0010

Smith Barney Incorporated
25th Floor
388 Greenwich Street
New York, NY 10013

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

WorldInvest Limited
25th Floor
780 Third Avenue
New York, NY 10017

SECURITIES LENDING ADVISORS

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

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

Euro Brokers Incorporated
Suite 8400
Two World Trade Center
New York, NY 10048-0697

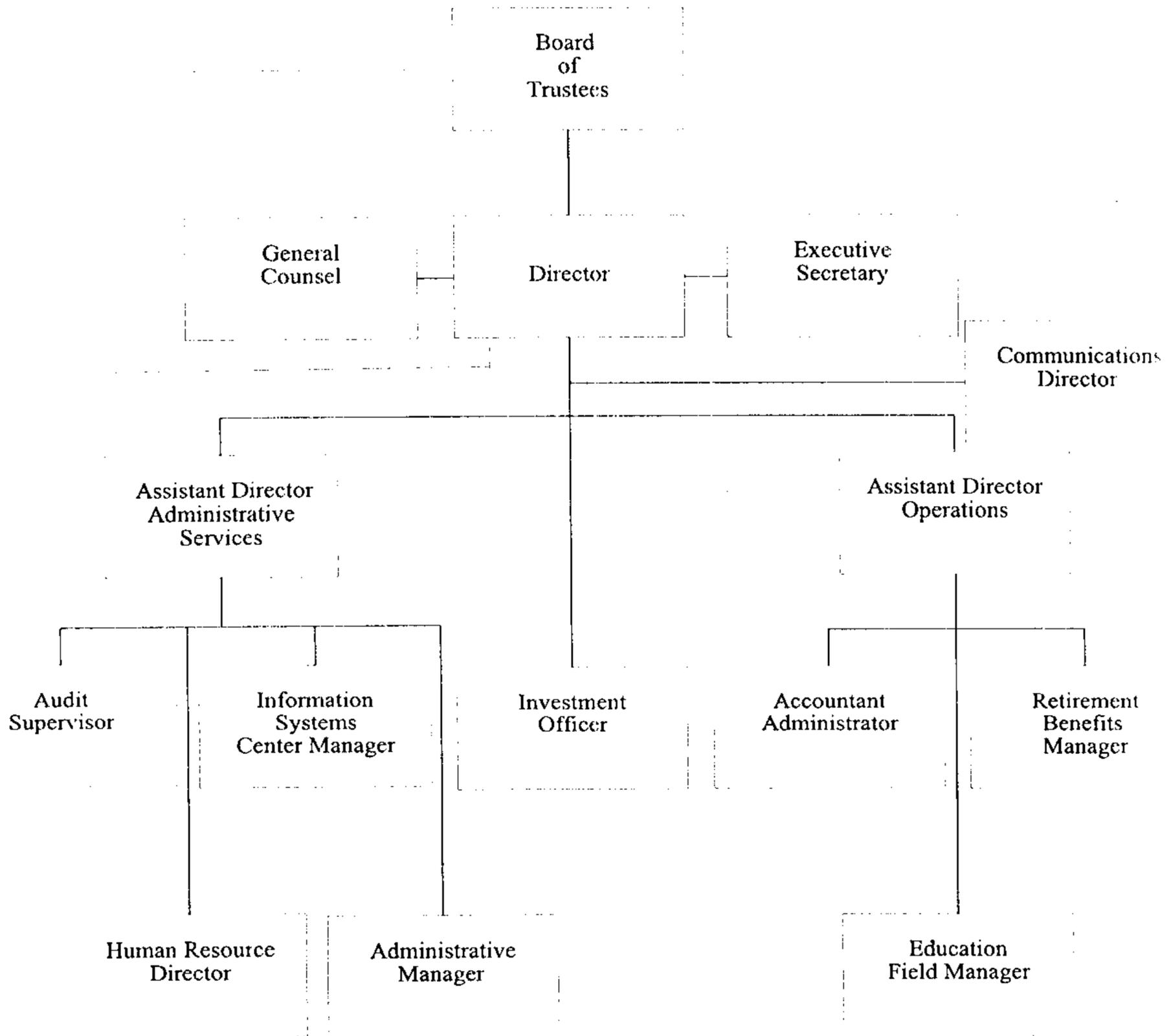
DOMESTIC CUSTODIAN

City National Bank
Post Office Drawer 1231
Baton Rouge, LA 70821

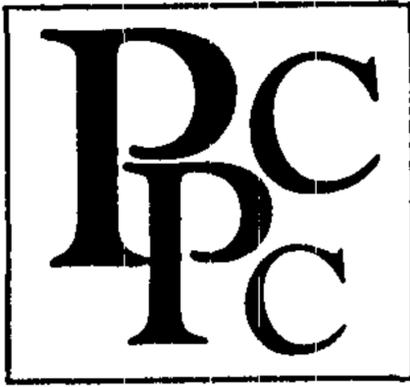
GLOBAL CUSTODIAN

The Chase Manhattan Bank
18th Floor
4 Chase MetroTech Center
Brooklyn, NY 11245

ORGANIZATIONAL CHART



CERTIFICATE OF ACHIEVEMENT



Public Pension Coordinating Council

**Public Pension Principles
1996 Achievement Award**

Presented to

Teachers' Retirement System of Louisiana

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Carlo Resendez', written in a cursive style.

Carlo Resendez
Chairman

SUMMARY OF 1996-1997 LEGISLATIVE ACTS

The following is a brief synopsis of 1997 legislative action which affects members of Teachers' Retirement System of Louisiana.

A. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA - TITLE 11

1. Act 1301 of 1997 [Amends and Reenacts R.S. 11:263(E); Enacts R.S. 11:267

This Act will allow Teachers' Retirement System of Louisiana to invest up to Sixty Five Percent (65%) of its total portfolio in equities as defined in the Act. It also provides that at least ten percent (10%) of the total equity portfolio be in one or more index funds.

(Effective June 30, 1997)

B. 1996 LEGISLATION AFFECTING STATE AND STATEWIDE SYSTEMS - TITLE 11

1. Act 348 of 1997 [Amends and Reenacts R.S. 11:153(D)(1)

This Act provides for the purchase of certain service in the State National Guard, or United States Reserve Forces as service credit in state and state wide retirement systems.

(Effective June 20, 1997)

PLAN SUMMARY

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

BENEFIT PROVISIONS

A. ELIGIBILITY REQUIREMENTS

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

Those employees who meet the legal definition of "teacher" are eligible for membership. Louisiana Revised Statutes 11:701(23)(a) states:

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

B. RETIREMENT BENEFITS

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

TEACHERS' REGULAR PLAN

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

<u>Years Service</u>	<u>Minimum Age</u>	<u>Formula Percentage</u>
10	60	2%
20	Any Age	2%
25	55	2-1/2%
30	Any Age	2-1/2%
20	65	2-1/2%

PLAN SUMMARY (Continued)

TEACHERS' PLAN A

<u>Years Service</u>	<u>Minimum Age</u>	<u>Formula Percentage</u>
10*	60	3%
25	55	3%
30	Any Age	3%

*Less than ten years at age seventy if member entered School Lunch Employees' Retirement System when parish withdrew from Social Security.

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

TEACHERS' PLAN B

<u>Years Service</u>	<u>Minimum Age</u>	<u>Formula Percentage</u>
10	60	2%
30	55	2%

C. DEFERRED RETIREMENT

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

D. DISABILITY BENEFITS

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

TEACHERS' REGULAR PLAN

- (1) A member shall receive a retirement allowance upon retirement for disability. A factor of two and one half percent shall be used in the computation of the disability benefit. The maximum disability benefit cannot exceed fifty percent of the average final compensation. However, the minimum disability benefit cannot be less than forty percent of the state minimum teaching salary or seventy-five percent of compensation, whichever is less.
- (2) No unused accumulated sick or annual leave shall be used in the computation of disability allowance unless the member was eligible to receive a service retirement allowance at the time of disability retirement.

In addition to the benefits provided under Subsection A of this Section, if a disability retiree has a dependent minor child, he shall be paid an added benefit equal to fifty percent of his disability benefit for so long as he has a dependent minor child, and provided that the total benefit payable under Subsections 1 and 2 of this Section does not exceed seventy-five percent of average final compensation.

TEACHERS' PLAN A

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

PLAN SUMMARY (Continued)

TEACHERS' PLAN B

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

E. SURVIVOR BENEFIT

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

TAX SHELTERING OF CONTRIBUTIONS

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

OPTIONAL RETIREMENT PLAN

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

The Optional Retirement Plan is a defined contribution plan 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 Optional Retirement Plan rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement.

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

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

DEFERRED RETIREMENT OPTION PLAN

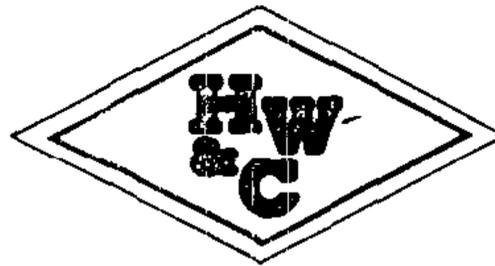
On July 1, 1992, the Deferred Retirement Option Plan became effective. This plan which is described on page 135 of this report is another alternative plan of retirement. Withdrawals from the plan are subject to certain provisions of the Internal Revenue Code. Distributions from the plan are taxable to the recipient when received. No distributions can be made until the member terminates employment.

OPTION 5

The Option 5 program became effective January 1, 1996. Under this program, a retiring member who had not participated in the Deferred Retirement Option Plan could select an Option 5 alternative. This alternative provided the retiree with a one-time payment of up to thirty-six months of a regular monthly retirement benefit in addition to a reduced regular monthly retirement benefit for life.

FINANCIAL SECTION

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



H. DANIEL CARROLL, C.P.A.
ROBERT J. ZERNOTT, C.P.A.
ROBERT E. WALES, C.P.A.
CARL L. HANCOCK, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.

ROBERT B. HAWTHORN, C.P.A.
(1896-1977)
JOHN F. WAYMOUTH, C.P.A.
(1902-1987)
HOWARD V. CARROLL, C.P.A.
(1909-1993)
WARREN C. BEE, C.P.A.
RETIRED

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
(504) 923-3000 • FAX (504) 923-3008

September 4, 1997

Independent Auditor's Report

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

Members of the Board:

We have audited the accompanying component unit statements of Plan net assets of the

**Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana**

as of June 30, 1997 and June 30, 1996, and the related statement of changes in Plan net assets for the years then ended. These financial statements are the responsibility of the Teachers' Retirement System of Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Louisiana as of June 30, 1997 and June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 4, 1997 on our consideration of the Teacher's Retirement System of Louisiana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The Required Supplementary Information and the Supporting Schedules which are also the responsibility of the System's management, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

The Investment Section, the Actuarial Section, the Statistical Section, and the Supporting Schedules, other than the Schedule of Compensation, listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the financial statements. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
Assets		
Cash and cash equivalents	\$ 6,617,033	\$ 51,263,773
Receivables		
Member contributions	32,479,877	30,974,104
Employer contributions	60,218,996	57,441,035
ORP contributions retained	1,612,197	1,389,562
Pending trades	111,894,953	186,948,931
Accrued interest and dividends	58,319,693	51,400,085
Other receivables	802,211	627,386
Total receivables	<u>265,327,927</u>	<u>328,781,103</u>
Investments, at fair value		
Domestic bonds	1,850,086,735	1,545,432,187
International bonds	918,424,528	969,919,649
Domestic common and preferred stocks	4,306,158,097	3,772,940,701
International common and preferred stocks	889,165,563	714,854,526
Domestic short-term investments	353,673,294	437,061,022
International short-term investments	9,677,622	58,680,699
Real estate investment trust	202,328,699	44,406,000
Private equity investment	142,162,392	15,891,483
Collateral held under domestic securities lending program	754,870,525	805,506,450
Collateral held under international securities lending program	336,003,178	192,799,665
Total investments	<u>9,762,550,633</u>	<u>8,557,492,382</u>
Building, at cost, net of accumulated depreciation of \$1,150,941 and \$1,029,655, respectively	3,684,228	3,751,164
Equipment, furniture and fixtures, at cost, net of accumulated depreciation of \$1,595,944 and \$1,436,324, respectively	769,162	603,515
Land	890,741	890,741
Total assets	<u>10,039,839,724</u>	<u>8,942,782,678</u>
Liabilities		
Accounts payable	7,840,545	5,090,278
Benefits payable	1,385,653	2,190,300
Refunds payable	2,577,753	2,213,158
Pending trades payable	62,025,176	256,959,163
Other liabilities	536,371	458,942
Obligations under domestic securities lending program	754,870,525	805,506,450
Obligations under international securities lending program	336,003,178	192,799,665
Total liabilities	<u>1,165,239,201</u>	<u>1,265,217,956</u>
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 36.)	<u>\$ 8,874,600,523</u>	<u>\$7,677,564,722</u>

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Additions		
Contributions		
Member contributions	\$ 191,704,402	\$ 182,144,749
Employer contributions	387,153,226	372,728,942
Total contributions	<u>578,857,628</u>	<u>554,873,691</u>
ORP contributions retained	<u>24,551,761</u>	<u>21,197,751</u>
Mineral revenue audit and settlement receipts	<u>0</u>	<u>29,175,475</u>
Investment income:		
Net appreciation (depreciation) in fair value of domestic - investments	899,348,424	661,811,332
Net appreciation (depreciation) in fair value of international investments	91,069,068	59,911,388
Domestic interest	131,068,805	124,089,207
International interest	73,527,954	76,678,263
Domestic dividends	49,788,906	49,126,524
International dividends	15,282,750	12,265,397
Securities lending income	68,457,484	57,915,219
Real estate income	2,849,889	366,757
Private equity income	212,490	0
Commission rebate income	938,711	1,119,316
Total investment income	<u>1,332,544,481</u>	<u>1,043,283,403</u>
Less investment expenses	<u>88,252,617</u>	<u>72,648,935</u>
Net investment income	<u>1,244,291,864</u>	<u>970,634,468</u>
Other operating revenues	<u>924,648</u>	<u>965,697</u>
Total additions	<u>1,848,625,901</u>	<u>1,576,847,082</u>
Deductions		
Retirement benefits	624,736,789	597,840,991
Refunds of contributions	20,869,261	18,536,343
Administrative expenses	5,565,516	5,208,861
Depreciation expense	<u>418,534</u>	<u>391,098</u>
Total deductions	<u>651,590,100</u>	<u>621,977,293</u>
Net increase	1,197,035,801	954,869,789
Net assets held in trust for pension benefits		
Beginning of year	<u>7,677,564,722</u>	<u>6,722,694,933</u>
End of year	<u>\$8,874,600,523</u>	<u>\$7,677,564,722</u>

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS**

A. PLAN DESCRIPTION

1. MEMBERSHIP AND ADMINISTRATION

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

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

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

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

Annual sworn statements on all financial transactions and the actuarial valuation of the System must be furnished to the Legislative Auditor's Office within 120 days following the close of the accounting year of the System.

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

In June 1991, the Governmental Accounting Standards Board issued Statement No. 14, "The Financial Reporting Entity." The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether either they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, 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, 1997 and 1996, the number of participating employers was:

	<u>1997</u>	<u>1996</u>
School Boards	66	66
Colleges and Universities	18	18
Vocational Technical Schools	50	50
State Agencies	48	51
Other	<u>11</u>	<u>11</u>
Total	<u>193</u>	<u>196</u>

Membership of this plan consisted of the following at June 30, 1997 and 1996, the dates of the latest actuarial valuations:

	<u>1997</u>	<u>1996</u>
Retirees and beneficiaries receiving benefits	40,676	39,302
Deferred retirement option plan participants	2,726	2,785
Terminated vested employees entitled to but not yet receiving benefits	487	469
Terminated nonvested employees who have not withdrawn contributions	7,039	5,978
Current active employees:		
Vested	19,054	18,313
Nonvested	66,115	66,536
Post deferred retirement option plan participants	<u>1,232</u>	<u>674</u>
Total	<u>137,329</u>	<u>134,057</u>

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

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

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Silicon Valley Bancshares	21,800	\$ 986,450
Silverleaf Resorts Inc	36,500	561,188
Simpson Manufacturing Co Inc	60,200	1,595,300
Simula Inc	32,100	637,988
Sirrom Capital Corp	16,000	552,000
Sitel Corp	99,800	2,058,375
Skywest Inc	64,800	1,012,500
Smucker (J M) Co Cl A	8,700	189,225
Smucker (J M) Co Cl B	105,100	2,279,304
Snyder Communications Inc	65,500	1,764,374
Sofamor Danek Group Inc	29,300	1,340,475
Southern Pacific Funding	67,500	1,122,188
Spacelabs Medical Inc	48,300	1,231,650
Special Devices Inc	24,900	392,175
Specialty Equipment Cos	45,900	677,025
Speedway Motorsports Inc	128,000	2,784,000
Spicker Properties Inc	35,700	1,256,176
Sprint Corp	85,000	4,441,250
SRS Labs Inc	48,800	494,100
St Mary Land & Exploration Co	31,400	1,102,925
St Paul Bancorp Inc	36,000	1,192,500
Standard Financial Inc	15,100	369,950
Starwood Lodging Trust	33,700	1,438,552
State Street Corp	140,000	6,475,000
Stein Mart Inc	76,000	2,280,000
Sterile Recoveries Inc	37,200	660,300
Steris Corp	49,200	1,838,850
Sterling Commerce Inc	125,000	4,109,375
Sterling House Corp	35,000	573,125
Sterling Software Inc	160,000	5,000,000
Stewart & Stevenson Services	60,900	1,583,400
Stone Container Corp	63,800	913,106
Storage Technology Corp	80,000	3,610,000
Student Loan Marketing Assn	22,500	2,857,500
St. John Knits Inc	54,200	2,906,475
Sugen Inc	34,800	448,050
Suiza Foods Corp	28,300	1,160,300
Sun Healthcare Group Inc	149,000	3,100,988
Sun Microsystems Inc	262,000	9,751,116
Sunamerica Inc	316,000	15,405,000
Sundstrand Corp	172,300	9,304,200
Sungard Data Systems Inc	55,000	2,557,500

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Sunglass Hut International	225,100	\$ 1,420,831
Superior Consultant Hldgs Corp	34,000	1,253,750
Superior Services Inc	23,000	546,250
Sykes Enterprises Inc	13,725	356,850
Symantec Corp	338,800	6,606,600
Synopsys Inc	209,943	7,715,405
Sysco Corp	324,900	11,858,850
Systems & Computer Tech Corp	225,100	6,021,425
Systemsoft Corp	140,543	1,510,837
Tandy Corp	80,000	4,480,000
Technology Modeling Assoc Inc	63,500	865,188
Tecnomatix Technologies Ltd	9,800	318,500
Tecumseh Products Company	91,600	5,484,550
Tejas Gas Corporation	65,000	2,551,250
Telco Communications Group	104,100	3,383,250
TeleCommunications Inc Ser A Liberty Media Group	621,000	14,748,750
TeleCommunications Inc Ser A TCI Group	675,000	10,040,625
Telephone & Data Systems Inc	290,000	11,001,730
Tellabs Inc	205,400	11,476,725
Temple-Inland Inc	53,600	2,894,400
Tenneco Inc	192,400	8,693,979
Texaco Inc	119,000	12,941,250
Texas Instruments Inc	117,300	9,860,473
Textron Inc	150,000	9,956,250
Thermo Cardiosystems Inc	86,250	2,242,500
Thermo Electron Corp	38,400	1,320,000
360 Communications Co	159,100	2,724,588
Tidewater Inc	60,900	2,679,600
Tiffany & Co	33,400	1,542,646
TIG Holdings Inc	40,300	1,259,375
Time Warner Inc	485,000	23,401,250
Timken Co	95,800	3,406,840
Titan Exploration Inc	79,800	967,575
Titanium Metals Corporation	63,200	1,998,700
Tommy Hilfiger Corp	40,800	1,639,630
Tosco Corp	197,000	5,897,589
Total Petroleum of N America	68,500	676,438
Total Renal Care Holdings	26,300	1,056,918
Tower Automotive Inc	47,900	2,059,700
Toys "R" Us Inc	402,000	14,070,000
Tractor Supply Company	24,544	441,792
Transaction Systems Architects Cl A	57,000	1,966,500

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Transamerica Corp	58,900	\$ 5,510,802
TransAtlantic Holdings Inc	11,000	1,091,750
Transition Systems Inc	6,100	110,941
Transkaryotic Therapies Inc	18,800	580,450
Transocean Offshore Inc	36,800	2,672,600
Travelers Inc	376,933	23,770,149
Tribune Inc	290,000	13,937,980
Trico Marine Services Inc	63,800	1,391,606
Trigon Healthcare Inc	72,900	1,767,825
Triquint Semiconductor Inc	38,100	1,309,688
Triton Energy Ltd	64,000	2,931,968
Trizec Hahn Corp	220,000	4,688,640
True North Communications	117,300	2,903,175
Tupperware Corporation	207,400	7,518,250
Tyco International Ltd	194,900	13,557,634
Tyson Foods Inc	240,000	4,590,000
U S Bancorp	81,400	5,219,775
U S Filter Corp	80,000	2,180,000
U S Industries Inc	100,500	3,580,312
UCAR International Inc	283,500	12,970,125
Ultramar Diamond Shamrock Corp	153,000	4,991,625
UNC Inc	36,500	533,813
Unicom Corporation	132,000	2,937,000
Union Acceptance Corp Cl A	66,000	693,000
Union Pacific Corp	180,300	12,587,104
Union Planters Corp	42,800	2,220,250
Union Texas Petroleum Hldgs Inc	60,000	1,256,220
United Asset Management Corp	80,000	2,264,960
United Companies Financial Corp	56,500	1,574,938
United Healthcare Corp	131,400	6,832,800
United Meridian Corp	45,324	1,359,720
United Technologies Corp	113,000	9,379,000
United Waste Systems Inc	91,000	3,731,000
Unitog Company	50,000	1,350,000
Universal Outdoor Holdings	64,100	2,235,488
Unocal Corp	227,000	8,853,000
USA Waste Services Inc	234,000	9,038,250
USFreightways Corp	131,800	3,410,325
USF&G Corp	371,700	8,920,800
UST Inc	152,200	4,252,011
USX-U.S. Steel Group Inc	114,600	4,011,000
Valassis Communications Inc	200,000	4,800,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Vantive Corp	60,900	\$ 1,720,425
VDI Media	33,700	379,125
Vencor Inc	92,500	3,908,125
Ventana Medical Systems	27,600	341,550
Vesta Insurance Group Inc	25,400	1,098,550
Veterinary Centers Of America	86,200	1,050,519
Viacom Inc Cl B	123,000	3,690,000
Viad Corp	391,200	7,530,600
Viasoft Inc	96,100	4,877,075
Videoserver Inc	75,300	997,725
Viewlogic Systems Inc	81,500	1,191,937
Viking Office Products	141,300	2,684,700
Vincam Group Inc	39,600	1,475,100
Vishay Intertechnology Inc	37,505	1,085,282
Visio Corp	39,000	2,749,500
Vitesse Semiconductor Corp	27,450	897,258
Vivus Inc.	108,900	2,593,127
VTEL Corporation	74,700	448,200
Wal Mart Stores Inc	544,000	18,393,728
Walgreen Company	161,000	8,633,625
Warnaco Group Cl A	125,000	3,984,375
Warner Lambert Co	88,000	10,934,000
Washington Mutual Inc	209,000	12,487,750
Waste Management Inc	307,069	9,864,592
Waters Corp	50,500	1,811,687
Watkins-Johnson Company	21,700	667,275
Watson Pharmaceutical Inc	52,600	2,222,350
Wausau Paper Mills Co	91,700	1,730,837
Weatherford Enterra Inc	33,900	1,305,150
Wellman Inc	100,000	1,737,500
Wellpoint Health Networks Inc	124,600	5,716,025
Wells Fargo & Co	11,900	3,207,050
Wendy's International Inc	75,000	1,945,275
Werner Enterprises Inc	20,200	391,375
West Marine Inc	48,400	1,246,300
Western Digital Corp	80,000	2,530,000
Western National Corp	240,000	6,434,880
Westinghouse Electric Corp	630,900	14,589,562
Westpoint Stevens Inc	40,400	1,580,650
Westvaco Corp	31,500	990,265
Westwood One Inc	95,000	3,063,750
Wheelabrator Technologies	300,000	4,631,100

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Williams Cos Inc	222,500	\$ 9,734,375
Wilmar Industries Inc	53,300	1,299,187
Wilmington Trust Corporation	95,000	4,346,250
Winstar Communications Inc	62,000	829,250
Wisconsin Central Transport	41,000	1,527,250
Woolworth Corp	411,700	9,880,800
World Color Press Inc	33,300	790,875
Wrigley (Wm) Jr Co	130,000	8,710,000
Xerox Corp	426,000	33,600,750
Yahoo! Inc	17,500	616,875
Yellow Corporation	134,600	3,011,675
York International Corp	81,200	3,735,200
Young Broadcasting Corp Cl A	70,200	2,281,500
Zebra Technologies Corp Cl A	96,298	2,684,307
Zeigler Coal Holding Co	50,000	1,168,750
Zilog Inc	29,000	551,000
Zions Bancorporation	71,400	2,686,425
TOTAL DOMESTIC COMMON STOCKS	<u>113,164,785</u>	<u>\$ 4,303,538,097</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
AUSTRALIAN DOLLAR		
Australia & New Zealand Banking Group	185,561	\$ 1,376,220
Broken Hill Proprietary Co Ltd	126,347	1,844,109
Coca-Cola Amatil Ltd	949,535	12,235,038
Henry Walker Group	255,000	531,069
National Mutual Hldgs	608,000	974,728
Normandy Mining Ltd	1,820	2,032
Publishing & Broadcasting Ltd	174,000	994,580
TOTAL AUSTRALIAN DOLLAR	2,300,263	17,957,776
AUSTRIAN SCHILLING		
Omv AG	6,180	791,791
Wolford AG	25,000	2,426,390
TOTAL AUSTRIAN SCHILLING	31,180	3,218,181
BELGIAN FRANC		
Barco NV	25,000	5,069,540
TOTAL BELGIAN FRANC	25,000	5,069,540
BRITISH POUND		
B.A.T. Industries PLC	346,900	3,103,234
Barclays PLC	63,700	1,263,710
Boc Group	183,616	3,193,439
Boxmore Intl	528,100	2,236,844
Brit Biotechnology	525,000	1,992,168
British Airways PLC	143,170	1,631,012
British Land Co	167,000	1,573,130
British Petroleum Co PLC	139,000	1,726,937
British Telecom PLC	400,000	2,969,112
Cadbury Schweppes	134,015	1,194,386
Carlton Communications PLC	304,900	2,575,285
Compass Group PLC	300,000	3,365,216
Cookson Group PLC	455,698	1,604,055
Dixons Group	400,000	3,108,914
Emi Group	6,208	111,327
Emi Group PLC	68,100	1,221,226
General Electric PLC	322,600	1,927,483
Glaxo Wellcome	89,700	1,851,168
Granada Group PLC	115,700	1,521,221
Imi	440,000	2,511,762
Imperial Chemical Ind	147,450	2,050,326

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
BRITISH POUND (Continued)		
Lonrho	390,970	\$ 829,632
Mirror Group News PLC	658,000	2,058,807
Misys	253,054	5,738,277
Norwich Union	41,000	218,015
Powergen	279,200	3,322,410
Prudential Corp	324,000	3,135,642
Railtrack Group	123,445	1,285,087
Rentokil Initial	1,000,000	3,511,674
Reuters Hldgs PLC	268,300	2,826,547
Rtz Corp PLC	237,632	4,138,814
Serco Group	300,000	3,515,003
Smithkline Beecham PLC	307,798	5,663,127
South West Water PLC	140,000	1,642,665
Wpp Group PLC	222,200	911,576
Zeneca Group PLC	123,400	4,078,741
TOTAL BRITISH POUND	9,949,856	85,607,972
CANADIAN DOLLAR		
Bank of Nova Scotia	33,900	1,486,671
Canadian National Railways	29,900	1,304,750
Canadian Pacific	140,668	4,007,274
Gulf Canada Resources	137,700	1,127,904
Newbridge Networks	36,377	1,561,019
Northern Telecom	16,300	1,470,423
Royal Bank of Canada	31,300	1,419,160
Teck Corp	29,000	587,543
TOTAL CANADIAN DOLLAR	455,145	12,964,744
DANISH KRONE		
Den Danske Bank	27,000	2,630,485
Tele Danmark A/S	46,064	2,396,737
TOTAL DANISH KRONE	73,064	5,027,222
FRENCH FRANC		
Accor	22,290	3,341,068
Alcatel Alsthom CGE	28,259	3,542,641
Axa Uap	41,110	2,559,337
Banque Nationale De Paribas	61,096	2,520,458
Cap Gemini Sogeti	25,320	1,336,959
Carrefour Supermarche	14,410	10,475,650

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES		MARKET VALUE (USD)
FRENCH FRANC (Continued)			
Castorama Dubois Investisse	13,020	\$	1,834,041
Christian Dior	26,981		4,457,818
Cie Generale Des Eaux	23,174		2,972,272
Cie Generale Des Eaux Wts	26,240		15,733
Compagnie De St Gobain	3,372		492,222
Elf Aquitaine	47,640		5,144,623
Eridania Beghin, S.A.	14,012		2,100,271
Lafarge Common Stk	27,083		1,686,074
Michelin CGE	82,909		4,983,631
Peugeot, S.A.	14,536		1,406,326
Schneider, S.A.	31,857		1,697,322
Scor, S.A.	21,041		847,957
Soc. Centrale Des Assur. Generale	42,530		1,360,453
Suez Lyonnaise Des Eaux	15,350		1,547,828
Total	17,443		1,764,819
Valeo	8,195		509,489
TOTAL FRENCH FRANC	607,868		56,596,992
GERMAN DEUTSCHE MARK			
Basf AG	78,503		2,903,541
Bayer AG	126,741		4,874,615
Bayer Vereinsbank	74,699		5,131,168
Commerzbank AG	89,119		2,526,481
Daimler-Benz AG	47,355		3,845,396
Degussa AG	49,000		2,595,473
Deutsche Telekom	62,495		1,506,306
Deutschebank AG	22,200		1,304,583
Dresdner Bank AG	69,676		2,411,122
Gehe AG	25,224		1,722,581
Hoechst AG	70,943		3,011,914
Karstadt AG	3,465		1,234,848
Man AG	6,100		1,879,849
Mannesmann AG	12,952		5,775,327
Merck KGAA	48,440		2,139,102
Rwe AG	67,759		2,916,399
Schering AG	25,000		2,673,549
Sgl Carbon	46,512		6,374,088
Siemens AG	41,558		2,469,582
Thyssen AG	10,666		2,527,961
Veba AG	103,090		5,797,775

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
GERMAN DEUTSCHE MARK (Continued)		
Viag AG	5,770	\$ 2,637,426
Volkswagen AG	2,837	2,176,755
TOTAL GERMAN DEUTSCHE MARK	1,090,104	70,435,841
HONG KONG DOLLAR		
Amoy Properties	884,000	975,594
Chèung Kong	795,000	7,850,174
Citic Pacific Ltd	278,000	1,736,764
Cosco Pacific Ltd	536,000	1,241,881
First Pacific Co	2,249,835	2,874,991
Great Eagle Hldgs Ltd	227,000	748,630
Guoco Group	147,000	774,156
Hong Kong & China Gas Co	2,093,800	4,189,070
Hong Kong & China Gas Co Wts	100,000	107,134
Hsbc Hldgs	132,676	3,990,240
Hutchison Whampoa	988,000	8,544,417
Kerry Properties	625,000	1,516,661
New World Development Co	366,000	2,182,598
New World Infrastructure	574,490	1,623,967
Shangri-La Asia	496,000	595,409
Sun Hung Kai Properties	100,000	1,203,648
Wing Hang Bank	320,400	1,935,482
TOTAL HONG KONG DOLLAR	10,913,201	42,090,816
INDONESIAN RUPIAH		
H.M.Sampoerna	233,000	888,782
Pab K Tjiwi Kimia	286,610	237,398
Pt Indah Kiat Pulp & Paper	1,029,554	603,378
TOTAL INDONESIAN RUPIAH	1,549,164	1,729,558
IRISH PUNT		
Bank of Ireland	575,662	6,296,267
Greencore Group	726,014	3,559,638
Independent Newspapers	1,016,455	5,980,401
TOTAL IRISH PUNT	2,318,131	15,836,306
ITALIAN LIRA		
Assic Generali	106,400	1,932,271
Bca Pop Di Milano	270,000	1,616,192
Eni Spa	522,173	2,953,814

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
ITALIAN LIRA (Continued)		
Industria Macchine Automatiche	400,000	\$ 1,622,098
Instituto Mobiliare Italiano	235,000	2,113,135
La Fondiaria Assicurazioni Spa	63,000	261,034
Seat Spa	3,440,000	1,107,917
Spatiale Italiana Post. Telecom	300,000	966,206
Telecom Italia Mobile Spa	1,810,960	5,853,823
- TOTAL ITALIAN LIRA	7,147,533	18,426,490
JAPANESE YEN		
Alps Electric Co	215,000	3,006,204
Anritsu Corp	280,000	4,208,685
Bridgestone Corp	114,000	2,650,004
Canon Inc	289,000	7,879,750
Chugai Pharm Co	210,000	1,890,238
Circle K Japan Co	39,900	2,294,345
Dai Nippon Printng	117,000	2,648,168
Daihatsu Motor Co	711,000	4,187,834
Ddi Corp	230	1,700,428
East Japan Railway	331	1,700,847
Fujitsu Ltd	433,000	6,016,515
H.I.S. Co Ltd	47,000	2,484,925
Hitachi Ltd	285,000	3,187,974
Japan Associated Finance	31,000	2,438,171
Jusco Co	66,000	2,232,106
Keyence Corp	26,000	3,862,622
Kyocera Corp	28,000	2,226,688
Matsushita Electric Works	106,000	1,204,229
Matsushita Electric Ind Co	376,000	7,590,315
Matsushita Kotobuki Electron	114,000	3,785,720
Mitsubishi Hvy Ind Ltd	267,000	2,050,974
Murata Mfg Co Ltd	137,000	5,459,406
Nec Corp	291,000	4,068,862
Nice Nichiei Co Ltd	43,000	4,997,814
Nippon Elec Glass Co Ltd	28,000	486,935
Nippon Oil Co Ltd	322,000	1,764,345
Nippon Telegraph & Telephone Corp	1,107	10,641,437
Noritsu Koki Co Ltd	57,000	2,814,384
Ntt Data Communication System	101	3,910,075
Onward Kashiyama	126,000	2,092,108
Orix Corp	34,500	2,559,686

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
JAPANESE YEN (Continued)		
Ricoh Corp Ltd	188,000	\$ 2,464,388
Secom	29,000	2,131,346
Sharp Corp	67,000	925,107
Shiseido Co	110,000	1,816,831
Shohkoh Fund & Co	18,500	5,609,978
Smc Corp	39,800	3,366,809
Sony Corp	102,300	8,931,021
Sumitomo Elec Ind	149,000	2,500,043
Sumitomo Metal Mng	140,000	990,999
Sumitomo Realty & Dev	471,000	4,157,213
Tokyo Electronic Ltd	42,800	2,049,672
Victor Co of Japan	402,000	5,550,641
TOTAL JAPANESE YEN	6,554,569	148,535,842
MALAYSIAN RINGGIT		
Ammb Hldgs Bhd	114,000	709,111
Ammb Hldgs Bhd Wts	11,400	15,357
Arab Malaysian CP	109,000	405,942
Malaysian Airline System	275,000	686,409
Malaysian Bank Berhad	129,200	1,356,496
Malaysian Res CP	244,000	671,869
Public Bk Bhd	432,000	674,357
Renong Bhd	492,000	643,264
Sungei Way Hldgs	1,540,000	2,904,274
Telekom Malaysia	500,000	2,337,556
Tenaga Nasional	168,000	818,699
United Engineers (Malaysia)	101,000	728,287
TOTAL MALAYSIAN RINGGIT	4,115,600	11,951,621
MEXICAN NEW PESO		
Gruma, S.A.	748,871	3,483,333
TOTAL MEXICAN NEW PESO	748,871	3,483,333
NETHERLANDS GUILDER		
Aalberts Industrie	151,500	4,368,731
Aegon NV	41,800	2,922,746
Akzo Nobel	20,120	2,762,323
Elsevier	99,890	1,672,207
Heineken Hldgs	5,250	817,247
Heineken NV	7,725	1,320,801

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
NETHERLANDS GUILDER (Continued)		
Hunter Douglas NV	60,936	\$ 5,193,793
Ihc Caland NV	101,587	5,563,294
Ing Groep NV	272,097	12,568,010
Philips Electronic	105,010	7,535,467
Royal Dutch Petroleum	11,940	2,535,081
Unilever NV	20,473	4,317,536
Vendex Intl	39,696	2,177,957
Ver Ned Uitgevers	72,000	1,594,837
Wolters Kluwer	50,509	6,161,137
TOTAL NETHERLANDS GUILDER	1,060,533	61,511,167
NORWEGIAN KRONE		
Den Norske Bank	625,000	2,450,212
Orkla A Stk	29,500	2,180,023
Schibsted ASA	150,000	2,970,988
Smedvig	150,000	3,688,124
Tomra Systems AS	150,000	3,073,436
TOTAL NORWEGIAN KRONE	1,104,500	14,362,783
PHILIPPINES PESO		
Aboitiz Equity Ventures Inc	3,681,600	287,538
Ayala Corp	341,250	245,820
Ayala Land Inc	684,375	629,211
C & P Homes	1,480,500	555,692
Filinvest Development	1,148,000	274,204
Filinvest Land	3,105,000	776,956
Metro Bank & Trust Co	16,130	342,463
Phil Comm Intl Bank	31,710	306,568
Sm Prime Hldgs	14,508,000	4,290,353
TOTAL PHILIPPINES PESO	24,996,565	7,708,805
SINGAPORE DOLLAR		
Cerebos Pacific	617,000	2,804,840
City Developments	150,000	1,468,685
Dbs Land	213,000	673,329
Overseas Chinese Bank	117,600	1,217,247
Singapore Press Hldgs	99,600	2,006,140
Singapore Technologies Ind	1,350,000	3,474,490
United Overseas Bank	87,600	900,598
TOTAL SINGAPORE DOLLAR	2,634,800	12,545,329

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
SPANISH PESETA		
Acerinox, S.A.	10,000	\$ 1,877,337
Bco Santander, S.A.	54,900	1,694,743
Corporacion Mapfre Cia Intl	2,258	120,369
Dragadon Y Construction	125,000	2,600,801
Repsol, S.A.	60,000	2,541,646
Telefonica De Espana	272,231	7,885,385
Vallehermoso, S.A.	56,710	1,532,754
TOTAL SPANISH PESETA	581,099	18,253,035
SWEDISH KRONA		
Aga Aktiebolag	103,500	1,378,683
Assidoman	42,100	1,197,820
Astra AB	361,421	6,730,738
Atlas Copco AB	67,700	1,768,589
Autoliv AB	83,900	2,973,030
Diligentia	10,166	123,585
Ericsson LM	221,000	8,702,948
Hennes & Mauritz	64,000	2,292,696
Nobel Biocare AB	160,000	2,255,450
Pahamacia & Upjohn Inc	56,900	1,920,612
Ser'B'Swkr2	35,000	1,204,028
Skand Enskilda Bnkg	230,357	2,487,566
Skandia Forsakrings AB	132,200	4,872,627
Skf AB	157,800	4,081,538
TOTAL SWEDISH KRONA	1,726,044	41,989,910
SWISS FRANC		
Abb AG	2,608	3,953,548
Ciba Specialty Chemicals Hldg Inc	26,744	2,476,551
Clariant	3,195	2,071,046
Credit Suisse Group (Reg)	24,181	3,110,016
Holderbk Fn Glaris B	1,600	1,513,462
Nestle, S.A.	1,076	1,421,529
Novartis AG	2,314	3,701,511
Novartis AG (Reg)	11,442	18,318,502
Roche Hldg AG	1,221	11,059,646
Roche Hldg AG Wts	350	26,889
Schweizerische Bankvereins	6,410	1,716,984
Sgs Hldgs	1,248	2,670,892
Sulzer Winterthur	1,789	1,533,937

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
SWISS FRANC (Continued)		
Valora Hldgs	7,730	\$ 1,643,722
Zurich Versicherungens	6,105	2,433,038
TOTAL SWISS FRANC	98,013	57,651,273
THAILAND BAHT		
Advanced Information Services PCL	79,800	696,190
Krungthai Bank	500,000	521,135
Phatra Thanakit Co	161,000	198,880
Siam Commercial Bank	120,000	491,025
TOTAL THAILAND BAHT	860,800	1,907,230
U S DOLLAR		
Ace Ltd	20,800	1,536,600
Alcatel Alsthom CGE	279,000	7,044,750
Aracruz Celulose, S.A. Sponsored ADR	49,000	998,375
Asia Pacific Res Intl	15,600	72,150
Autoliv Inc Co	66,100	2,586,163
Banco Latinoamericano De Exportac	22,368	964,620
Bank Handlowy W Warszawie, S.A. Global	1,600	19,808
British Petroleum PLC	51,000	3,818,625
Canadian Natl Railways	102,086	4,466,263
CBT Group PLC	51,600	3,257,250
Centrais Electricas Brasileira	55,700	1,653,065
Chicago Bridge & Iron Co NV	57,800	1,278,825
Comcast UK Cable Partners	77,950	935,400
Compania Anonima Nacional Tel De	117,826	5,081,246
Danka Business Systems	18,000	735,750
Deutsche Telekom AG Sponsored ADR	66,393	1,601,731
Elan Corp PLC	40,600	1,837,150
Endesa Chile Empresa Nacional De	113,000	2,549,619
Enersis, S.A.	56,000	1,991,528
Gulf Canada Res Ltd	77,700	645,842
Hanson PLC	41,000	1,025,000
Huaneng Power Intl Inc Sponsored ADR	36,800	938,400
Imperial Chem Ind PLC	87,000	4,948,125
Imperial Tobacco Group PLC	82,000	1,054,520
KLM Royal Dutch Airlines	44,600	1,377,025
Knightsbridge Tankers Ltd	44,100	1,113,525
Korea Elec Pwr Corp Sponsored ADR	100,000	1,868,800
Larsen & Toubro Ltd	175,000	2,887,500

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL COMMON STOCKS (Continued)

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
TOTAL U S DOLLAR (Continued)		
Luxottica Group Spa Sponsored ADR	60,000	\$ 4,068,780
Mahindra & Mahindra Ltd Global	208,333	2,519,788
Mid Ocean Ltd	23,800	1,248,001
Northern Telecom Ltd	122,500	11,147,500
OzEmail Ltd	82,800	579,600
Petroleo Brasileiro, S.A. Sponsored ADR	67,900	1,901,200
Philips Electronics NV	226,200	16,258,125
Potash Corp of Saskatchewan	24,000	1,801,488
Reuters Holdings PLC	180,000	11,340,000
Royal Dutch Petroleum Co	15,000	815,625
Santa Fe Intl Corp	50,000	1,700,000
Saville Systems Ireland	88,600	4,607,200
Select Software Tools	74,100	981,825
Sgs-Thomson Microelectronics	16,248	1,299,840
South African Breweries Ltd Spon ADR	74,719	2,294,023
Stolt-Nielsen, S.A.	120,000	2,265,000
Telecomunicacoes Brasileiras, S.A.	78,141	11,867,664
Telefonos de Mexico	112,000	5,362,000
Terra Nova (Bermuda) Hldgs	56,000	1,176,000
Teva Pharmaceutical Ind Ltd ADR	50,000	3,237,500
Unibanco-Uniao De Brancos Brasile	85,000	3,155,625
Usinas Siderurgicas De Minas	46,100	505,302
Vitro, S.A.	26,300	295,875
Ypf Sociedad Anonima	63,000	1,937,250
TOTAL U S DOLLAR	3,901,364	150,652,866
TOTAL INTERNATIONAL COMMON STOCKS	84,843,267	\$ 865,514,632

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC PREFERRED STOCK

DESCRIPTION	SHARES	MARKET VALUE
Chancellor Radio 12.25% Series A	20,000	\$2,620,000
TOTAL DOMESTIC PREFERRED STOCK	20,000	\$2,620,000

INTERNATIONAL PREFERRED STOCKS

DESCRIPTION (BY CURRENCY)	SHARES	MARKET VALUE (USD)
FINNISH MARKKA		
Nokia (AB)	55,000	\$ 4,107,325
TOTAL FINNISH MARKKA	55,000	4,107,325
GERMAN DEUTSCHE MARK		
Sap AG	35,529	7,380,917
Volkswagen AG	8,663	4,872,066
TOTAL GERMAN DEUTSCHE MARK	44,192	12,252,983
ITALIAN LIRA		
Seat Spa	462,000	96,392
Stet	574,000	1,990,361
TOTAL ITALIAN LIRA	1,036,000	2,086,753
U S DOLLAR		
Companhia Vale Do Rio Doce Sponsored ADR	61,700	1,375,478
Sap Aktiengesellschaft Sponsored ADR	42,000	2,905,476
Usinas Siderurgicas De Minas Geri	84,200	922,916
TOTAL U S DOLLAR	187,900	5,203,870
TOTAL INTERNATIONAL PREFERRED STOCK	1,323,092	\$23,650,931

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC SHORT-TERM INVESTMENTS

DESCRIPTION	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
MONEY MARKET FUNDS				
Alliance World Income Trust			\$ 19,160,189	\$ 19,160,189
Chase Manhattan Bank U S Gov't			4,626,193	4,626,193
Chase Manhattan Bank Domestic Liquidity			29,473,479	29,473,479
Dreyfus Cash Management Plus			39,200,000	39,200,000
Federated Prime Obligation			8,945,000	8,945,000
Fidelity Institutional Cash Portfolio			42,425,000	42,425,000
Glenmede Trust Company MMF			25,000,000	25,000,000
Goldman Sachs Financial Square MMP			62,830,000	62,830,000
Goldman Sachs Financial Square POP			385,000	385,000
Merrill Lynch Premier Fund			36,815,000	36,815,000
TOTAL MONEY MARKET FUNDS			<u>268,859,861</u>	<u>268,859,861</u>
COMMERCIAL PAPER & TREASURY BILLS				
Centric Funding Corp	5.550	07/10/1997	10,000,000	9,953,750
Centric Funding Corp	5.570	07/21/1997	10,000,000	9,952,036
Centric Funding Corp	5.590	07/23/1997	5,900,000	5,873,432
Chase Manhattan Bank Time Deposit	5.438	07/02/1997	37,915,683	37,915,683
Citibank Time Deposit	10.700	04/02/1998	5,000,000	5,000,000
Nordbanken N.A. Inc	5.550	09/24/1997	5,000,000	4,931,396
Suntrust Corp	5.510	07/07/1997	6,000,000	5,971,531
U S Treasury Bills	4.930	08/21/1997	3,280,000	3,245,862
U S Treasury Bills	5.090	10/16/1997	2,000,000	1,969,743
TOTAL COMMERCIAL PAPER & TREASURY BILLS			<u>85,095,683</u>	<u>84,813,433</u>
TOTAL DOMESTIC SHORT-TERM INVESTMENTS			<u>\$ 353,955,544</u>	<u>\$ 353,673,294</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL SHORT-TERM INVESTMENTS

DESCRIPTION (BY CURRENCY)	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
GREEK DRACHMA				
Deutsche Bank Grd	10.050%	08/05/1997	\$ 672,509,427	\$ 2,450,211
J. P. Morgan Time Deposit	9.375%	07/23/1997	646,858,800	2,356,755
TOTAL GREEK DRACHMA			<u>1,319,368,227</u>	<u>4,806,966</u>
SOUTH AFRICAN RAND				
J. P. Morgan Time Deposit	15.750%	09/11/1997	22,091,055	4,870,656
TOTAL SOUTH AFRICAN RAND			<u>22,091,055</u>	<u>4,870,656</u>
TOTAL INTERNATIONAL SHORT-TERM INVESTMENTS			<u>\$ 1,341,459,282</u>	<u>\$ 9,677,622</u>

**NET EARNINGS ON INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Earnings on investments:		
Net appreciation (depreciation) in fair value of domestic investments:		
Bonds	\$ 20,361,361	\$ (57,477,438)
Common and preferred stocks	416,583,492	226,478,210
Short-term investments	1,131	0
Real estate investments	30,802,216	0
Private equity investments	<u>12,458,530</u>	<u>0</u>
	\$ 480,206,730	\$ 169,000,772
Net appreciation (depreciation) in fair value of international investments:		
Bonds	(2,956,622)	(47,528,433)
Common and preferred stocks	108,644,396	78,874,039
Short-term investments	(232,960)	112,533
Futures and options	<u>649,985</u>	<u>1,901,539</u>
	106,104,799	33,359,678
Domestic interest income:		
Bonds	135,963,995	123,272,941
Certificates of deposit	21,383	26,389
Short-term investments	<u>15,381,790</u>	<u>20,444,265</u>
	151,367,168	143,743,595
International interest income:		
Bonds	68,676,365	72,116,812
Short-term investments	<u>5,080,381</u>	<u>4,561,451</u>
	73,756,746	76,678,263
Domestic common and preferred dividends		49,126,524
International common and preferred dividends		15,282,750
Securities lending income:		
Fixed	42,501,710	44,060,359
Equity	2,286,368	1,733,886
International	<u>23,669,406</u>	<u>12,120,974</u>
	68,457,484	57,915,219
Gain on sale of domestic securities, net:		
Bonds	1,760,078	28,082,405
Common and preferred stocks	<u>417,381,616</u>	<u>464,364,977</u>
	419,141,694	492,447,382
Gain on sale of international securities, net:		
Bonds	44,694,839	40,417,495
Common and preferred stocks	<u>30,118,696</u>	<u>16,044,105</u>
	74,813,535	56,461,600
Gain (loss) on intracoastal exchange transactions, net		(29,909,890)
Gain on sale of Intracoastal Land, Inc. & Co.		0
Real estate income		363,178
Private equity income		366,157
Commission rebate income		0
	<u>938,711</u>	<u>1,119,310</u>
	1,353,071,636	1,062,937,791
Gross earnings		
Charges against earnings:		
Accrued domestic interest purchased	20,298,363	19,654,388
Accrued international interest purchased	228,792	0
Securities lending expenses:		
Fixed	41,285,338	42,670,233
Equity	396,343	337,663
International	<u>21,818,959</u>	<u>10,850,564</u>
	63,500,640	53,858,460
Domestic investment expense		42
International investment expenses:		
International investment expense	116,215	0
International tax expense	<u>1,435,906</u>	<u>1,285,168</u>
	1,552,121	1,285,168
Commission rebate expense		75,000
Real estate expense		81,578
Private equity expense		0
Custodian fees		3,946,350
Advisors fees		1,971,776
	1,707,790	1,759,857
	<u>16,690,092</u>	<u>13,691,874</u>
	511,318,204	371,728,141
Total charges		
Net income on investments	<u>\$1,244,291,864</u>	<u>\$ 970,634,468</u>

INVESTMENT PERFORMANCE MEASUREMENTS

	<u>Rate of Return</u>	<u>Rank</u>
Comparative Rates of Return on Total Fund - Year Ended June 30, 1997		
Teachers' Retirement System of Louisiana	16.6%	72
Comparison indices:		
Median Public Fund Return	19.5%	59
Comparative Rates of Return on Equities - Year Ended June 30, 1997		
Teachers' Retirement System of Louisiana	25.5%	75
Comparison indices:		
Median Equity Only Public Fund Return	30.5%	59
Standard and Poor's 500 Index	34.7%	16
Comparative Rates of Return on Fixed Income Securities - Year Ended June 30, 1997		
Teachers' Retirement System of Louisiana	8.3%	49
Comparison indices:		
Median Bond Only Public Fund Return	8.3%	59
Lehman Brothers Aggregate Bond Index	8.2%	51
 The performance for the past five years as compared to other public plans in the universe of plans maintained by Holbein Associates, the System's investment performance consultant, is as follows:		
Two-year period ending June 30, 1997	15.8%	71
Three-year period ending June 30, 1997	16.0%	65
Four-year period ending June 30, 1997	12.1%	62
Five-year period ending June 30, 1997	12.5%	58

AVERAGE YIELD ON BONDS PURCHASED

<u>Fiscal Year</u>	<u>Rate of Return</u>
1987-1988	8.526%
1988-1989	8.761%
1989-1990	8.536%
1990-1991	8.482%
1991-1992	8.188%
1992-1993	6.924%
1993-1994	6.266%
1994-1995	6.907%
1995-1996	6.918%
1996-1997	6.905%

ANNUAL RATES OF RETURN

	ANNUALIZED YEARS ENDING JUNE 30					ANNUALIZED	
	1993	1994	1995	1996	1997	3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	14.1%	1.2%	16.3%	14.9%	16.6%	16.0%	12.5%
Median Public Fund Return	13.4%	0.6%	16.4%	15.2%	19.5%	17.0%	12.9%
Inflation (CPI)	3.0%	2.5%	3.0%	2.7%	2.3%	2.7%	2.6%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	14.0%	0.2%	23.3%	25.3%	25.5%	24.9%	17.6%
Median Equity Only Public Fund Return	15.8%	1.6%	23.9%	25.6%	30.5%	24.7%	17.2%
Standard & Poor's 500 Index	13.6%	1.46%	26.1%	26.0%	34.7%	28.8%	19.7%
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	15.0%	(1.8%)	13.7%	4.7%	8.3%	8.8%	7.8%
Median Bond Only Public Fund Return	13.2%	(1.4%)	12.6%	5.0%	8.3%	8.6%	7.6%
Lehman Brothers Aggregate Bond Index	11.8%	(1.3%)	12.5%	4.9%	8.2%	8.5%	7.1%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	7.8%	20.7%	(0.1%)	20.6%	12.4%	10.6%	12.0%
Median International Equity Only Return	8.3%	22.3%	4.2%	17.9%	19.8%	14.1%	14.0%
E.A.F.E. Index (after tax)	20.3%	17.0%	1.7%	13.3%	12.8%	9.1%	12.8%
INTERNATIONAL BONDS							
Teachers' Retirement System of Louisiana	21.5%	2.6%	15.4%	2.1%	4.4%	7.2%	8.9%
Median International Bond Only Return	12.0%	2.5%	12.6%	4.7%	5.1%	7.8%	7.9%
Salomon Brothers Non U.S. Government Bond Index	9.7%	9.5%	22.7%	(1.7%)	2.2%	7.2%	8.2%

**SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED JUNE 30, 1997**

Institutional brokers	\$ 2,583,513
Bear Stearns	
J. C. Bradford	
A. G. Edwards & Sons	
Goldman Sachs	
Interstate/Johnson Lane	
Merrill Lynch	
Paine Webber, Inc.	
Smith Barney	
Morgan Keegan	
Small/medium Louisiana brokers	769,774
Dean Witter	
A. G. Edwards & Sons	
J. C. Bradford	
Legg Mason	
Dorsey	
Prudential Securities	
Charles Sisk & Associates	
Medium out-of-state brokers	500,792
Makefield Securities	
First Southwest	
Rauscher Pierce	
First Honolulu	
Advest	
Specialty brokers	436,866
Cantor Fitzgerald	
Donaldson Lufkin	
Herzog	
Jefferies & Company	
Lehman	
Recapture brokers	1,820,502
CIS	
Cypress	
Donaldson	
FC Financial	
Hudson Knight	
Lynch, Jones & Ryan	
Nutmeg	
Trade Plus	
Wilshire	
Minority brokers	394,349
Gardner Rich & Co. (also Recapture)	
GRW	
Magna	
Sisung	
Yaeger	
Other - advisors contacts	<u>3,941,785</u>
Subtotal commissions	10,447,581
Rebate to Teachers' Retirement System of Louisiana	<u>(938,711)</u>
Total commissions	<u>\$ 9,508,870</u>

ACTUARIAL SECTION

HALL ACTUARIAL ASSOCIATES

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

1433 Hideaway Court
Baton Rouge, LA. 70806
(504) 924-6209

September 26, 1997

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

Ladies and Gentlemen:

Pursuant to your request, we have completed our eleventh annual valuation of the Teachers' Retirement System of Louisiana as of June 30, 1997. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

During the 1997 Legislative Session only two Bills passed which would have a prospective affect on funding. Act 981 eliminates the current twenty year retirement for new members hired after July 1, 1999. New members may elect twenty year actuarially reduced 2 1/2% per year formula. Act 188 recalculates survivor benefits based upon actual service accrued. Notable changes in recent prior legislative sessions include the following Acts: Act 572, which changed the disability benefits formula, and Act 577 established limitation caps for increase in final average compensation. Act 1031 of 1992 established the Experience Account which provides for the pre-funding of retiree COLA's by accumulating excess investment income until the account is sufficient to cover the liability of increased benefits. Act 257 of 1992 re-established amortization schedules such that the current outstanding balance will be reamortized for a period which is the later of the year 2029 or the period established by Act 81 of 1988 with all payments increasing at a rate of 4.5% per year. The Texaco Settlement Fund was established July 1, 1995 to dedicate allocated assets to reduce the initial unfunded actuarial liability established by Act 81.

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

- a) fully fund all current normal costs determined in accordance with the prescribed statutory funding method; and
- b) liquidate the unfunded liability as of June 30, 1988 over a forty year period with subsequent changes in unfunded liabilities amortized over period(s) specified by statute.

On the basis of the current valuation, the total contribution rate payable by the employers for the year commencing July 1, 1997 should be set equal to 16.4% of payroll, plus a required legislative appropriation of \$4,440,032.

When compared to the prior year's employer's rate of 16.4%, the current employer's rate of 16.4% reflects a continued stabilization of the employer's rate from the prior year. The current contribution rate, plus the required legislative appropriation, when taken together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

HALL ACTUARIAL ASSOCIATES

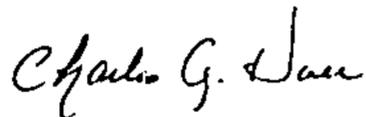
Board of Trustees
TEACHERS' RETIREMENT SYSTEM
September 26, 1997
Page Two

The methodology for determining the actuarial value of assets, approved by the Board of Trustees, was modified during the current plan year. Fixed income securities were previously valued at amortized value. The current method values all assets on a basis which reflects a four-year moving weighted average of the relationship between market value and cost value. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending on June 30, 1997 were in the amount of \$8,188,393,587. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of \$435,807,655, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of \$(5,192), and the side-fund assets from the Texaco Settlement Fund of \$179,256,025 yields assets for funding purposes of \$7,573,335,099.

In performing the June 30, 1997 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, 1997 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods specified in Louisiana Revised Statutes Title II Section 22(13) and assumptions which are appropriate for the purposes of this valuation. The funding method prescribed is the Projected Unit Credit Cost Method. The actuarial assumptions and methods used for funding purposes comply and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. The same actuarial assumptions and methods were employed in the development of the Trend Data Schedule, the Schedule of Funding Progress and the Schedule of Employer Contributions which were prepared for the Financial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principals and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents my best estimate of the funding requirement to achieve the Retirement System's Funding Objective.

Respectfully submitted,



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

CGH/tt

SUMMARY OF ASSUMPTIONS

The following assumptions were adopted by the Board of Trustees of the Teachers' Retirement System of Louisiana (TRSL) based on the 1981-1986 actuarial experience study with supplemental revision in 1990 and other Board action.

I. General Actuarial Method

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

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

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

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

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

II. Economic Assumptions

Investment Return: 8.25 percent per annum, compounded annually.

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

	Regular Teachers - range	5.75% - 8.95%	
	School Lunch - range	4.75% - 9.35%	
	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Duration 1 yr.	8.95%	9.35%	9.35%
5 yr.	7.35%	6.45%	7.25%
10 yr.	7.25%	6.25%	6.25%
15 yr.	5.75%	7.75%	6.75%
20 yr.	5.75%	6.25%	6.25%
25 yr.	5.75%	7.25%	5.75%
30 yr.	6.25%	4.75%	5.75%

The active member population is assumed to remain constant.

SUMMARY OF ASSUMPTIONS (Continued)

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 1981-1986 disability experience of the Retirement System. Rates were projected separately for School Lunch Employees. Mortality after disability are based on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Age 25	.00%	.02%	.20%
30	.03%	.02%	.20%
35	.10%	.39%	.20%
40	.19%	.64%	.20%
45	.25%	1.34%	.20%
50	.42%	3.02%	1.10%
55	.46%	2.20%	.72%

Termination Assumptions: Voluntary withdrawal rates are derived from the 1981-1986 termination experience study.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Duration 1 yr.	9.9%	7.1%	5.7%
5 yr.	7.6%	6.4%	6.7%
10 yr.	3.0%	3.5%	1.8%
15 yr.	1.3%	2.6%	4.0%
20 yr.	0.5%	3.8%	1.8%
25 yr.	0.5%	5.1%	2.9%

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

Retirement Assumptions: Retirement rates were projected based upon the 1981-1986 experience study.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Age 50	5%	36%	0%
51	8%	17%	0%
52	9%	44%	0%
53	9%	10%	0%
54	17%	20%	0%
55	15%	38%	34%
56	14%	23%	20%
57	16%	27%	24%
58	15%	30%	15%
59	20%	44%	39%
60	14%	36%	21%
61	17%	25%	23%
62	18%	34%	29%
63	20%	21%	25%
64	32%	30%	25%
65	23%	42%	44%
66	23%	27%	33%
67	26%	23%	34%
68	29%	29%	31%
69	52%	50%	56%
70	99%	54%	66%

**ACTUARIAL VALUATION BALANCE SHEET
AS OF JUNE 30, 1997 AND 1996**

	1997	1996
ASSETS		
PRESENT ASSETS CREDITABLE TO:		
Members' Savings Account	\$ 1,572,588,833	\$ 1,495,383,230
Annuity Reserve Account	<u>6,180,002,291</u>	<u>5,561,225,731</u>
TOTAL PRESENT ASSETS	<u>7,752,591,124</u>	<u>7,056,608,961</u>
PRESENT VALUE OF PROSPECTIVE CONTRIBUTIONS PAYABLE TO:		
Members' Savings Account	1,873,562,521	1,815,202,377
Annuity Reserve Account		
Normal	1,664,345,480	1,603,390,807
Accrued Liability	<u>5,779,407,766</u>	<u>5,518,899,365</u>
TOTAL PROSPECTIVE CONTRIBUTIONS	<u>9,317,315,767</u>	<u>8,937,492,549</u>
TOTAL ASSETS	<u>\$17,069,906,891</u>	<u>\$15,994,101,510</u>
LIABILITIES		
PRESENT VALUE OF PROSPECTIVE BENEFITS PAYABLE ON ACCOUNT OF:		
Current Retiree Members	\$ 6,329,857,909	\$ 5,872,600,796
Current Active Members	10,661,260,854	10,076,936,807
Deferred Vested & Reciprocal Members	<u>78,788,128</u>	<u>44,563,907</u>
TOTAL LIABILITIES	<u>\$17,069,906,891</u>	<u>\$15,994,101,510</u>

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)
1988	\$1,019.2	\$2,873.5	\$3,192.6	\$2,979.0	100%	68%	(%)
1989	1,079.9	3,174.7	3,296.0	3,208.9	100%	67%	(%)
1990	1,178.4	3,194.2	3,435.2	3,657.1	100%	78%	(%)
1991	1,265.2	3,371.5	3,818.9	4,079.7	100%	83%	(%)
1992	1,363.3	3,716.2	3,966.4	4,576.5	100%	95%	(%)
1993	1,424.0	4,158.5	3,484.4	5,129.5	100%	89%	(%)
1994	1,481.7	4,552.1	3,428.6	5,699.6	100%	93%	(%)
1995	1,489.5	5,119.8	3,496.0	6,275.3	100%	93%	(%)
1996	1,495.4	5,917.2	3,820.2	7,056.6	100%	94%	(%)
1997	1,572.6	6,408.6	4,095.4	7,752.6	100%	97%	(%)

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
1988	\$ 7,085.4	\$2,979.0	42.0	\$4,106.4	\$1,778.3	230.9%
1989	7,550.6	3,208.9	42.5	4,341.6	1,896.2	229.0%
1990	7,808.0	3,657.1	46.8	4,150.9	2,041.1	203.4%
1991	8,455.6	4,079.7	48.2	4,375.9	2,133.1	205.1%
1992	9,046.0	4,576.6	50.6	4,469.4	2,181.7	204.9%
1993	9,522.4	5,129.5	53.9	4,392.9	2,176.4	201.8%
1994	9,928.5	5,699.6	57.4	4,228.8	2,198.3	192.4%
1995	10,570.3	6,275.3	59.4	4,294.9	2,199.1	195.3%
1996	11,232.8	7,056.6	62.8	4,176.1	2,254.3	185.3%
1997	12,077.6	7,752.6	64.2	4,325.1	2,337.5	185.0%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(Dollar Amounts in Thousands)

	FISCAL YEAR ENDING			1994
	1997	1996	1995	
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	\$4,336,502	\$4,405,746	\$4,228,829	\$4,392,905
Interest on Unfunded Liability	357,761	363,474	348,878	362,414
Investment Experience (gains) decreases UAL	(314,183)	(542,995)	146,881	(49,096)
Plan Experience (gains) decreases UAL	231,278	83,860	(82,471)	(212,137)
Employer Amortization Payments (payments) decreases UAL	(253,783)	(251,883)	(243,204)	(226,737)
Employer Contribution Variance (excess contributions) decreases UAL	2,036	6,802	(3,280)	14,117
Experience Account Allocation (allocations) decreases UAL	157,092	271,497	(73,440)	24,548
Other - miscellaneous gains and losses from transfers or Acts of Legislature	(12,395)	0	83,553	(73,085)
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	\$4,504,308	\$4,336,501	\$4,405,746	\$4,228,829

**AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
JUNE 30, 1997**

DATE 6/30	DESCRIPTION	AMORTIZATION METHOD	AMORTIZATION PERIOD	INITIAL LIABILITY	YEARS REMAIN	REMAINING BALANCE	MID-YEAR PAYMENT
1) 1988	Initial Liability	I	40	\$4,169,250,465	32	\$5,522,669,289	\$289,847,333 *
2) 1989	Change in Liability	I	36	(448,562,259)	32	(503,248,686)	(26,816,332)
3) 1990	Change in Liability	I	36	60,046,089	33	67,366,603	3,589,782
4) 1991	Change in Liability	I	36	75,108,168	32	84,264,974	4,496,345
5) 1992	Legislative COLA	L	10	89,405,092	6	61,821,950	12,950,983
6) 1992	Change in Liability	I	36	(109,479,805)	32	(122,827,026)	(6,545,713)
7) 1993	Change in Liability	I	36	(210,900,586)	32	(236,612,512)	(12,608,327)
8) 1994	Change in Liability	I	35	(222,094,335)	32	(241,833,551)	(12,887,642)
9) 1995	Change in Liability	I	34	(9,030,124)	32	(9,550,033)	(508,899)
10) 1996	Change in Liability	I	33	(187,637,521)	32	(192,884,270)	(10,278,350)
11) 1997	Change in Liability	I	32	61,791,993	32	61,791,993	3,297,225
TOTAL OUTSTANDING BALANCE						<u>4,490,958,731</u>	<u>\$244,527,419</u>
EMPLOYER'S CREDIT BALANCE							
1993	Contribution Variance	L	5	6,270,964	1	1,460,477	\$ 1,519,328
1994	Contribution Variance	L	5	14,117,405	2	6,325,171	3,420,817
1995	Contribution Variance	L	5	(3,279,842)	3	(2,121,367)	(794,744)
1996	Contribution Variance	L	5	6,802,212	4	5,648,496	1,648,356
1997	Contribution Variance	L	5	2,035,880	5	2,035,880	496,317
TOTAL EMPLOYER'S CREDIT BALANCE						<u>13,348,657</u>	<u>\$ 6,287,766</u>
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						<u>\$4,504,307,388</u>	

*NOTE: LSU appropriation equals 1.508738 percent of the Initial Liability mid-year payment.
Effective July 1, 1992, Amortization Periods changed in accordance with Act 257.

MEMBERSHIP DATA

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

<u>Active Members</u>	<u>1997</u>		<u>1996</u>	
	<u>Census</u>	<u>Average Salaries</u>	<u>Census</u>	<u>Average Salaries</u>
Regular Teachers	75,410	\$26,635	74,677	\$25,267
University Members	5,629	46,844	5,823	43,858
School Lunch A	1,838	14,123	2,044	13,368
School Lunch B	2,292	11,727	2,305	11,427
Post DROP	1,232	40,640	674	42,430
TOTAL	86,401	\$27,097	85,523	\$25,875
Males (%)		18.2%		18.5%
Females (%)		81.8%		81.5%

Valuations' salaries were \$2,337,573,691 for 1997 and \$2,254,304,207 for 1996.

<u>Inactive Members</u>	<u>1997</u>		<u>1996</u>	
	<u>Census</u>	<u>Census</u>	<u>Census</u>	<u>Census</u>
Due Refunds	7,039		5,978	
Vested & Reciprocals	487		469	

<u>Annuitants and Survivors</u>	<u>1997</u>		<u>1996</u>	
	<u>Census</u>	<u>Average Annual Annuities</u>	<u>Census</u>	<u>Average Annual Annuities</u>
Retirees	34,621	\$15,235	33,308	\$15,016
Disabilities	3,196	8,789	3,151	8,807
Survivors	3,150	10,620	3,098	10,343
DROP	2,726	24,316	2,785	25,000
TOTAL	43,693	\$14,996	42,342	\$14,869

HISTORICAL MEMBERSHIP DATA

History of Active Membership Data
For Last 10 Years

<u>YEAR ENDED 6/30</u>	<u>NUMBER OF ACTIVE MEMBERS</u>	<u>PERCENTAGE CHANGE IN MEMBERSHIP</u>	<u>ANNUAL ACTIVE MEMBER PAYROLL (Thousands)</u>	<u>PERCENTAGE CHANGE IN PAYROLL</u>
1988	85,394	0.29%	\$1,778,340	0.3%
1989	85,965	0.66%	1,896,167	6.6%
1990	87,362	2.33%	2,041,067	7.6%
1991	87,493	0.15%	2,133,107	4.5%
1992	86,244	(0.01%)	2,181,712	2.3%
1993	85,143	(1.27%)	2,176,372	(0.2%)
1994	86,079	1.10%	2,198,302	1.0%
1995	84,671	(1.64%)	2,199,137	0.0%
1996	84,849	0.21%	2,254,304	2.5%
1997	86,401	1.83%	2,337,574	3.7%

History of Annuitants and Survivor Annuitant Membership
For Last 10 Years

<u>YEAR ENDED 6/30</u>	<u>NUMBER OF ANNUITANTS</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>PERCENTAGE CHANGE IN MEMBERSHIP</u>	<u>ANNUAL ANNUITIES (Thousands)</u>	<u>PERCENTAGE CHANGE IN ANNUITIES</u>
1988	28,975	2,586	987	5.84%	325,200	7.99%
1989	30,572	2,592	995	5.51%	350,770	7.86%
1990	31,713	2,191	1,050	3.73%	367,208	4.69%
1991	32,857	2,210	1,066	3.59%	388,990	5.93%
1992	34,276	2,523	1,104	4.33%	429,109	10.31%
1993	35,357	2,281	1,200	3.15%	448,675	4.56%
1994	36,441	2,266	1,182	3.07%	467,689	4.24%
1995	37,952	2,778	1,267	4.14%	530,856	13.5%
1996	39,302	2,678	1,328	3.56%	559,883	5.5%
1997	40,676	2,925	1,551	3.50%	588,928	5.2%

PRINCIPLE PROVISIONS OF THE PLAN

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

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

Administration

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of seventeen members; one elected member from each of the nine congressional districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, two elected retired members, and four ex officio members. Elected members serve staggered four 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 an Executive Director who is responsible for the operation of the system. The Board also retains other consultants as deemed necessary. Administrative expenses are paid entirely from investment earnings.

Member Contributions

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

<u>REGULAR PLAN</u>	<u>PLAN A</u>	<u>PLAN B</u>
8%	9.1%	5%

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 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 10 years of service may, in lieu of a refund of contributions, elect to receive a monthly annuity upon attainment of age 60.

Retirement Benefits

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

Normal Retirement

Regular Plan - A member may retire with a 2.5 percent annual accrual rate at age 55 with 25 years of service, age 65 with 20 years of service or at any age with 30 years of service. Members may retire with a 2 percent annual accrual rate at age 60 with 10 years of service or at any age with 20 years of service.

PRINCIPLE PROVISIONS OF THE PLAN (Continued)

Note: Members hired after June 30, 1999 may retire with a 2.5 percent annual accrual rate at age 60 with 10 years of service or at any age with 20 year 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 10 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 10 years of service. Benefits are reduced by 3 percent for each year under age 62 at retirement unless the member has 25 years of creditable service.

Benefit Formula

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

Payment Options

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

Deferred Retirement Option Program (DROP)

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

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

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

Disability Retirement Benefits

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

Regular Plan - An eligible member shall be entitled to a pension equal to 2 ½ percent of average compensation; however, in no event shall the disability benefit be less than the lesser of (a) 40 percent of the state minimum salary for a beginning teacher with a bachelor's degree, or (b) 75 percent of average compensation.

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

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

Survivor Benefits

A surviving spouse with minor children of an active member with 5 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$300 per month, or (b) 50 percent of the member's benefit calculated at the 2 ½ percent accrual rate for all creditable service.

Each minor child (maximum of 2) shall receive an amount equal to 50 percent of the spouses benefit. Benefits to minors cease at attainment of age 18, marriage or age 23 if enrolled in an approved institution of higher education.

PRINCIPLE PROVISIONS OF THE PLAN (Continued)

A surviving spouse without minor children of an active member with 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$300 per month, or (b) 50 percent of the member's benefit calculated at the 2 ½ percent accrual rate for all creditable service.

Post-Retirement Increases

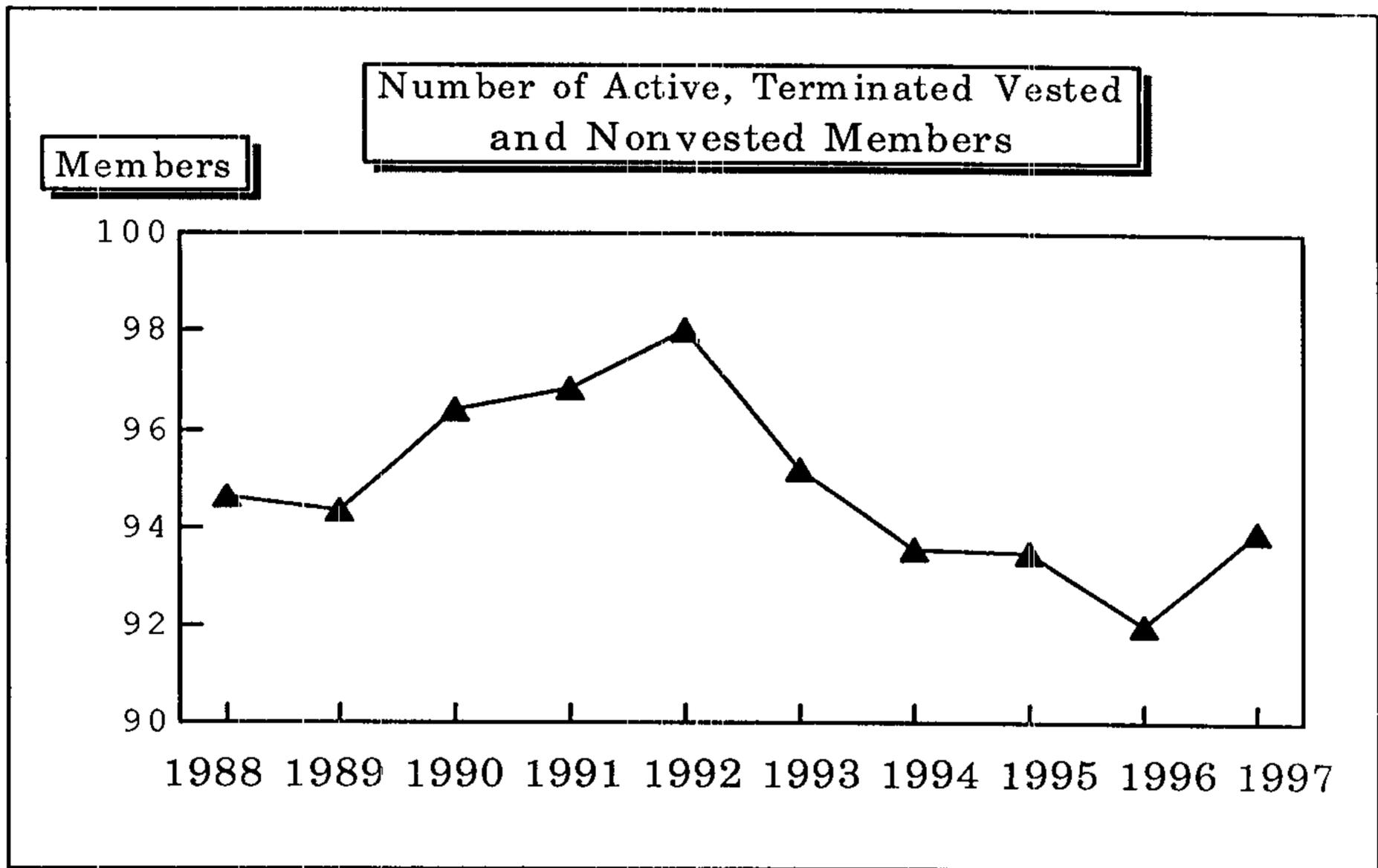
Cost-of-living adjustments (COLA's) are permitted provided there are sufficient funds in the Experience Account to fund the increase in the retiree reserves. The Experience Account is credited with 50 percent of the excess investment income over the actuarial valuation rate and is debited 50 percent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

STATISTICAL SECTION

TEN-YEAR INFORMATION ON SELECTED DATA

NUMBER OF ACTIVE, TERMINATED VESTED AND NONVESTED MEMBERS

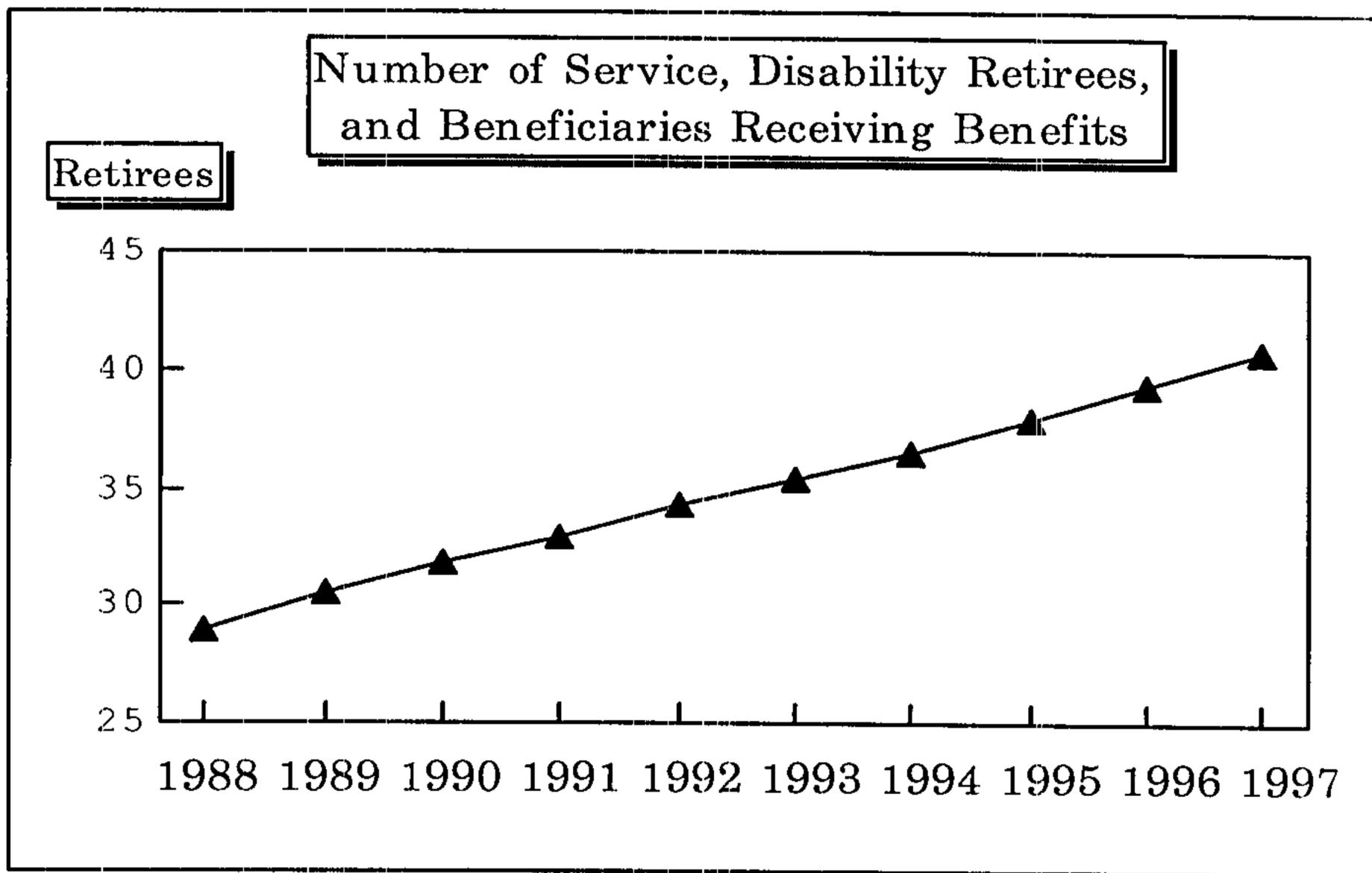
<u>Fiscal Year</u>	<u>Members</u>	<u>% Increase Each Year</u>
1987-1988	94,635	
1988-1989	94,369	(0.3%)
1989-1990	96,364	2.1%
1990-1991	96,826	0.5%
1991-1992	98,030	1.2%
1992-1993	95,214	(2.9%)
1993-1994	93,555	(1.7%)
1994-1995	93,521	0.0%
1995-1996	91,970	(1.7%)
1996-1997	93,927	2.1%



TEN-YEAR INFORMATION ON SELECTED DATA

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

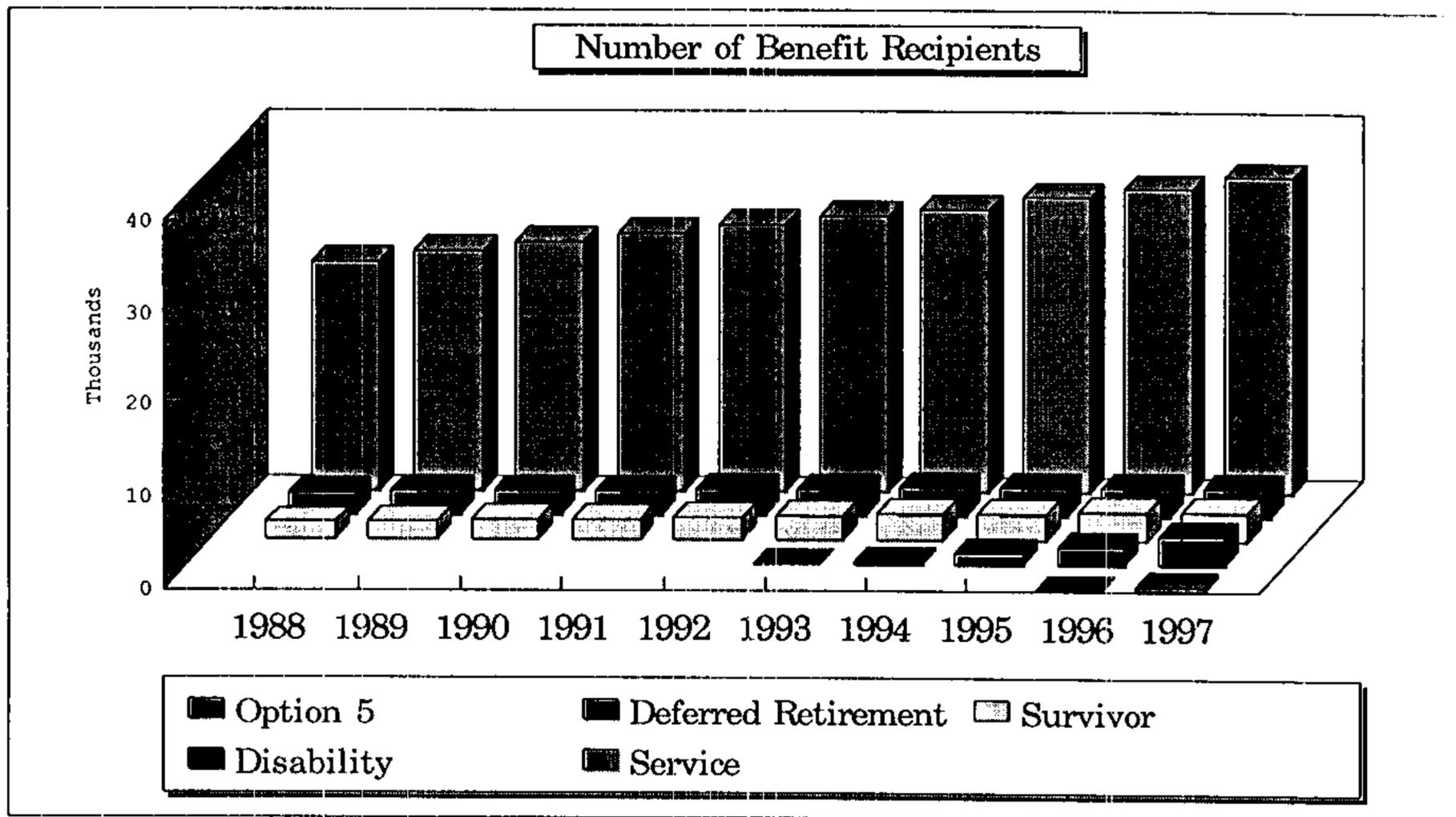
<u>Fiscal Year</u>	<u>Retirees</u>	<u>% Increase Each Year</u>
1987-1988	28,975	
1988-1989	30,572	5.5%
1989-1990	31,713	3.7%
1990-1991	32,857	3.6%
1991-1992	34,276	4.3%
1992-1993	35,357	3.2%
1993-1994	36,441	3.1%
1994-1995	37,952	4.1%
1995-1996	39,302	3.6%
1996-1997	40,676	3.5%



TEN-YEAR INFORMATION ON SELECTED DATA

NUMBER OF BENEFIT RECIPIENTS

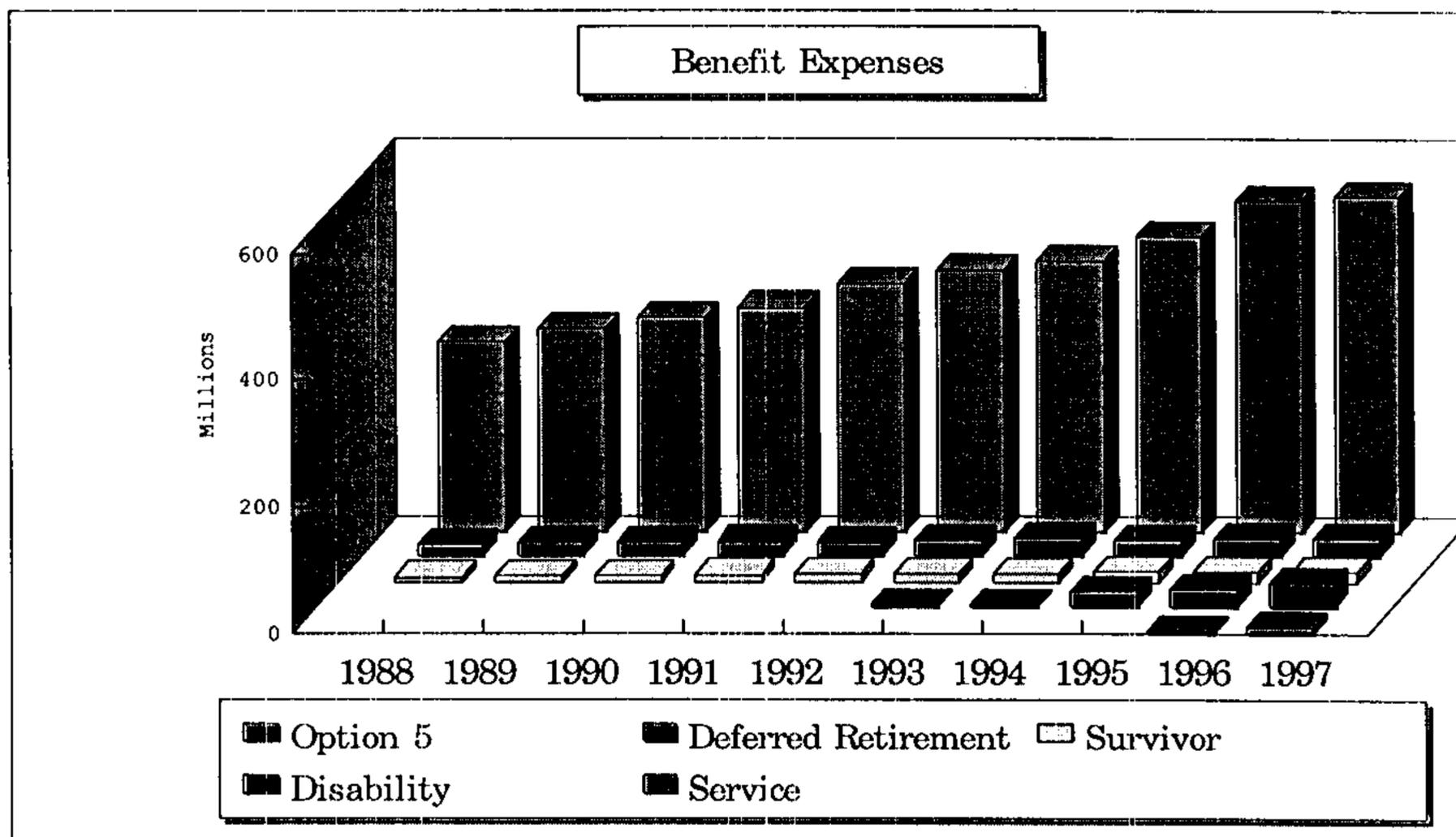
Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Option 5	Total
1987-1988	24,762	2,368	1,845	0	0	28,975
1988-1989	25,974	2,581	2,017	0	0	30,572
1989-1990	26,995	2,629	2,089	0	0	31,713
1990-1991	27,888	2,705	2,264	0	0	32,857
1991-1992	28,961	2,809	2,506	0	0	34,276
1992-1993	29,767	2,898	2,692	43	0	35,400
1993-1994	30,597	2,990	2,854	265	0	36,706
1994-1995	31,942	3,050	2,960	1,260	0	39,212
1995-1996	33,077	3,160	3,065	2,116	22	41,440
1996-1997	34,412	3,173	3,091	3,178	412	44,266



TEN-YEAR INFORMATION ON SELECTED DATA

BENEFIT EXPENSES

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Option 5	Total
1987-1988	\$297,762,828	\$19,482,846	\$ 7,468,424	\$ 0	\$ 0	\$324,714,098
1988-1989	320,233,515	20,998,919	8,749,550	0	0	349,981,984
1989-1990	337,690,168	22,143,618	9,226,507	0	0	369,060,293
1990-1991	354,088,608	23,300,413	10,951,194	0	0	388,340,215
1991-1992	392,395,149	21,325,823	12,795,494	0	0	426,516,466
1992-1993	412,059,676	24,741,575	13,045,557	377,970	0	450,224,778
1993-1994	427,367,318	28,178,065	14,089,032	3,940,030	0	473,574,445
1994-1995	465,239,170	25,284,738	15,170,843	25,092,013	0	530,786,764
1995-1996	524,065,924	28,481,844	17,089,106	27,663,913	540,204	597,840,991
1996-1997	531,639,544	28,893,453	17,336,072	39,260,488	7,607,232	624,736,789



TEN-YEAR INFORMATION ON SELECTED DATA

AVERAGE MONTHLY PENSION BENEFIT

<u>Fiscal Year</u>	<u>Average Monthly Benefit</u>	<u>% Increase Each Year</u>
1987-1988	\$ 934	
1988-1989	954	2.1%
1989-1990	964	1.0%
1990-1991	981	1.8%
1991-1992	1,037	5.7%
1992-1993	1,060	2.2%
1993-1994	1,074	1.3%
1994-1995	1,110	3.4%
1995-1996	1,208	8.8%
1996-1997	1,184	(2.0%)

NUMBER OF REFUNDS OF CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Number of Refunds</u>	<u>% Increase Each Year</u>
1987-1988	5,060	
1988-1989	4,926	(2.6%)
1989-1990	4,644	(5.7%)
1990-1991	4,219	(9.2%)
1991-1992	5,047	19.6%
1992-1993	3,848	(23.8%)
1993-1994	3,590	(6.7%)
1994-1995	4,176	16.3%
1995-1996	4,160	(0.4%)
1996-1997	5,540	33.2%

NUMBER OF STAFF POSITIONS

<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
1987-1988	76	
1988-1989	76	0.0%
1989-1990	78	2.6%
1990-1991	84	7.7%
1991-1992	91	8.3%
1992-1993	98	7.7%
1993-1994	102	4.1%
1994-1995	102	0.0%
1995-1996	106	4.9%
1996-1997	116	9.3%

TEN-YEAR INFORMATION ON SELECTED DATA

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Statutory Dedication of Mineral Revenue Audit and Settlement Receipts	Casino Gaming Proceeds	Investment Income	Other Operating Revenues	Total
1987-1988	\$125,235,574	\$188,759,497	\$ 0	\$ 0	\$ 0	\$ 156,146,295	\$1,043,377	\$ 471,184,743
1988-1989	133,105,208	198,458,918	0	0	0	266,136,424	914,847	598,615,397
1989-1990	162,676,467	349,367,280	0	0	0	344,664,351	298,539	857,006,637
1990-1991	171,535,641	295,749,998	6,941,265	0	0	330,703,542	371,861	805,302,307
1991-1992	172,460,103	384,814,216	13,678,861	0	0	451,844,820	173,687	1,022,971,687
1992-1993	174,513,027	359,198,776	15,148,005	0	0	647,208,769	176,335	1,196,244,912
1993-1994	174,424,707	352,371,358	16,474,847	77,185,060	0	453,217,659	183,937	1,073,857,568
1994-1995	177,820,544	356,662,854	18,674,063	29,175,481	19,322,208	978,267,383	317,905	1,580,240,438
1995-1996	182,144,749	372,728,942	21,197,751	29,175,475	0	1,043,283,403	965,697	1,649,496,017
1996-1997	191,704,402	387,153,226	24,551,761	0	0	1,332,544,481	924,648	1,936,878,518

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Investment Expenses	Depreciation Expense	Other Operating Expenses	Total
1987-1988	\$324,714,098	\$18,787,319	\$4,328,790	\$ 311,971	\$214,716	\$ 412	\$348,357,306
1988-1989	349,981,984	21,200,719	4,495,581	23,357,575	246,078	800	399,282,737
1989-1990	369,060,293	20,704,676	6,330,728	17,472,171	261,060	4,709	413,833,637
1990-1991	388,340,215	36,092,214	3,529,049	29,557,647	259,675	0	457,778,800
1991-1992	426,516,466	17,376,309	3,959,386	35,388,744	280,844	1,630	483,523,379
1992-1993	450,224,778	17,840,648	4,254,795	42,982,315	322,968	1,307	515,626,811
1993-1994	473,574,445	16,176,563	4,586,676	38,036,241	376,476	270,613	533,021,014
1994-1995	530,786,764	18,708,082	4,859,492	59,917,733	374,890	0	614,646,961
1995-1996	597,840,991	18,536,343	5,208,861	72,648,935	391,098	0	694,626,228
1996-1997	624,736,789	20,869,261	5,565,516	88,252,617	418,534	0	739,842,717

*NOTE: Prior to the adoption of GASB Statement No. 25, the Revenues By Source and Expenses By Type were prepared under the criteria of NCGA Statement 6 and GASB Statement No. 5.

SCHEDULE OF PARTICIPATING EMPLOYERS

SCHOOL BOARDS -

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

SCHOOL BOARDS (Continued) -

West Baton Rouge Parish School Board
 West Carroll Parish School Board
 West Feliciana Parish School Board
 Winn Parish School Board
 Bogalusa City Schools
 Monroe City Schools

COLLEGES AND UNIVERSITIES -

Louisiana Tech University
 Northwestern State University of Louisiana
 Louisiana State University-Baton Rouge
 University of New Orleans
 Louisiana State University Medical Center-New Orleans
 Nicholls State University
 Southeastern Louisiana University
 University of Southwestern Louisiana
 Grambling State University
 Southern University and A&M College-Baton Rouge
 Southern University and A&M College-New Orleans
 Southern University Shreveport-Bossier City
 Delgado Community College
 McNeese State University
 Northeast Louisiana University
 Louisiana State University-Shreveport
 Louisiana State University Medical Center-Shreveport
 Elaine P. Nunez Community College

VOCATIONAL TECHNICAL SCHOOLS -

Huey P. Long Technical Institute
 T. H. Harris Technical Institute
 Natchitoches Technical Institute, Region 7
 Shreveport-Bossier Regional Technical Institute
 Acadian Technical Institute
 Sowela Regional Technical Institute
 Sullivan Technical Institute
 Jefferson Technical Institute
 South Louisiana Regional Technical Institute
 Jefferson Davis Technical Institute
 Baton Rouge Regional Technical Institute
 Delta-Ouachita Regional Technical Institute
 Alexandria Regional Technical Institute
 Teche Area Technical Institute
 Northwest Louisiana Technical Institute
 Sabine Valley Technical Institute
 Florida Parishes Technical Institute
 North Central Technical Institute
 Gulf Area Technical Institute
 Sidney N. Collier Technical Institute
 Young Memorial Technical Institute
 Hammond Area Technical Institute
 Evangeline Technical Institute
 Westside Technical Institute
 Northeast Louisiana Technical Institute
 Avoyelles Technical Institute
 Slidell Technical Institute
 West Jefferson Technical Institute
 Charles B. Coreil Technical Institute
 Tallulah Technical Institute
 Jumonville Technical Institute

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

VOCATIONAL TECHNICAL SCHOOLS (Continued) -

Folkes Technical Institute
 River Parishes Technical Institute
 Ruston Technical Institute, Region 7
 Oakdale Technical Institute
 Bastrop Technical Institute
 Mansfield Technical Institute
 Lamar Salter Technical Institute
 Ascension Technical Institute
 Lafayette Regional Technical Institute
 Claiborne Technical Institute
 New Orleans Regional Technical Institute
 Regional Management Center 6-Alexandria
 Shelby M. Jackson Memorial Technical Institute
 Regional Management Center 2-Baton Rouge
 Regional Management Center 8-Monroe
 Regional Management Center 7-Shreveport
 Regional Management Center 1-New Orleans
 Regional Management Center 3-Houma
 Lafourche Technical Institute, North Campus

STATE AGENCIES -

Louisiana Department of Education
 Louisiana School for the Visually Impaired
 Louisiana School for the Deaf
 Teachers' Retirement System of Louisiana
 Louisiana School Employees' Retirement System
 Louisiana State Employees' Retirement System
 Louisiana Department of Social Services
 Hammond Developmental Center
 Southwest Louisiana Developmental Center
 Pinecrest Developmental Center
 Ruston Developmental Center
 Board of Trustees State Colleges and Universities
 Louisiana Department of Agriculture and Forestry
 Division of Administration
 Legislative Auditors
 Louisiana State Senate
 Louisiana House of Representatives
 Louisiana Department of Wildlife and Fisheries
 Louisiana Department of Health and Hospitals
 Medical Center of Louisiana-New Orleans
 Louisiana Department of Justice
 University Medical Center-Lafayette
 Louisiana Department of Insurance
 Louisiana Department of Military
 Louisiana State Law Institute
 Department of Veterans Affairs
 Office of Lieutenant Governor
 Washington-Saint Tammany Regional Medical Center
 Louisiana Department of Labor
 Treasury Department
 Louisiana Department of Safety
 Louisiana Department of Corrections

OTHER -

Louisiana Association of Educators
 Louisiana Special Education Center
 Louisiana School for Math, Science, and Arts
 Louisiana High School Athletic Association
 Saint Tammany Federation of Teachers

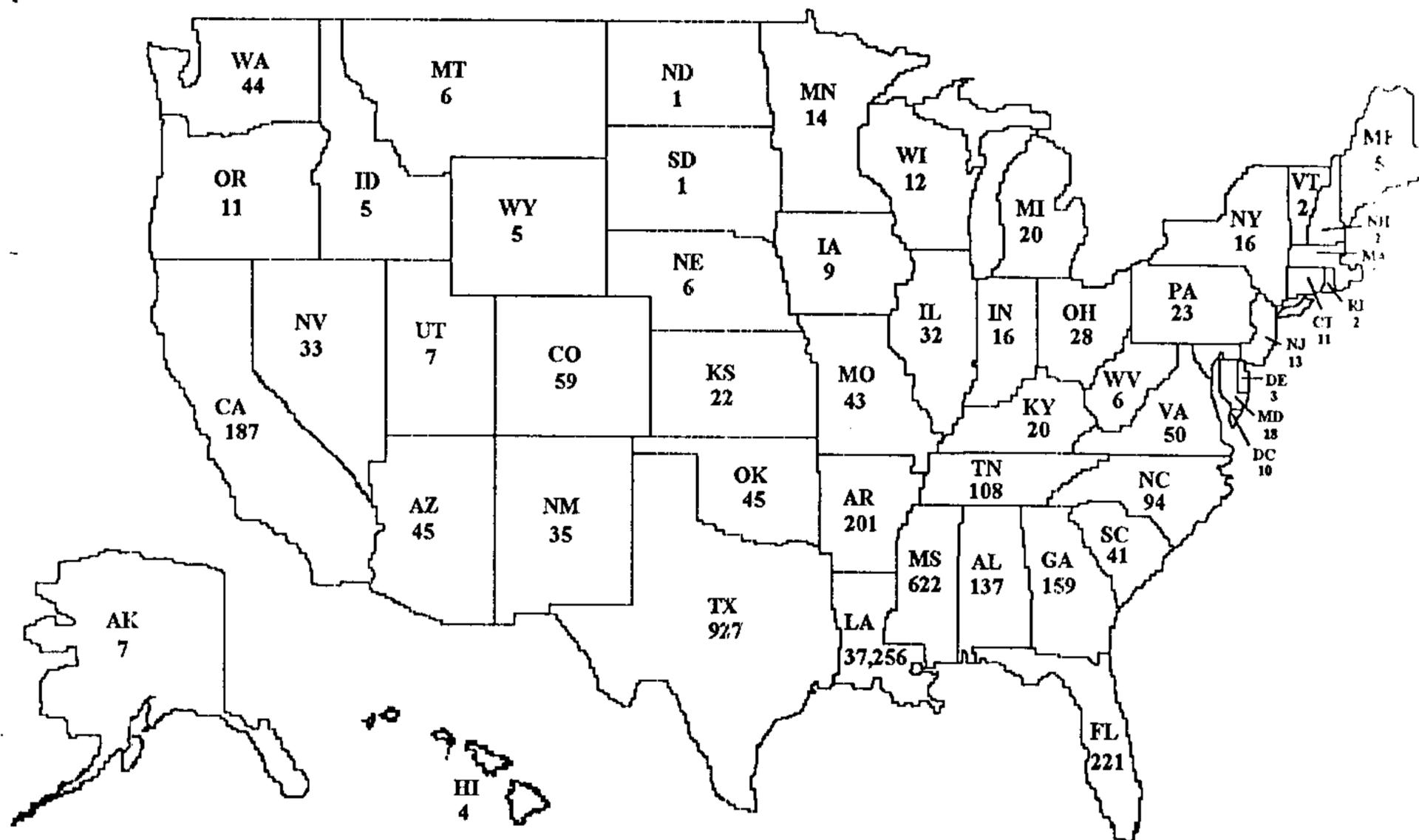
OTHER (Continued) -

Louisiana State Board of Elementary and Secondary
 Education
 United Teachers of New Orleans
 Louisiana Technical Resource Center
 Louisiana Federation of Teachers
 Special Education District #1
 Rapides Federation of Teachers/School Employees
 Louisiana Board of Regents
 Saint Bernard Parish Sheriff's Office
 W. O. Moss Regional Hospital
 Associated Professional Educators of Louisiana
 Louisiana Educational Television Authority
 Louisiana Universities Marine Consortium
 Court of Appeal, Fourth Circuit
 Jefferson Parish Council
 Council for the Development of French in Louisiana
 Louisiana Systematic Initiative Program
 Allen Parish Assessor's Office
 Louisiana Public Service Commission
 E. A. Conway Medical Center
 Leonard J. Chabert Medical Center
 Northwest Louisiana Juvenile Detention Center
 Earl K. Long Medical Center
 Huey P. Long Medical Center

MAP - STATE OF LOUISIANA
(Total Active Members)

LOCATION OF TRSL RETIREES WORLDWIDE

(Total Number of Retirees 40,676)



U.S. OVERSEAS MILITARY BASES	9
U.S. POSSESSIONS	
GUAM	2
VIRGIN ISLANDS	1
FOREIGN COUNTRIES	
GERMANY	3
CANADA	3
THE NETHERLANDS	1
CZECH REPUBLIC	1
ENGLAND	1
GREECE	1
MEXICO	2
SWITZERLAND	1

ALTERNATIVE
RETIREMENT
PLANS

OPTIONAL RETIREMENT PLAN

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

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

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

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

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

At June 30, 1997 and 1996, employees joining ORP consisted of:

	<u>1997</u>	<u>1996</u>
Members of TRSL joining ORP	112	110
New employees joining ORP	<u>981</u>	<u>1,001</u>
	<u>1,093</u>	<u>1,111</u>

At June 30, 1997 and 1996, the amounts transferred to ORP were:

	<u>1997</u>	<u>1996</u>
Amounts previously held in TRSL reserves	\$ 311,211	\$ 273,609
Contributions	<u>38,681,887</u>	<u>33,427,868</u>
	<u>\$38,993,098</u>	<u>\$33,701,477</u>

At June 30, 1997 and 1996, member and employer contribution rates were:

<u>Member</u>	<u>1997</u>	<u>1996</u>
Member contribution rate (applicable for ORP transfers)	7.90%	7.90%
Member contribution rate (administrative fee - TRSL)	0.10%	0.10%
	<u>8.00%</u>	<u>8.00%</u>
<u>Employer</u>	<u>1997</u>	<u>1996</u>
Employer contribution rate (normal cost is applicable for ORP transfers)	6.956%	7.089%
Unfunded rate (retained by TRSL)	9.344%	9.411%
	<u>16.300%</u>	<u>16.500%</u>

DEFERRED RETIREMENT OPTION PLAN

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

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

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

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

DROP Participation

	<u>1997</u>	<u>1996</u>	Percent Increase (Decrease)
Members Entering DROP	1,624	1,949	(17%)
Disbursements	\$39,260,488	\$27,663,913	42%
DROP Reserves at June 30	\$271,939,965	\$197,800,870	37%

OPTION 5

The Option 5 program became effective on January 1, 1996. Retiring members who had not participated in the Deferred Retirement Option Plan (DROP) could choose the Option 5 alternative which provided both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. The amount of the monthly benefit for life is based upon the amount of the single sum payment, the member's age at the time of retirement, and an actuarial reduction.

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

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

Option 5 Participation

	<u>1997</u>	<u>1996</u> *
Members choosing Option 5	202	27
Disbursements	\$7,607,232	\$538,040
Option 5 Reserves at June 30	\$733,535	\$327,159

*1996 information is for a six month period (January 1, 1996 through June 30, 1996).

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



H. DANIEL CARROLL, C.P.A.
ROBERT J. ZERNOTT, C.P.A.
ROBERT E. WALES, C.P.A.
CARL L. HANCOCK, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.

ROBERT B. HAWTHORN, C.P.A.
(1896-1977)
JOHN F. WAYMOUTH, C.P.A.
(1902-1987)
HOWARD V. CARROLL, C.P.A.
(1909-1993)
WARREN C. BERT, C.P.A.
RETIRED

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
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September 4, 1997

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

Members of the Board:

We have audited the component unit financial statements of the

**Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1997, and have issued our report thereon dated September 4, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Teacher's Retirement System of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Teacher's Retirement System of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control

over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of the Board of Trustees, the State of Louisiana Division of Administration, the Office of the Legislative Auditor of the State of Louisiana, and management. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

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

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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.

Teachers' Retirement System of Louisiana provides retirement, disability and survivor benefits. Service retirements vest after 10 years of credited service, disabilities after 5 years, provided the member is in active service at the time of filing application for disability retirement. The formula for annual maximum retirement benefits is 2 or 2-1/2 percent (Regular Plan), 1 or 3 percent (Plan A), or 2 percent (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive thirty-six months of salary. Benefits are paid monthly for life. If a member leaves covered employment prior to vesting or dies prior to establishing eligibility for survivor benefits, accumulated member contributions are refunded. For a more detailed description of plan benefits, refer to the Plan Summary on page 20 of this report.

In 1989, the state legislature established an Optional Retirement Plan (ORP) for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana. The ORP is a defined contribution pension plan which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan no later than March 1, 1990 and the public institutions of higher education to implement their Optional Retirement Plan on July 1, 1990. The 1995 Legislative Session amended the ORP to allow ORP participants that assume positions other than as employees of a public institution of higher education in positions covered by Teachers' Retirement System of Louisiana to continue to participate in the ORP. The number of participating employers is currently 46. Current membership in the ORP is 5,390 members.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 9.344 percent of the 16.3 percent ORP employer contributions. The amount transferred to the carriers is the employer's portion of the normal cost contribution which has been determined by the Public Retirement Systems' Actuarial Committee to be 6.956 percent.

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

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

Effective January 1, 1996, the state legislature authorized the Teachers' Retirement System of Louisiana to establish an Option 5 program. Option 5 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 Option 5 program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from the Option 5 account are made in accordance with the DROP account, Louisiana Revised Statutes 11:450(A)(1).

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

1. BASIS OF ACCOUNTING

Teachers' Retirement System of Louisiana's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

2. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. METHOD USED TO VALUE INVESTMENTS

Investments are reported at 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 current exchange rate. 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. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be sold.

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

Teachers' Retirement System of Louisiana is a 50 percent co-owner of the Louisiana Retirement Systems building and related land with the Louisiana State Employees' Retirement System, and has the following operating leases with organizations that are included within the State of Louisiana as reporting entities:

Municipal Police Employees' Retirement System
Municipal Fire and Police Civil Service
Ethics Commission

4. PROPERTY AND EQUIPMENT

Land, building, equipment, and furniture are carried at historical cost. The building and related land are jointly owned by Teachers' Retirement System of Louisiana and Louisiana State Employees' Retirement System. Depreciation is computed by the straight-line method based upon useful lives of 40 years for building and 3 to 10 years for equipment and furniture.

5. BUDGETARY ACCOUNTING

Self-generated revenues are budgeted for administrative expenses. State General Funds are appropriated for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 1997 and 1996 includes the original Board of Trustees approved budget and appropriated State General Funds as well as subsequent amendments as follows:

1997	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	\$5,023,230	\$27,994,158	\$33,017,388
Amendments:			
Salaries		(65,000)	(65,000)
Operating services		120,959	120,959
Professional services		2,002,000	2,002,000
Interagency transfers		40,000	40,000
Acquisitions-capital outlays		196,452	196,452
	<u>\$5,023,230</u>	<u>\$30,288,569</u>	<u>\$35,311,799</u>
1996	State General Funds	Self-Generated Revenue	Total
Original approved budget and appropriations	\$ 4,831,095	\$21,222,086	\$26,053,181
Amendments:			
Statutory dedications	29,175,475		29,175,475
Salaries		20,000	20,000
Operating services		40,000	40,000
Acquisitions-capital outlays		(60,000)	(60,000)
	<u>\$34,006,570</u>	<u>\$21,222,086</u>	<u>\$55,228,656</u>

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ACCUMULATED LEAVE

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

C. CONTRIBUTIONS

1. MEMBER CONTRIBUTIONS

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statutes 11:884(A)(1), and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 1997 and 1996:

<u>Plan</u>	<u>% of Earned Compensation</u>	
	<u>1997</u>	<u>1996</u>
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, 1997 and 1996 are as follows.

<u>Plan</u>	<u>% of Earned Compensation</u>	
	<u>1997</u>	<u>1996</u>
TRSL Regular Plan	16.3%	16.5%
TRSL Plan A	16.3%	16.5%
TRSL Plan B	16.3%	16.5%

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

Administrative costs of Teachers' Retirement System of Louisiana are financed through investment earnings.

D. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

At June 30, 1997, the carrying amount of the System's cash and cash equivalents was \$6,617,033 and the bank balance was \$8,380,897, which was covered by federal depository insurance and/or by collateral held by the State Treasury in the System's name. At June 30, 1996, the carrying amount of the System's cash and cash equivalents was \$51,263,773 and the bank balance was \$53,588,118, which was covered by federal depository insurance and/or by collateral held by the State Treasury in the System's name.

2. INVESTMENTS

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

During 1994 and 1995, TRSL entered into an agreement to participate in two private real estate investment trusts (REIT). The purpose of these REITs is to invest in a high quality, diversified portfolio of opportunistic real estate office property assets at a significant discount to replacement cost with the objective of realizing internal rates of return for investors of 15 to 20 percent over a period of 10 to 15 years. TRSL's total equity commitment to the two REITs was \$100,000,000. TRSL funded the amount of this commitment in 1994, 1995 and 1996.

**TEACHERS' RETIREMENT' SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

During 1995, TRSL entered into an agreement to participate in a private equity fund. The purpose of this private equity fund is to invest in companies through three methods: transitional financing, special situation recapitalizations and middle market acquisitions or leveraged buyouts. The objective of the fund is to achieve internal rates of return between 25 to 30 percent over 10 to 12 years. TRSL's total equity capital commitment to the private equity fund is \$100,000,000. TRSL funded \$40,126,597 in 1995, 1996 and 1997.

During 1996, TRSL entered into an agreement to participate in a private real estate investment trust ("REIT"). The purpose of this REIT is to invest in high quality, opportunistic investments in a broad range of real estate assets with the objective of realizing internal rates of return for investors of 15 to 20 percent over a period of 10 to 12 years. TRSL's total equity commitment to the REIT is \$100,000,000. TRSL funded \$47,434,586 in 1996 and 1997.

During 1996, TRSL entered into an agreement to participate in a mezzanine financing vehicle. The purpose of this investment is to invest in the debt structure of companies that are seeking a second source of financing in addition to their senior secured lenders. The objective is to attain internal rates of return for investors of 15 to 20 percent over 8 to 10 years. TRSL's total commitment to this investment is \$100,000,000 which \$24,091,891 was funded in 1997.

During 1997, TRSL entered into an agreement to participate in a private equity fund. The purpose of this private equity fund is to invest in companies through a buy and build strategy. The objective of the fund is to achieve internal rates of return between 25 to 30 percent over 10 to 12 years. TRSL's total equity capital commitment to the private equity fund is \$200,000,000 of which TRSL funded \$93,862,788 in 1997.

The domestic investment advisors, employed by the Board of Trustees to manage the investments of the System, were given a policy statement which established a real return objective of 3.9 percent per annum. The international investment advisors were given a different policy statement establishing a total rate of return of 6 percent in excess of the U.S. inflation rate, as measured by the Consumer Price Index.

All investments of the System are registered in the System's name, or held by the custodial bank or its intermediaries in the System's name. The System's investments at June 30, 1997, are categorized below to give an indication of the level of risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the System's name. The categorization for the investments held at June 30, 1996, was the same as that shown below for investments held at June 30, 1997:

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)

INVESTMENTS	CATEGORY			JUNE 30, 1997	JUNE 30, 1996
	1	2	3	CARRYING AMOUNT (FAIR VALUE)	CARRYING AMOUNT (FAIR VALUE)
Investments--Categorized					
Domestic bonds	\$1,095,216,210			\$1,095,216,210	\$ 873,719,043
International bonds	591,513,211			591,513,211	777,119,984
Domestic common stocks	2,787,326,223			2,787,326,223	3,762,424,597
International common stocks	865,514,632			865,514,632	710,042,908
Domestic preferred stocks	2,620,000			2,620,000	10,516,104
International preferred stocks	23,650,931			23,650,931	4,811,618
Short-term investments					
Domestic commercial paper	84,813,433			84,813,433	99,419,485
International commercial paper	0			0	20,785,216
Subtotal	<u>\$5,450,654,640</u>	<u>\$0</u>	<u>\$0</u>	<u>5,450,654,640</u>	<u>6,258,838,955</u>
Investments--Not Categorized					
Domestic money market funds				268,859,861	217,560,542
International money market funds				9,677,622	37,895,483
Investments held by broker-dealers under securities loans					
Domestic fixed-income				754,870,525	671,713,144
Domestic short-term investments				0	120,080,995
Domestic common stock				1,516,211,874	0
International fixed-income				326,911,317	192,799,665
Securities lending short-term collateral				1,090,873,703	998,306,115
Real estate investment trust				202,328,699	44,406,000
Private equity investments				142,162,392	15,891,483
Total				<u>\$9,762,550,633</u>	<u>\$8,557,492,382</u>

E. SECURITIES LENDING TRANSACTIONS

State statutes and Board of Trustees policies permit the System to use investments of a 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 securities agents lend the plans' domestic securities for cash collateral of 100 percent and international securities for cash collateral of 105 percent. Securities on loan at year-end are presented as unclassified in the preceding schedule of custodial credit risk. 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 reinvestment of cash collateral is done on an overnight basis or to term. In these instances where a loan is for term, the reinvestment of the cash collateral is matched to the maturity of the loan. Such matching existed at year-end. In lending domestic securities cash received is a minimum of 100 percent of the securities loaned and for international securities 102 percent of the securities loaned. When investing in repurchase agreements, the collateral received will be at a minimum of 102 percent of the cash invested.

F. DERIVATIVES

During fiscal years 1997 and 1996, 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 which involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by 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

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

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

2. COLLATERALIZED MORTGAGE OBLIGATIONS

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

3. OPTION ON FUTURES

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

4. FORWARD FOREIGN EXCHANGE CONTRACTS

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

5. FUTURES

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

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

G. CONTINGENT LIABILITIES

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

H. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB 25, required supplementary information is presented on pages 36 through 38.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)* (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
06/30/92	\$4,576,564	\$ 9,046,010	\$4,469,446	50.6%	\$2,181,713	204.9%
06/30/93	5,129,519	9,522,424	4,392,905	53.9%	2,176,372	201.8%
06/30/94	5,699,645	9,928,474	4,228,829	57.4%	2,198,137	192.4%
06/30/95	6,275,335	10,570,306	4,294,971	59.4%	2,199,137	195.3%
06/30/96	7,055,144	11,232,762	4,177,618	62.8%	2,254,304	185.3%
06/30/97	7,752,591	12,077,642	4,325,051	64.2%	2,337,574	185.0%

*UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes Mineral Revenue Audit and Settlement receipts which is included in the Reconciliation of Unfunded Actuarial Liabilities on page 114.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Employer Contributions Annual Required Contribution</u>	<u>Percentage Contributed</u>
1992	\$416,536,887	97.7%
1993	380,441,708	98.4%
1994	382,680,775	96.2%
1995	391,687,201	100.8%
1996	401,039,317	98.4%
1997	412,712,131	99.5%

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF TREND INFORMATION

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

Valuation date	June 30, 1997
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent closed
Remaining amortization period	32 years
Asset Valuation method	4-year weighted market average
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	5.75% → 8.95%
Cost-of-living adjustments	None

*Includes inflation at 3%

SUPPORTING SCHEDULES

**SCHEDULES OF BUDGETARY EXPENSES
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	1997			1996		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Revenues:						
Appropriated:						
State general fund	\$ 5,023,230	\$ 5,005,385	\$ (17,845)	\$34,006,570	\$33,989,676	\$ (16,894)
Self-generated	30,288,569	24,480,644	(5,807,925)	21,222,086	20,888,875	(333,211)
Total revenues	<u>35,311,799</u>	<u>29,486,029</u>	<u>(5,825,770)</u>	<u>55,228,656</u>	<u>54,878,551</u>	<u>(350,105)</u>
Expenses:						
Salaries	3,808,566	3,712,057	96,509	3,594,412	3,533,983	60,429
Travel expenses	223,200	147,260	75,940	186,100	156,792	29,308
Operating services	1,529,302	1,338,088	191,214	1,288,603	1,233,404	55,199
Supplies	93,350	92,348	1,002	92,250	91,370	880
Professional services	344,200	213,398	130,802	126,769	126,769	0
Custodian fees	2,100,000	1,707,790	392,210	1,759,857	1,759,857	0
Advisor fees	21,502,000	16,690,092	4,811,908	13,691,874	13,691,874	0
Other charges - state general fund	5,023,230	5,005,385	17,845	34,006,570	33,989,676	16,894
Other charges - self-generated	42,000	26,553	15,447	57,000	19,350	37,650
Interagency transfers	100,284	35,812	64,472	72,864	47,193	25,671
Total expenses	<u>34,766,132</u>	<u>28,968,783</u>	<u>5,797,349</u>	<u>54,876,299</u>	<u>54,650,268</u>	<u>226,031</u>
Capital outlays	545,667	517,246	28,421	352,357	228,283	124,074
Total expenses and capital outlays	<u>35,311,799</u>	<u>29,486,029</u>	<u>5,825,770</u>	<u>55,228,656</u>	<u>54,878,551</u>	<u>350,105</u>
Excess of revenues over expenses and capital outlays	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Custodian 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, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Salaries:		
Salaries - regular	\$3,003,846	\$2,839,497
Salaries - overtime	66,832	70,428
Salaries - termination	14,803	8,199
Other compensation - student labor	15,477	13,017
Other compensation - compensation of board members	9,075	8,925
Related benefits	<u>602,024</u>	<u>593,925</u>
Total salaries	<u>3,712,057</u>	<u>3,533,986</u>
Travel expenses	<u>147,260</u>	<u>156,792</u>
Operating services:		
Advertising	3,995	1,609
Printing	76,613	87,091
Insurance	60,695	36,339
Automotive repairs	1,886	783
Maintenance - equipment	142,376	109,513
Rentals - building	446,191	442,516
Rentals - equipment	152,147	81,309
Rentals - off-site storage	10,360	9,934
Dues and subscriptions	20,823	21,227
Telephone	71,353	68,129
Postage	254,186	259,166
Bank service charges	74,839	99,834
Overtime heating and air conditioning	8,857	9,645
Mail services	13,767	6,273
Miscellaneous	<u>0</u>	<u>15</u>
Total operating services	<u>1,338,088</u>	<u>1,233,404</u>
Supplies	<u>92,348</u>	<u>91,370</u>
Professional services:		
Accounting and auditing	37,554	36,384
Legal	97,690	28,888
Medical	15,436	15,199
Actuarial	44,600	43,073
Professional travel	412	633
Investigative services	16,808	2,460
Design/annual report	828	0
Deaf interpreter services	<u>70</u>	<u>130</u>
Total professional services	<u>213,398</u>	<u>126,767</u>
Other charges:		
Election expense	12,769	8,264
Educational expense	12,821	10,762
System condolence fund	227	315
Miscellaneous	<u>736</u>	<u>9</u>
Total other charges	<u>26,553</u>	<u>19,350</u>
Interagency transfers:		
Secretary of State - microfilm	23,949	31,184
Office of Information Services - CS02	0	1,320
Division of Administration - support services	600	600
Department of Civil Service	9,500	8,975
State Treasurer - independent actuary	1,033	4,605
Bureau of Vital Statistics	<u>730</u>	<u>505</u>
Total interagency transfers	<u>35,812</u>	<u>47,193</u>
Total administrative expenses	<u>\$5,565,516</u>	<u>\$5,208,861</u>

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Securities lending expenses:		
Fixed	\$41,285,338	\$42,670,233
Equity	396,343	337,663
International	<u>21,818,959</u>	<u>10,850,564</u>
Total securities lending expenses	<u>63,500,640</u>	<u>53,858,460</u>
Domestic investment expenses:		
Domestic investment	42	225
Commission rebate	75,000	81,575
Real estate	780,582	0
Private equity	<u>3,946,350</u>	<u>1,971,776</u>
Total domestic investment expenses	<u>4,801,974</u>	<u>2,053,576</u>
International investment expenses:		
International investment	116,215	0
International tax	<u>1,435,906</u>	<u>1,285,168</u>
Total international investment expenses	<u>1,552,121</u>	<u>1,285,168</u>
Custodian fees:		
Domestic	754,501	602,759
Global	<u>953,289</u>	<u>1,157,098</u>
Total custodian fees	<u>1,707,790</u>	<u>1,759,857</u>
Advisor fees	<u>16,690,092</u>	<u>13,691,874</u>
Total investment expenses	<u>\$88,252,617</u>	<u>\$72,648,935</u>

**SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

<u>BOARD OF TRUSTEES</u>	<u>1997</u>		<u>1996</u>	
	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Sheryl R. Abshire	7	\$ 525	9	\$ 675
Anne H. Baker	12	900	12	900
William C. Baker, Ed.D.	12	900	11	825
Jerry J. Baudin, Ph.D.	12	900	11	825
Clyde F. Hamner	10	750	10	750
Dianne R. Holland, replaced Lorraine H. Slacks	5	375	0	0
Syble T. Jones, RD, LDN	12	900	11	825
Lyn C. Ledbetter, Ph.D., replaced by Jacqueline H. Shiloh	0	0	5	375
Thomas W. McCall	11	825	11	825
Lawrence J. Moody, Jr.	9	675	9	675
Jacqueline H. Shiloh, replaced Lyn C. Ledbetter, Ph.D.	6	450	5	375
S. L. Slack	12	900	11	825
Lorraine H. Slacks, replaced by Dianne R. Holland	1	75	3	225
James T. Stewart	12	900	11	825
Total compensation		\$9,075		\$8,925

**SCHEDULES OF BUILDING MAINTENANCE EXPENSES AND CAPITAL OUTLAYS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Building maintenance expenses:		
Building manager	\$ 23,814	\$ 22,773
Partnership employees	18,030	17,879
Benefit and payroll taxes	3,492	3,713
Landscape maintenance	18,518	22,600
Custom program maintenance	6,703	7,665
Elevator maintenance	1,488	1,441
Equipment maintenance	26,790	28,699
Water	1,643	2,442
Sewerage	1,120	1,044
Utilities	86,370	104,306
Telephone	1,614	1,554
Advertising	845	0
Insurance	13,754	9,304
Pest control	560	488
Janitorial services	33,518	29,902
Waste systems	1,793	2,321
Fire protection	2,412	1,870
General repairs	19,132	27,910
Plumbing expenses	100	0
Equipment repairs	981	536
Electrical expenses	6,480	9,345
Bank charges	121	280
Window washing	1,059	0
Building exterior painting	0	387
Uniform rental	544	597
Miscellaneous expenses	0	84
Air conditioner supplies	468	398
Building supplies	3,209	3,786
Landscape supplies	205	404
Janitorial supplies	1,593	1,496
Office supplies	70	75
Security guard services	9,730	8,893
Architect/engineering services	540	450
Real estate consultant	1,400	0
Legal services	75	2,243
Total building maintenance expenses	<u>\$288,171</u>	<u>\$314,885</u>
Capital outlays	<u>\$ 55,349</u>	<u>\$ 58,732</u>

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

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Accounting and auditing	\$ 37,554	\$ 36,384
Auditors		
Deloitte & Touche, LLP		
Hawthorn, Waymouth & Carroll L.L.P.		
Tax Accountant		
Postlethwaite & Netterville, APAC		
Legal	97,690	28,888
Legal Consultant		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Medical	15,436	15,199
Medical Examiners		
Richard Burroughs, M.D.		
Jack Clayton, M.D.		
N. James Doll, M.D.		
Herbert R. Dyer, Jr., M.D.		
Richard H. Gold, M.D.		
Anthony Ioppolo, M.D.		
Herbert K. Plauche, M.D.		
H. Guy Riche', Jr., M.D.		
Ginger Shows, M.D.		
Lawrence D. Wade, M.D.		
William R. Williamson, M.D.		
Actuarial	44,600	43,075
Actuary		
Hall Actuarial Associates		
	<hr/>	<hr/>
Total	<u>\$195,280</u>	<u>\$123,546</u>

A summary schedule of commissions paid to brokers is shown on page 106.

GRAPH FOR DOLLAR BILL GOES HERE

INVESTMENT SECTION

Holbein Associates, Inc.

September 8, 1997

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

During the past year, the TRSL portfolio had outstanding absolute performance in a very positive equity environment. For the year ending June 30th, the System achieved a 16.6% rate of return from assets. This return ranked in the 72nd percentile in the Independent Consultants Cooperative Public Pension Plan Universe. For the past five years, the System achieved a 12.5% return which ranked in the 58th percentile in the Independent Consultant's Cooperative Public Plan Universe. We believe that these returns are excellent given the fact that there was a restriction on equities (55%) which limited the upside potential (this restriction has been changed to 65% as of June 30, 1997). The performance results were calculated in compliance with the AIMR Performance Presentation Standards. The performance calculations include the total return of the System, including realized and unrealized gains plus income.

The TRSL portfolio exceeded all of the objectives of the total fund over the last 3 and 5 years. The total portfolio exceeded the Inflation (CPI) Index plus 3.9% by 9.2% for 3 years and 5.8% for 5 years. The portfolio also exceeded the actuarial growth rate of 8.25% by 7.8% over the last 3 years and 4.3% over the last 5 years.

The domestic portfolios are diversified into various equity and fixed income styles. The equity portfolios are diversified into Growth and Value styles across all capitalization ranges. The fixed income portfolios are diversified into government, corporate, and mortgage backed securities.

The TRSL portfolio is diversified into many investable markets, including 9.2% in international equity and 10.3% in international fixed income. These overseas exposures are expected to continue to produce good risk adjusted results.

The System portfolio is also enhanced by diversification into opportunistic real estate, private equity and mezzanine debt financing. These alternative investments offer exceptional expected long-term returns and enhance the overall diversification of the System portfolio.

Sincerely,



Richard Holbein
President

INVESTMENT POLICY

STATEMENT OF OBJECTIVES

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

The Board's investment objectives are to:

- (1) Protect the System's assets in real terms such that assets are preserved for providing benefits to participants and their beneficiaries. Real terms shall be a measurement in current dollars which discounts inflationary increases in value as measured by the Consumer Price Index (CPI).
- (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 non-realized gains and losses) greater than the current actuarial assumption.
- (3) Maximize the total rate of return on investments within prudent parameters of risk for a retirement system of this type.

While there can be no complete assurance that these objectives will be realized, this Investment Policy is believed to provide a sound basis for successful achievement.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI. The Board realizes that market performance varies from period to period and 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.

STATEMENT OF INVESTMENT POLICY

INVESTMENT GUIDELINES

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

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Cash and Equivalents	0%	5%	15%
Fixed Income*	30%	40%	60%
Alternative Investments	0%	5%	10%
Total Stock**	35%	50%	65%
*U.S. Fixed Income	20%	25%	60%
International	0%	15%	30%
**U.S. Stock	30%	40%	55%
International	0%	10%	20%

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 should be of a short-term nature. The Director is responsible for ensuring that the

managers keep any such divergence as brief as possible.

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

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

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

FIXED INCOME GUIDELINES

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 or notes rated Baa3 or BBB- or higher (Investment Grade), by Moody's or Standard & Poor's. Below investment grade, including split-rated bonds (crossover credits), are allowed within the following limitations and the consideration of whether they are prudent under the circumstances then prevailing. In no case shall holdings of below investment grade credits exceed 20 percent of the market value of the bond portfolio, except for those portfolios specifically designated "High Yield."
- (3) Mortgage purchases will be limited to pooled mortgages traded in bond form with "pass-through" features or closed-end participating mortgage funds recommended in writing by a retained investment manager/advisor.
- (4) Municipal bonds rated 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.
- (6) Holdings of individual issues are to be large enough for easy liquidation.
- (7) Private placements (including Rule 144As) may be held providing that holdings do not exceed 10 percent of the market value of the bond portfolio and approval has been granted by the Board.

INVESTMENT POLICY (Continued)

- (8) Debt obligations of foreign governments, corporations and supranational issued and traded in the U.S. (Yankee Bonds) rated Baa3 or BBB- or higher (Investment Grade), by Moody's or Standard & Poor's may be held by investment managers that have experience and expertise with these securities. These securities may not exceed 20 percent of the market value of the bond portfolio.
- (9) Debt obligations of foreign governments, corporations and supranational issued outside of the U.S. (Euro-Bonds and non-U.S. dollar bonds fully hedged into the U.S. dollar) may be held by investment managers that have received written permission from the Board to include these securities in their portfolios. These securities may not exceed 20 percent of the market value of the bond portfolio.
- (10) High Yield portfolios are to be primarily invested in debt securities rated from Ba1 to CCC or BB+ to CCC and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated CCC or below shall not exceed 20 percent of the market value of the portfolio.
- (11) High Yield portfolios are subject to the above paragraphs with bond rating modified according to paragraph (10).

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

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

- (1) The debt of countries acceptable for investment include the U.S., Canada, all the EAFE countries, and countries specifically approved by the Board. The current list of approved countries is shown below. European Currency Unit (ECU) obligations are also included in the approved category.

EAFE COUNTRIES

Belgium	Denmark	Finland	France
Germany	Netherlands	Norway	Italy
Switzerland	United Kingdom	Australia	Japan
New Zealand	Singapore	Malaysia	Spain
Sweden	Austria		

OTHER COUNTRIES APPROVED BY THE BOARD

Argentina	Brazil	Chile	Greece
Indonesia	Ireland	Korea	Mexico
Phillipines	Poland	Portugal	Turkey
South Africa	Venezuela	Thailand	
China (Hong Kong Only)			

- (2) Weightings in U.S. dollar-denominated bonds, and U.S. cash may, when combined, range from 0 percent to 100 percent of a portfolio.
- (3) Weightings in yen, sterling and DM-denominated bonds, and yen, sterling and DM cash, when combined, may each range from 0 percent to 50 percent of a portfolio.
- (4) Portfolio weightings in board approved countries other than those described in (2) and (3) above, may each, combining bonds and cash, range from 0 percent to the country weightings of the Salomon Brothers Non-U.S. World Government Bond Index plus 10 percent. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets.
- (5) Quality ratings for corporate debt shall be consistent with those stated in (2) under Fixed Income Guidelines above.

STOCK GUIDELINES

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

- (1) Stocks must be listed or traded on a national securities exchange including the NASDAQ. ADR securities may be traded over the counter. U.S. Stocks must be registered with the Securities and Exchange Commission.
- (2) Not more than 5 percent of the book value or market value (whichever is more) of the total issued and outstanding common stock of any one corporation may be held in the equity portfolio.
- (3) Not more than 5 percent of the cost or market value of the total System equity portfolio (whichever is higher) or 15 percent of the market value of each separately managed portfolio may be invested in common stock of any one corporation.
- (4) Not more than 20 percent of stock valued at market of the total System equity portfolio may be held in any one industry category as defined by Bankers Trust Company.
- (5) Convertible securities and covered option writing, if any, shall be considered as part of the equity portfolio.
- (6) Equity managers hired for small cap investment category shall maintain an average market capitalization of the portfolio below the market capitalization of the 750th stock in the Wilshire 5000. In addition, no more than 20 percent of the portfolio may be invested in stocks whose capitalizations exceed the capitalization of the 750th stock in the Wilshire 5000.
- (7) Equity managers hired for the mid cap investment category shall maintain an average market capitalization of the portfolio between the market

INVESTMENT POLICY (Continued)

capitalizations of the 500th and the 1,250th stock in the Wilshire 5000. In addition, no more than 20 percent of the portfolio may be invested in stocks whose capitalizations exceed the capitalization of the 500th stock in the Wilshire 5000, and no more than 20 percent of the portfolio may be invested in stocks whose capitalizations are below the capitalizations of the 1,250th stock in the Wilshire 5000.

STOCK GUIDELINES FOR APPROVED INTERNATIONAL EQUITY MANAGER(S)

In addition to the International Stock Guidelines below, Stock Guidelines (2) through (7), above, also apply as appropriate to international equity managers.

- (1) The countries acceptable for investment include the U.S., Canada, all the EAFE countries, and countries specifically approved by the Board. The current list of approved countries is shown on page 50.
- (2) Investment managers may invest up to the MSCI EAFE Index country weights plus 10 percent of the market value of the portfolio in any one country. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets. Managers should also be sensitive to the weight of individual economic sectors of the market within the portfolio.
- (3) Investment managers may invest up to 25 percent of the market value of the portfolio in equity securities of domestic U.S. issuers. This flexibility should be viewed by the manager as an opportunistic and/or defensive mechanism as opposed to a normal position.
- (4) No single industry group shall constitute more than 25 percent of the market value of the portfolio or its comparable representation in the EAFE Index, whichever is larger, without prior Board approval.
- (5) No individual security shall constitute more than 10 percent of the market value of the portfolio or its equivalent representation in the EAFE Index, whichever is larger, without prior Board approval.
- (6) Cash shall not constitute more than 25 percent of the market value of the total portfolio without prior Board approval. Cash held by the manager may be in U.S. dollars or in the foreign currency or currencies of the managers' choice.
- (7) Residual currency exposures of the underlying international equity portfolio should be actively managed by the investment manager. The objectives of active 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 translation losses in periods of an

appreciating U.S. dollar.

(8) Permitted Equity Investments

- (a) Equity managers are to confine portfolio investments to common stocks and securities directly convertible or exercisable into common stocks, including GDRs of companies domiciled in countries on the approved list shown on page 50 with the exception of India. India is approved for GDRs and ADRs although it is not on the approved country list.
- (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. Alternative instruments such as swaps, options on options, or other derivatives may be utilized 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.

(9) Permitted Hedge Vehicles for Currency Exposure Management

The following instruments are permissible:

- (1) Forward Foreign Exchange Contracts
 - (2) Currency Futures Contracts
 - (3) Options on Currency Futures Contracts
 - (4) Options on Spot Currencies
- (10) Net short foreign currency positions may not be taken in this portfolio.

CASH AND CASH EQUIVALENTS GUIDELINES

Cash and cash equivalents are comprised of 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 set forth guidelines and restrictions.

Short-term investments may be placed in:

- (1) U.S. Treasury Bills, other issues of the U.S. Government, issues of federal agencies and government sponsored enterprises with a maturity of one year or less.
- (2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100 percent of the amount of their purchase agreement.

INVESTMENT POLICY (Continued)

- (3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10 percent of outstanding short-term obligations. The maximum maturity will be ninety days.
- (4) Certificates of deposit limited to Louisiana banks, savings and loans and credit unions provided that:
 - (a) Maximum amount in any one bank will be limited to \$1 million.
 - (b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury.
 - (c) Maximum amount limited to 5 percent of capitalization.
 - (d) Maximum maturity is 366 days.
- (5) Money market funds adhering to restrictions (1) through (4) above.
- (6) Issues of commercial debt market with maturities of one year or less and having a rating of A or better. The obligations of any single issuer may not exceed 10 percent of the total outstanding short-term obligations of the System.

ALTERNATIVE INVESTMENT GUIDELINES

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

Real Estate
Private Placements
Options
Derivatives (Futures, Swaps, etc.)

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

SECURITIES LENDING GUIDELINES

The System's Investment Department 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 investment account and not to investment advisors since they would not be involved in the process.
- (5) The System's Investment Department may engage in the lending of all applicable securities.

RESTRICTED INVESTMENTS

Categories of investments which are not eligible include:

- (1) Use of margin or leverage.
- (2) Short sales of securities not held by the System.
- (3) Investments in commodities or commodity contracts.
- (4) Direct loans or extension lines of credit to any interested party.
- (5) Letter stock.
- (6) Unregistered securities.

For global advisors approved by the Board, financial futures contracts and options thereon, currency forward contracts and options thereon, and options on physical securities and currencies are allowed. Also for these advisors initial and variation margin on financial futures and related options are allowed.

OTHER INVESTMENTS

From time to time, the Board may authorize other investments for a specific trial period. At the conclusion of the trial period, should the Board determine that the investment is suitable on a continuing basis, the Board will adopt such objectives, rules and guidelines as may be necessary and add them to the statement.

DIVERSIFICATION

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

VOLATILITY

Consistent with the desire for adequate diversification, it is expected that the volatility of the 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., Standard & Poor's 500 Index for stocks and Shearson Lehman Government Corporate Bond Index for bonds).

INVESTMENT POLICY (Continued)

LIQUIDITY NEEDS

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

PROXY VOTING

It shall be the policy of the Retirement System to vote all proxy ballots, except those for international companies. These proxies shall be voted by the applicable manager. Nevertheless, each investment manager is required to advise the Board on any issues that should require special consideration.

EXECUTION OF SECURITIES TRADES

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

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 the investment managers and its 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 managers' results against appropriate financial indexes, such as, but not limited to the Standard & Poor's 500 Index and the Frank Russell Style Indices for domestic equities; the EAFIC (after taxes) Index for International equities; the Lehman Aggregate Bond Index, Lehman Government Corporate Bond Index, and Lehman Mortgage Bond Index for domestic fixed income securities; and the Lehman Aggregate Bond Index, Salomon Brothers World Bond Index, and Salomon Non U.S. Dollar Government Bond Index, for global fixed income securities.

- (3) A comparison of managers' 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 in major accounts, etc.

The managers will be responsible for keeping the Board advised 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 Retirement System's Investment Policy Statement. A long-term average annual return of 3.9 percent above inflation as measured by the Consumer Price Index 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 Retirement Board recognizes that this real return objective may not be meaningful during some time periods. In order to ensure that investment opportunities available over a specific time 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 one third of a universe of total funds having similar 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 one half of his/her respective Equity Manager or Fixed Income Manager universe and in the top quartile of his/her investment manager style universe. This performance should be achieved over rolling three-year time periods or the length of each manager's contract, whichever comes first. Short run results will also be monitored. For purposes of this paragraph, the universe referred to is the Bankers Trust Independent Consultant Cooperative (B.T.I.C.C.) Universe as categorized above.

INVESTMENT SUMMARY
AS OF JUNE 30, 1997 AND 1996

TYPE OF INVESTMENT	JUNE 30, 1997		JUNE 30, 1996	
	MARKET VALUE	% TOTAL MARKET VALUE	MARKET VALUE	% TOTAL MARKET VALUE
Domestic bonds:				
U S Treasury & Government Agency securities	\$1,404,428,376	14.386%	\$1,196,205,406	13.979%
Corporate bonds	445,658,359	4.565%	341,290,240	3.988%
Miscellaneous bonds	0	0.000%	7,936,541	0.093%
Total domestic bonds	<u>1,850,086,735</u>	<u>18.951%</u>	<u>1,545,432,187</u>	<u>18.060%</u>
International bonds	918,424,528	9.407%	969,919,649	11.331%
Domestic stocks:				
Common	4,303,538,097	44.082%	3,762,424,597	43.966%
Preferred	2,620,000	0.027%	10,516,104	0.123%
Total domestic stocks	<u>4,306,158,097</u>	<u>44.109%</u>	<u>3,772,940,701</u>	<u>44.089%</u>
International stocks:				
Common	865,514,632	8.866%	710,042,908	8.297%
Preferred	23,650,931	0.242%	4,811,618	0.056%
Total international stocks	<u>889,165,563</u>	<u>9.108%</u>	<u>714,854,526</u>	<u>8.353%</u>
Domestic short-term investments	353,673,294	3.623%	437,061,022	5.107%
International short-term investments	9,677,622	0.099%	58,680,699	0.686%
Real estate investment trust	202,328,699	2.073%	44,406,000	0.519%
Private equity investments	142,162,392	1.456%	15,891,483	0.186%
Collateral held under domestic securities lending program*	754,870,525	7.732%	805,506,450	9.413%
Collateral held under foreign securities lending program*	336,003,178	3.442%	192,799,665	2.253%
Total investments	<u>\$9,762,550,633</u>	<u>100.000%</u>	<u>\$8,557,492,382</u>	<u>100.000%</u>

*NOTE: Collateral received by the System for securities on loan is reported as an asset with a corresponding liability.

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

DOMESTIC BONDS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES				
Federal Home Loan Mtg Corp 1229 J	8.000	04/15/2007	\$ 3,000,000	\$ 3,125,610
Federal Home Loan Mtg Corp 1238 K	8.000	04/15/2007	2,000,000	2,091,240
Federal Home Loan Mtg Corp 1308 J	8.500	06/15/2007	1,200,000	1,283,244
Federal Home Loan Mtg Corp 1513 TB	Flt	05/15/2008	2,188,586	1,828,148
Federal Home Loan Mtg Corp 1560 PY	5.950	11/15/2021	9,000,000	8,513,370
Federal Home Loan Mtg Corp 1579 PQ	7.000	04/15/2022	6,203,909	6,116,620
Federal Home Loan Mtg Corp 1592 J	6.300	12/15/2021	13,700,000	13,164,741
Federal Home Loan Mtg Corp 1611 QD	Flt	11/15/2023	4,721,304	4,048,518
Federal Home Loan Mtg Corp 1611 SE	Flt	01/15/2009	6,500,000	4,426,045
Federal Home Loan Mtg Corp 1688 W	7.250	03/15/2014	9,000,000	8,901,540
Federal Home Loan Mtg Corp 1706 LB	7.000	06/15/2023	7,986,663	7,841,864
Federal Home Loan Mtg Corp 1714 PS	Flt	04/15/2024	3,500,000	2,772,630
Federal Home Loan Mtg Corp 1732 H	6.500	11/15/2022	7,000,000	6,814,010
Federal Home Loan Mtg Corp 1763 Z	8.500	11/15/2024	7,467,563	7,703,240
Federal Home Loan Mtg Corp 1766-B C	6.150	04/15/2022	12,500,000	11,800,750
Federal Home Loan Mtg Corp 1798-B CA	6.000	03/15/2008	7,000,000	6,621,720
Federal Home Loan Mtg Corp 1807 E	6.500	06/15/2008	10,000,000	9,714,800
Federal Home Loan Mtg Corp 1844 E	6.500	10/15/2013	9,000,000	8,475,390
Federal Home Loan Mtg Corp 1865 S	Flt	07/15/2026	2,774,456	2,476,174
Federal Home Loan Mtg Corp 1895 C	7.500	09/15/2026	7,400,000	7,180,294
Federal Home Loan Mtg Corp 1923 D	7.500	12/15/2026	4,575,000	4,434,868
Federal Home Loan Mtg Corp 1936 Z	8.500	02/15/2027	5,836,297	6,114,980
Federal Home Loan Mtg Corp 40 L	6.500	08/17/2024	2,728,355	2,688,275
Federal Home Loan Mtg Corp 43 PI	6.500	04/17/2022	6,000,628	5,979,986
Federal Home Loan Mtg Corp ARM #846089	Adj	09/01/2024	2,667,643	2,750,207
Federal Home Loan Mtg Corp ARM #846317	Adj	08/01/2026	5,161,970	5,273,262
Federal Home Loan Mtg Corp Gold #C00383	8.500	01/01/2025	556,312	579,677
Federal Home Loan Mtg Corp Gold #C00388	8.500	11/01/2024	2,782,954	2,890,794
Federal Home Loan Mtg Corp Gold #C90169	7.500	04/01/2017	5,099,516	5,180,649
Federal Home Loan Mtg Corp Gold #D58848	8.500	02/01/2025	1,066,683	1,108,017
Federal Home Loan Mtg Corp #170223	9.000	05/01/2017	1,635,477	1,735,830
Federal Home Loan Mtg Corp #D91292	6.500	04/01/2016	6,766,841	6,599,632
Federal Home Loan Mtg Corp #D91333	6.500	05/01/2016	9,379,041	9,147,285
Federal Home Loan Mtg Corp-GNMA 41 Z	8.000	04/25/2024	11,120,396	11,203,799
Federal Home Loan Mtg Corp-GNMA 54 B	7.750	04/18/2022	7,199,000	7,250,689
Federal Nat'l Mtg Assn 92-152 M	7.750	08/25/2007	2,500,000	2,580,450
Federal Nat'l Mtg Assn 92-203 FA	Flt	11/25/2007	7,827,747	7,869,312
Federal Nat'l Mtg Assn 93-47 C	7.000	04/25/2008	3,000,000	2,976,540
Federal Nat'l Mtg Assn 94-63 E	7.000	11/25/2023	7,000,000	6,805,260
Federal Nat'l Mtg Assn 96-68 SA	Flt	12/17/2026	5,633,574	5,253,307
Federal Nat'l Mtg Assn 97-19PG	7.000	04/18/2027	10,000,000	9,502,300
Federal Nat'l Mtg Assn ARM #292903	Adj	08/01/2024	2,135,609	2,225,048

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES (Continued)				
Federal Nat'l Mtg Assn ARM #308186	Adj	04/01/2025	\$ 2,717,743	\$ 2,806,069
Federal Nat'l Mtg Assn ARM #313083	Adj	08/01/2026	5,839,626	5,997,471
Federal Nat'l Mtg Assn ARM #347554	Adj	11/01/2026	6,592,962	6,671,287
Federal Nat'l Mtg Assn ARM #348273	Adj	01/01/2026	10,147,920	10,327,133
Federal Nat'l Mtg Assn G94-13 ZB	7.000	11/17/2024	8,981,896	8,319,481
Federal Nat'l Mtg Assn Notes	Flt	09/06/2000	12,320,000	12,295,360
Federal Nat'l Mtg Assn #303233	10.000	08/01/2007	4,875,755	5,197,262
Federal Nat'l Mtg Assn #364846	7.500	12/01/2026	10,846,250	10,875,751
Federal Nat'l Mtg Assn #50425	9.000	04/01/2021	1,064,920	1,135,162
FHA Project #072-11035-7 Ser PC 95-15	7.125	05/01/2029	5,502,767	5,303,292
FHA Project #092-35506-Beaver Creek	7.125	05/20/2035	2,604,493	2,510,080
FHA Project #112-11066-Vineyard	7.000	01/01/2029	2,975,175	2,845,011
FHA Project #127-11018-Oak Terrace	7.000	01/01/2029	2,571,048	2,458,564
Government Nat'l Mtg Assn 1994-2 Z	7.991	07/16/2024	12,615,050	12,859,404
Government Nat'l Mtg Assn II #8595	6.500	02/20/2025	7,696,565	7,893,828
Government Nat'l Mtg Assn II #8607	6.500	03/20/2025	6,522,017	6,685,067
Government Nat'l Mtg Assn II #8608	6.500	03/20/2025	14,852,369	15,233,035
Government Nat'l Mtg Assn #264229	7.500	10/15/2023	28,462	28,764
Government Nat'l Mtg Assn #321006	7.500	02/15/2023	1,664,453	1,680,248
Government Nat'l Mtg Assn #339626	7.500	02/15/2023	30,502	30,826
Government Nat'l Mtg Assn #340659	7.500	02/15/2023	2,059,542	2,081,393
Government Nat'l Mtg Assn #344703	7.500	01/15/2023	29,688	30,003
Government Nat'l Mtg Assn #346067	7.500	12/15/2023	255,441	257,865
Government Nat'l Mtg Assn #348075	7.500	05/15/2023	2,044,846	2,064,252
Government Nat'l Mtg Assn #348909	7.500	08/15/2023	4,572,206	4,615,596
Government Nat'l Mtg Assn #352026	7.500	11/15/2023	1,643,483	1,659,079
Government Nat'l Mtg Assn #352351	7.500	02/15/2023	29,799	30,115
Government Nat'l Mtg Assn #352378	7.500	05/15/2023	389,368	393,064
Government Nat'l Mtg Assn #353191	7.500	02/15/2023	372,832	376,370
Government Nat'l Mtg Assn #358204	7.500	08/15/2023	2,748,332	2,774,414
Government Nat'l Mtg Assn #358362	7.500	08/15/2023	2,121,627	2,141,761
Government Nat'l Mtg Assn #358836	7.500	09/15/2023	903,275	912,858
Government Nat'l Mtg Assn #361356	7.500	09/15/2023	25,106	25,344
Government Nat'l Mtg Assn #364343	7.500	09/15/2023	1,713,847	1,730,112
Government Nat'l Mtg Assn #368914	7.500	12/15/2023	447,244	451,489
Government Nat'l Mtg Assn #372798	7.500	02/15/2024	5,452,562	5,499,182
Government Nat'l Mtg Assn #376351	7.500	12/15/2023	1,400,822	1,414,116
Government Nat'l Mtg Assn #412492	7.500	09/15/2025	8,074,763	8,136,212
Government Nat'l Mtg Assn #417191	7.500	01/15/2026	7,930,700	7,966,309
Government Nat'l Mtg Assn #780190	7.500	07/15/2025	27,619,637	27,855,785
Government Nat'l Mtg Assn #780236	7.000	07/15/2008	7,793,864	7,861,514
Government Nat'l Mtg Assn #780287	7.000	12/15/2008	13,504,105	13,621,320

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
All American Comm Inc Ser B Sr Sub Notes	10.875	10/15/2001	\$ 2,430,000	\$ 2,508,975
American Express Credit Corp Sr Notes	6.500	08/01/2000	3,000,000	2,995,470
American Health Properties Notes	7.050	01/15/2002	1,000,000	996,520
American Home Products Corp Notes	7.900	02/15/2005	4,000,000	4,224,720
American Re Corp Ser B Sr Notes	7.450	12/15/2026	3,000,000	2,970,600
AmeriCredit Corp Sr Notes	9.250	02/01/2004	2,500,000	2,443,750
Amerus Capital I Ser A Bonds	8.850	02/01/2027	3,000,000	3,064,500
Anheuser Busch Companies Inc Notes	6.750	06/01/2005	3,000,000	2,942,580
AON Capital Trust Bonds	8.205	01/01/2027	6,000,000	6,157,320
Associates Corp N A Sr Notes	8.250	12/01/1999	3,000,000	3,116,160
Atlantic Express Transp Corp Sr Notes	10.750	02/01/2004	1,500,000	1,560,000
AT&T Capital Corp Med-Term Notes	5.440	01/16/1998	2,500,000	2,491,550
Banponce Financial Corp Med-Term Notes	6.463	11/13/2001	3,000,000	2,939,700
Bayerische Landesbank NY Med-Term Notes	6.800	09/28/2001	1,800,000	1,811,628
Bear Stearns Co Notes	6.500	07/05/2000	2,000,000	1,996,360
Bear Stearns Mortgage Sec Inc 1996-7 A2	6.500	10/28/2009	12,786,402	12,738,453
Bear Stearns Mortgage Sec Inc 1996-7 A4	6.000	01/28/2009	9,000,000	8,392,500
Bear Stearns Mortgage Sec Inc 1996-7 A9	6.000	10/28/2008	12,193,514	11,187,549
BellSouth Telecommunications Notes	6.500	06/15/2005	3,000,000	2,937,360
Borg Warner Sec Corp Sr Notes	9.625	03/15/2007	3,175,000	3,190,875
Chevron Capital USA Notes	7.450	08/15/2004	3,000,000	3,067,020
CIT Group Holdings Notes	6.750	05/14/2001	3,000,000	3,010,380
Citicorp Mtg Securities Inc 1995-2 A1	7.500	04/25/2025	4,813,015	4,832,700
Clark Materials Handling Notes	10.750	11/15/2006	1,750,000	1,863,750
Cliffs Drilling Co Sr Notes	10.250	05/15/2003	2,000,000	2,130,000
CMC Securities Corp III 1994 - A10	6.750	02/25/2024	6,264,418	6,225,265
Comcast Cable Communications Ser 144A	8.500	05/01/2027	3,000,000	3,249,570
Comcast Cellular Sr Notes	9.500	05/01/2007	1,250,000	1,253,125
CompUSA Inc Sr Sub Notes	9.500	06/15/2000	2,000,000	2,060,000
ConAgra Inc Sr Notes	7.125	10/01/2026	1,000,000	1,004,440
Cooperative Utilities Trust Cert	9.520	03/15/2019	3,500,000	3,738,665
Countrywide Capital Bonds	8.000	12/15/2026	3,600,000	3,595,644
Countrywide Funding Corp 1993-2 A5	6.500	10/25/2008	4,947,172	4,765,709
Crestar Financial Corp Ser 144A Gtd Notes	8.160	12/15/2026	3,000,000	3,025,680
CSX Transport Equip Trust Cert	6.670	06/01/2005	2,000,000	1,958,540
Dean Witter Discover Med-Term Notes	7.750	06/01/2001	2,000,000	2,056,700
Dime Cap Tri Cap Sr Notes	9.330	05/06/2027	3,000,000	3,124,170
Dow Capital BV Gtd Notes	5.750	09/15/1997	1,400,000	1,399,398
Dow Jones & Co Inc Notes	5.750	12/01/2000	3,000,000	2,928,510
Dresser Industries Inc Notes	6.250	06/01/2000	3,000,000	2,974,500
Dupont E I De Nemours & Co Debentures	8.250	01/15/2022	3,000,000	3,094,170
Eastman Chemical Co Notes	6.375	01/15/2004	3,000,000	2,912,880

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Electronic Retailing System Ser 144A Sr Dsct Notes	Step	02/01/2004	\$ 3,250,000	\$ 2,250,625
Farmers Insurance Exchange Ser 144A Surp Notes	8.625	05/01/2024	2,000,000	2,044,540
Fifth Third Bank Sub Notes	6.750	07/15/2005	2,000,000	1,962,580
Figgie International Sr Notes	9.875	10/01/1999	4,750,000	4,963,750
First Financial Caribbean Corp Sr Notes	7.840	10/10/2006	1,350,000	1,361,542
Foodmaker Inc Sr Notes	9.250	03/01/1999	3,000,000	3,090,000
Ford Motor Credit Notes	6.250	12/08/2005	3,000,000	2,838,930
General Electric Capital Gtd Sub Notes	7.500	08/21/2035	3,500,000	3,578,820
General Motors Med-Term Notes	6.450	11/13/2002	5,000,000	4,897,100
GTE South Inc Debentures	7.250	08/01/2001	3,000,000	3,053,070
Healthcare Property Conv Bonds	6.000	11/08/2000	5,000,000	4,887,500
Honeywell Inc Notes	7.125	04/15/2008	3,000,000	3,014,910
Idaho Power Co Med-Term Notes	6.930	07/30/2001	3,000,000	3,015,780
Imperial Credit Inds Inc Sr Notes	9.875	01/15/2007	1,140,000	1,105,800
Indiana Bell Telephone Debentures	7.300	08/15/2026	3,000,000	2,988,810
Inter-City Prod Corp USA Sr Notes	9.750	03/01/2000	2,000,000	2,050,000
Int'l Business Machines Corp Debentures	7.000	10/30/2025	3,000,000	2,841,120
Int'l Lease Finance Corp Med-Term Notes	6.600	07/06/1999	8,000,000	8,031,680
Int'l Lease Finance Corp Med-Term Notes	6.420	09/11/2000	3,000,000	2,982,030
Key Plastics Inc Sr Notes	10.250	03/15/2007	2,400,000	2,520,000
L-3 Communications Corp Sub Notes	10.375	05/01/2007	250,000	265,000
LDM Technologies Inc Sr Notes	10.750	01/15/2007	1,000,000	1,060,000
Liberty Mutual Ser 144A Surplus Notes	7.875	10/15/2026	4,250,000	4,240,650
Lockheed Martin Corp Notes	6.850	05/15/2001	3,000,000	3,012,150
Lockheed Martin Corp Notes	7.250	05/15/2006	10,600,000	10,739,178
Lomak Petroleum Inc Sr Notes	8.750	01/15/2007	2,000,000	2,000,000
Lucent Technologies Inc Notes	6.900	07/15/2001	3,000,000	3,026,460
Lumbermens Mutual Casualty Ser 144A Sub Notes	9.150	07/01/2026	4,000,000	4,388,440
Mallinckrodt Group Inc Notes	6.750	09/15/2005	1,000,000	977,860
McDonalds Corp Notes	6.625	09/01/2005	3,000,000	2,939,940
MCI Communications Sr Notes	6.950	08/15/2006	3,000,000	3,000,390
Mellon Capital Bonds	7.720	12/01/2026	4,500,000	4,342,860
Metropolitan Life Ins Co Surplus Notes	7.800	11/01/2025	3,000,000	2,995,170
Michaels Stores Inc Sr Notes	10.875	06/15/2006	2,850,000	3,063,750
Michigan Bell Telephone Notes	6.375	02/01/2005	3,000,000	2,897,640
NAC Re Corp Notes	7.150	11/15/2005	1,500,000	1,485,315
National City Bank-Penn Sub Notes	7.250	10/21/2011	2,000,000	1,984,540
NB Capital Trust IV	8.250	04/15/2027	2,000,000	2,049,480
New Jersey Economic Development Bonds	7.425	02/15/2029	2,000,000	2,004,800
News America Holdings Notes	8.000	10/17/2016	3,000,000	2,970,330
News America Holdings Sr Debentures	9.250	02/01/2013	2,000,000	2,229,940
Nortek Inc Sr Notes	9.250	03/15/2007	1,500,000	1,530,000

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Northrop Grumman Corp Debentures	9.375	10/15/2024	\$ 3,000,000	\$ 3,292,410
NRG Energy Inc Ser 144A Sr Notes	7.500	06/15/2007	2,140,000	2,150,172
Optel Inc Notes	13.000	02/15/2005	3,000,000	2,910,000
Outdoor Systems Inc Ser 144A Sub Notes	8.875	06/15/2007	2,500,000	2,432,813
PanAmerican Beverage Inc Notes	8.125	04/01/2023	2,000,000	2,070,060
Parker Hannifin Corp Bonds	7.300	05/15/2011	1,000,000	1,016,100
Praxair Inc Notes	6.850	06/15/2005	3,000,000	2,962,260
Prémier Auto Trust 1995-4 A4	6.000	05/06/2000	9,875,000	9,865,718
Pricellular Wireless Corp Sr Dsct Notes	Step	10/01/2003	3,000,000	2,760,000
Pride Petroleum Services Inc Sr Notes	9.375	05/01/2007	1,500,000	1,567,500
Prudential Insurance Co Notes	8.300	07/01/2025	3,000,000	3,078,600
Radio One Inc Ser 144A Sr Sub Notes	Step	05/15/2004	1,000,000	888,750
Railcar Leasing LLC Sr Sec'd Notes	7.125	01/01/2013	2,850,000	2,839,541
Republic New York Corp Notes	7.875	12/12/2001	5,000,000	5,220,200
Residential Funding Mtg Sec I 1997-S6 A1	7.000	05/25/2012	9,880,935	9,933,699
Rockwell International Notes	6.625	06/01/2005	3,000,000	2,957,520
Safeco Corp Notes	7.875	04/01/2005	3,000,000	3,083,610
Salomon Inc Med-Term Notes	6.625	11/30/2000	3,150,000	3,122,280
Sears Roebuck Acceptance Med-Term Notes	6.600	10/09/2001	3,000,000	2,976,900
Signet Credit Card Master Trust 1993-1A	5.200	02/15/2002	7,000,000	6,919,010
Societe Generale-NY Notes	7.400	06/01/2006	2,000,000	2,021,020
Sonat Inc Notes	6.875	06/01/2005	3,000,000	2,968,560
Southern Calif Edison 1st Ref Mtg Bonds	5.625	10/01/2001	3,000,000	2,846,310
Southwestern Bell Tel Med-Term Notes	7.000	08/26/2002	3,000,000	3,024,480
Spicker Properties Med-Term Notes	7.580	12/17/2001	2,000,000	2,037,740
Suntrust Banks Inc Debentures	6.000	02/15/2026	4,000,000	3,754,760
Sysco Corp Notes	6.500	06/15/2005	3,000,000	2,919,570
System Energy Resources 1st Mtg Bonds	6.000	04/01/1998	2,000,000	2,000,460
TeleCommunications Inc Sr Debentures	9.800	02/01/2012	4,000,000	4,578,360
Tenet Healthcare Corp Sr Notes	7.875	01/15/2003	4,915,000	4,927,288
Tenet Healthcare Corp Sr Notes	8.000	01/15/2005	1,000,000	1,002,500
Texaco Capital Debentures	8.500	02/15/2003	3,000,000	3,236,040
TIG Capital Trust I Ser 144A Bonds	8.597	01/15/2027	3,000,000	3,056,520
Toronto Dominion Bank NY Notes	6.500	01/15/2007	1,850,000	1,826,912
Tracor Inc New Sr Notes	8.500	03/01/2007	3,000,000	3,000,000
Tultex Corp Sr Notes	9.625	04/15/2007	2,000,000	2,150,000
U S West Capital Funding Bonds	6.950	01/15/2037	4,000,000	3,991,240
United Artists Sr Notes	11.500	05/01/2002	3,500,000	3,653,125
USI Network Bonds	8.270	12/15/2026	2,000,000	2,049,360
Virginia Electric & Power Co 1st Ref Mtg Bonds	6.000	08/01/2001	1,000,000	973,900
Wachovia Capital Trust V Ser 144A Bonds	7.965	06/06/2027	2,000,000	2,007,180
Wachovia Corp Sub Notes	6.800	06/01/2005	5,000,000	4,946,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Willamette Industries Bonds	7.350	07/01/2026	\$ 3,000,000	\$ 3,104,280
Wisconsin Electric Power Notes	6.875	12/01/2095	5,000,000	4,565,600
Xerox Corp Med-Term Notes	5.875	06/16/2037	5,550,000	4,383,612
Zeneca Wilmington Notes	6.300	06/15/2003	3,000,000	2,901,000
Zurich Capital Trust Ser 144A Bonds	8.376	06/01/2037	3,000,000	3,100,200
TOTAL CORPORATE BONDS			<u>447,060,456</u>	<u>445,658,359</u>
- TOTAL DOMESTIC BONDS			<u>\$ 1,846,837,045</u>	<u>\$ 1,850,086,735</u>

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

INTERNATIONAL BONDS

DESCRIPTION (BY CURRENCY)	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
AUSTRALIAN DOLLAR				
Australia Commonwealth Bonds	10.000%	02/15/2006	\$ 8,875,000	\$ 7,923,114
Australia Commonwealth Bonds Commonwealth of Australia	10.000%	10/15/2007	6,150,000	5,584,839
Federal National Mortgage Assn #B212559	10.000%	10/15/2002	12,200,000	10,551,085
Queensland Treasury Corp	6.500%	07/10/2002	5,178,000	3,865,225
	8.000%	08/14/2001	1,304,000	1,037,910
TOTAL AUSTRALIAN DOLLAR			33,707,000	28,962,298
BRITISH POUND				
Bank of England	8.000%	06/07/2021	1,290,000	2,361,613
U.K. Treasury	8.000%	12/07/2015	7,500,000	13,570,551
U.K. Treasury	7.000%	06/07/2002	20,410,000	33,872,839
U.K. Treasury	8.000%	09/27/2013	8,427,581	15,113,015
U.K. Treasury	8.500%	12/07/2005	14,064,000	25,432,868
U.K. Treasury	7.250%	03/30/1998	5,860,000	9,771,088
U.K. Treasury	7.000%	11/06/2001	8,160,000	13,521,277
U.K. Treasury	9.000%	08/06/2012	9,530,000	18,482,771
U.K. Treasury Loan Stk	7.500%	12/07/2006	21,495,000	36,690,853
TOTAL BRITISH POUND			96,736,581	168,816,935
CANADIAN DOLLAR				
Government of Canada	9.000%	06/01/2025	9,128,000	8,328,323
Government of Canada	8.500%	03/01/2000	29,400,000	23,056,542
Government of Canada	7.000%	09/01/2001	10,470,000	7,975,681
Government of Canada	7.000%	09/01/2001	22,860,000	17,405,667
Government of Canada	8.000%	06/01/2023	14,290,000	11,751,585
TOTAL CANADIAN DOLLAR			86,148,000	68,517,798
DANISH KRONE				
Kingdom of Denmark	7.000%	11/15/2007	83,860,000	13,285,885
Kingdom of Denmark	9.000%	11/15/2000	75,840,000	13,017,222
Kingdom of Denmark	6.000%	11/15/2002	51,500,000	8,102,413
Kingdom of Denmark	8.000%	06/01/2006	39,370,000	6,682,084
Nykredit	6.000%	10/01/2026	91,000	12,468
Nykredit	7.000%	10/01/2029	20,690,000	3,006,435
TOTAL DANISH KRONE			271,351,000	44,106,507
EUROPEAN CURRENCY UNIT				
Government of France	6.750%	04/25/2002	6,900,000	8,357,784
TOTAL EUROPEAN CURRENCY UNIT			6,900,000	8,357,784
FRENCH FRANC				
Government of France	5.500%	04/25/2004	73,890,000	12,870,163
Government of France	8.125%	05/25/1999	124,590,000	22,917,081
TOTAL FRENCH FRANC			198,480,000	35,787,244
GERMAN DEUTSCHE MARK				
Bayer Verinsbk Bonds	4.500%	06/24/2002	31,000,000	17,615,540
Die Bundesrepublik Deutschland	8.875%	12/20/2000	9,435,000	6,225,083
Federal Republic of Germany	6.250%	01/04/2024	4,460,000	2,490,129
Federal Republic of Germany	6.000%	02/16/2006	52,701,000	31,172,374

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

INTERNATIONAL BONDS (Continued)

DESCRIPTION (BY CURRENCY)	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
GERMAN DEUTSCHE MARK (Continued)				
GBP Call/Dem Put Option	n/a	07/24/1997	\$ (8,935,000)	\$ (207,575)
GBP Call/Dem Put Option	n/a	07/17/1997	(6,012,000)	(240,672)
ITL Call/Dem Put Option	n/a	07/31/1997	(12,312,641,250)	(21,198)
Schatzanweisung	5.250%	02/25/1998	44,305,000	25,758,691
Treunhandstalt	5.000%	01/14/1999	13,900,000	8,167,536
Treuhandstalt Oblig Bonds	6.375%	07/01/1999	26,540,000	16,051,627
TOTAL GERMAN DEUTSCHE MARK			(12,145,247,250)	107,011,835
IRISH PUNT				
Ireland (Republic of)	6.250%	10/18/2004	6,265,000	9,459,900
Ireland (Republic of)	6.500%	10/18/2001	9,000,000	13,869,424
TOTAL IRISH PUNT			15,265,000	23,329,324
ITALIAN LIRA				
Italy (Republic of)	8.500%	08/01/2004	13,325,000,000	8,579,216
Italy (Republic of)	9.500%	02/01/1999	13,080,000,000	8,049,408
Italy (Republic of)	8.500%	01/01/2004	29,670,000,000	19,097,609
Italy (Republic of)	8.750%	07/01/2006	20,500,000,000	13,590,361
Italy (Republic of)	8.500%	08/01/1999	70,165,000,000	42,866,008
Liffe Italian (10 yr Bond/Bond Futures)	n/a	08/20/1997	180	895
TOTAL ITALIAN LIRA			146,740,000,180	92,183,500
JAPANESE YEN				
Euro Inv Bank	3.000%	09/20/2006	1,750,000,000	15,952,707
Export-Import Bank	2.875%	07/28/2005	1,130,000,000	10,233,000
Japan (Government of)	4.500%	06/20/2003	1,196,350,000	11,893,450
Japan (Government of)	3.300%	06/20/2006	2,894,200,000	26,921,133
Japan (Government of)	5.000%	09/22/2014	1,351,300,000	14,836,781
Japan (Government of)	3.100%	09/20/2006	1,743,000,000	15,860,333
Japan Development Bonds	2.875%	12/20/2006	1,780,000,000	16,022,018
Tse Japan (10 yr Bond-Call/Put Options)	n/a	09/30/1997	33	(386,437)
TOTAL JAPANESE YEN			11,844,850,033	111,332,901
MALAYSIAN RINGGIT				
Ammb Hldgs Berhad	5.000%	05/13/2002	114,000	38,617
Ammb Hldgs Berhad	7.500%	05/08/2002	114,000	40,876
Multi-Purpose Hldgs	3.000%	01/13/2002	4,000	1,347
Renong Berhad	4.000%	05/21/2001	144,000	45,612
TOTAL MALAYSIAN RINGGIT			376,000	126,452
NETHERLANDS GUILDER				
Dutch Government	8.250%	02/15/2007	5,500,000	3,355,880
Govt of the Netherlands	5.750%	01/15/2004	20,930,000	11,045,461
Govt of the Netherlands	7.500%	06/15/1999	4,250,000	2,324,613
TOTAL NETHERLANDS GUILDER			30,680,000	16,725,954
NEW ZEALAND DOLLAR				
Federal National Mortgage Assn #B211926	7.250%	06/20/2002	6,915,000	4,742,269
Government of New Zealand	6.500%	02/15/2000	19,880,000	13,427,453
Government of New Zealand	8.000%	04/15/2004	13,700,000	9,808,932
TOTAL NEW ZEALAND DOLLAR			40,495,000	27,978,654

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

INTERNATIONAL BONDS (Continued)

DESCRIPTION (BY CURRENCY)	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
NORWEGIAN KRONE				
Norway (Kingdom of)	6.750%	01/15/2007	\$ 67,820,000	\$ 9,787,457
TOTAL NORWEGIAN KRONE			<u>67,820,000</u>	<u>9,787,457</u>
SPANISH PESETA				
Government of Spain	11.300%	01/15/2002	1,760,960,000	14,695,215
Spain (Kingdom of)	10.300%	06/15/2002	735,000,000	5,991,145
Spain (Kingdom of)	7.350%	03/31/2007	670,000,000	4,881,381
TOTAL SPANISH PESETA			<u>3,165,960,000</u>	<u>25,567,741</u>
SWEDISH KRONA				
Kingdom of Sweden	10.250%	05/05/2000	127,000,000	18,579,818
Kingdom of Sweden	6.000%	02/09/2005	49,600,000	6,283,311
Kingdom of Sweden	10.250%	05/05/2003	75,400,000	11,765,800
Kingdom of Sweden	5.500%	04/12/2002	130,000,000	16,368,906
Kingdom of Sweden	6.500%	10/25/2006	216,000,000	27,769,914
Kingdom of Sweden	8.000%	08/15/2007	61,500,000	8,742,561
TOTAL SWEDISH KRONA			<u>659,500,000</u>	<u>89,510,310</u>
U S DOLLAR				
Abbey National PLC Sub Notes	6.690%	10/17/2005	3,000,000	2,931,480
African Dev Bank Sub Notes	6.875%	10/15/2015	1,750,000	1,670,200
Amoco Argentina Notes	6.625%	09/15/2015	3,000,000	2,947,000
Canada Government Bonds	6.500%	05/30/2001	8,060,000	8,077,782
Columbia Republic Global Bonds	7.625%	02/15/2007	1,720,000	1,678,730
Dem Put/USD Call Option	n/a	09/29/1997	55,126,581	489,249
Dem Put/USD Call OTC Option	n/a	07/02/1997	24,207,660	268,584
Finland Republic Bonds	9.625%	04/01/2028	2,600,000	2,766,218
JPY Put/USD Call Option	n/a	08/11/1997	2,855,696,140	17,134
Korea Telecom Notes	7.625%	04/15/2007	5,700,000	5,756,886
Province of Ontario Bonds	6.000%	02/21/2006	5,000,000	4,706,650
Petrozaata Finance Inc Sr Bonds	7.625%	04/01/2009	2,000,000	2,019,400
Quebec Province of Canada Bonds	7.500%	07/15/2023	5,000,000	4,915,550
Repsol Intl Finance Sr Notes	7.000%	08/01/2005	3,000,000	3,012,800
Republic of Argentina Bonds	5.250%	03/31/2023	5,150,000	3,576,031
Royal Bank of Scotland Bonds	6.375%	02/01/2011	1,000,000	914,900
Santander Financial Ltd Notes	7.000%	04/01/2006	3,000,000	2,959,800
South Africa Republic Notes	8.500%	06/23/2017	7,700,000	7,620,382
Southern Peru Ltd Export Notes	7.900%	05/30/2007	500,000	505,200
United Mexican States Bonds	6.250%	12/31/2019	4,500,000	3,487,500
TOTAL U S DOLLAR			<u>2,997,710,381</u>	<u>60,321,576</u>
TOTAL INTERNATIONAL BONDS			<u>\$ 154,110,731,925</u>	<u>\$ 918,424,528</u>

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

DOMESTIC COMMON STOCKS

DESCRIPTION	SHARES	MARKET VALUE
Aames Financial Corporation	100,000	\$ 1,850,000
Abbott Laboratories	255,300	17,041,275
ABR Information Services Inc	82,800	2,401,200
Accustaff Inc	209,227	4,955,960
ACNielsen Corporation	387,866	7,611,870
Active Voice Corp	48,000	552,000
Adaptec Inc	65,400	2,272,650
Advanced Lighting Tech	70,500	1,780,125
Advent Software Inc	57,300	1,525,612
Advo Inc	200,000	3,250,000
Advocat Inc	65,400	743,925
AES Corp	206,000	14,574,500
Aetna Inc	237,300	24,293,587
Agco Corp	27,900	1,002,642
AGL Resources Inc	37,200	767,250
Agouron Pharmaceuticals Inc	26,400	2,135,100
Agrium Inc	270,300	3,108,450
Ahmanson (H.F.) & Co	140,300	6,059,136
Air Express International	130,000	5,167,500
Airtouch Communications	290,000	7,975,000
Albank Financial Corp	30,240	1,194,480
Albany International Corp Cl A	59,000	1,327,500
Albermarle Corp	89,100	1,876,624
Alberto-Culver Co Cl A	26,300	613,106
Alexander & Baldwin, Inc	161,400	4,216,575
Alexion Pharmaceuticals Inc	37,800	335,475
Allegiance Corporation	150,000	4,087,500
Allen Telecom Inc	32,900	682,675
Allergan Inc	204,100	6,492,829
Allied Signal	65,000	5,460,000
Allmerica Financial Corp	96,600	3,851,925
Allmerica Property & Casualty	15,200	497,800
Allstate Corp	160,979	11,751,467
Altera Corporation	19,400	979,700
Aluminum Company of America	145,000	10,929,375
Alyn Corp	62,800	753,600
Alza Corp Cl A	132,000	3,828,000
Ambac Inc	165,000	12,601,875
Amcast Industrial Corp	38,300	957,500
American Business Financial Services	30,000	600,000
American Express	96,300	7,174,350
American Federal Bank FSB	7,200	232,200

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
American Freightways Corp	42,308	\$ 661,063
American Greetings Corp	149,900	5,565,038
American Home Products Corp	231,000	17,671,500
American International Group	170,575	25,479,641
American Management Systems	212,500	5,684,375
American Standard Companies	67,700	3,029,575
American States Financial	30,000	1,380,000
AmeriSource Health Co Cl A	35,000	1,745,625
Ameritech Corp	167,000	11,345,479
Amgen Inc	172,900	10,049,812
AML Communications Inc	33,450	95,098
AMR Corp	53,000	4,902,500
Anadigics Inc	27,500	852,500
Analysts International Corp	31,600	1,058,600
Anchor Gaming	26,600	1,270,150
Andrew Corp	105,000	2,953,125
Anheuser Busch Companies Inc	200,000	8,387,400
ANTEC Corp	305,800	3,593,150
AON Corp	267,000	13,817,250
Apache Corp	36,600	1,189,500
Apollo Group Inc Cl A	50,200	1,769,550
Apple South Inc	116,900	1,782,725
Applied Graphics Technologies	61,300	2,436,675
Applied Magnetics Corporation	46,600	1,054,325
Applied Materials Inc	284,300	20,131,852
Apria Healthcare Group Inc	90,000	1,580,580
Aptargroup Inc	48,710	2,204,127
Aquila Gas Pipeline Corp	59,100	823,677
Arbor Drugs Inc	255,000	5,131,875
Arch Communications Group	116,000	884,500
Archer Daniels Midland Co	531,490	12,490,015
Aris Corporation	4,700	102,812
Arkansas Best Corp	49,100	448,037
ARM Financial Group Inc	95,500	1,910,000
Arnold Industries Inc	90,700	1,541,900
ARV Assisted Living Inc	65,300	718,300
Arvin Industries Inc	168,000	4,578,000
Ascend Communications Inc	84,167	3,314,076
Aspect Development Inc	26,600	693,249
Aspen Technology Inc	58,200	2,189,775
Assisted Living Concepts Inc	34,200	944,775
Associated Banc Corp	100,000	3,950,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Astoria Financial Corp	43,100	\$ 2,047,250
Atlas Air Inc	88,700	3,060,150
Atmel Corp	27,700	775,600
Atria Communities Inc	42,100	647,287
Aurum Software Inc	62,600	1,502,400
Autodesk Inc	356,500	13,658,228
Automatic Data Processing Inc	264,700	12,440,900
Avery-Dennison Corp	40,000	1,605,000
Avid Technology Inc	48,400	1,276,550
Avnet Inc	41,000	2,357,500
Avon Products Inc	200,000	14,112,400
Avondale Industries Inc	102,200	2,146,200
AVX Corporation	56,300	1,520,100
B J Services Co	44,000	2,359,500
Ball Corp	157,500	4,734,765
Banc One Corp	150,500	7,289,768
Bank of New York Co Inc	268,000	11,691,500
BankAmerica Corp	423,400	27,335,551
Bankers Corporation	28,500	798,000
Bankers Trust N Y Corp	54,400	4,739,600
Bard (C R) Inc	215,600	7,828,867
Barnes & Noble Inc	130,000	5,590,000
Barrett Resources Corp	89,300	2,673,374
Baxter International Inc	187,000	9,782,344
Bay View Capital Corp	66,800	1,753,500
BE Aerospace Inc	77,400	2,447,775
Beacon Properties Corp	41,600	1,385,779
Beckman Instruments Inc	52,900	2,552,425
Becton Dickinson & Co	25,000	1,265,625
Bed Bath & Beyond Inc	106,000	3,219,750
Belco Oil & Gas Corp	30,100	645,254
Bell Atlantic Corp	38,000	2,883,250
Belo (A.H.) Corp Ser A	120,000	4,995,000
Bemis Co	70,000	3,027,500
Benton Oil & Gas Co	35,300	529,500
Bethlehem Steel Corp	252,900	2,639,517
Beverly Enterprises	130,000	2,112,500
Bindley Western Industries	30,100	690,404
Biogen Inc	60,000	2,032,500
Biomet Inc	220,000	4,097,500
Birmingham Steel Corp	100,100	1,551,550
BISYS Group Inc	85,000	3,548,750

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Black & Decker Corp	358,900	\$ 13,346,414
Block H & R Inc	196,600	6,340,350
Bob Evans Farms	424,100	7,182,982
Boeing Co	126,000	6,685,812
Bon-Ton Stores	40,100	320,800
Borg-Warner Security Corp	56,100	1,002,787
Boston Beer Company Inc Cl A	4,600	45,425
Boston Edison Co	40,800	1,076,100
Boston Technology Inc	53,000	1,566,786
Bostonfed Bancorp	12,000	212,244
Bowater Inc	117,600	5,439,000
Brady (WH) Co	40,000	1,160,000
Brigham Exploration Co	75,000	628,125
Bristol Myers Squibb Co	298,300	24,162,300
Brown Group Inc	256,500	4,793,215
Browning-Ferris Industries	213,000	7,082,250
Brunswick Corporation	52,500	1,640,625
Burlington Industries Inc	626,400	7,516,800
Burlington Northern Santa Fe	274,400	24,661,700
Bush Boake Allen Inc	118,000	3,672,750
BW/IP Holding Inc Cl A	26,700	542,330
Cabletron Systems	67,000	1,896,904
Cabot Oil & Gas Corp Cl A	37,200	655,650
Cadence Design Systems Inc	60,000	2,010,000
Caere Corp	66,600	486,979
Calenergy Co Inc	52,000	1,976,000
Calgon Carbon Corp	352,400	4,889,550
Caliber System Inc	82,300	3,065,675
Calmat Co	57,500	1,236,250
Cambridge Tech Partners Inc	65,700	2,102,400
Camco International Inc	19,300	1,056,675
Campbell Soup Co	256,400	12,820,000
Canandaigua Wine Co Cl A	54,040	1,837,360
Capmac Holdings Inc	53,800	1,809,025
Caraustar Industries Inc	32,000	1,108,000
Cardiovascular Dynamics Inc	69,400	546,525
Caribiner Int'l Inc	70,400	2,296,800
Carmike Cinemas Inc Cl A	31,700	1,038,175
Carnival Corp Cl A	80,800	3,333,000
Case Corporation	67,700	4,662,837
Castle & Cooke Inc	34,666	574,138
Catellus Development Corp	80,900	1,471,328

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
CCB Financial Corp	15,100	\$ 1,104,188
Cell Therapeutics Inc	45,100	501,737
Centerior Energy Corp	103,600	1,158,973
Central Louisiana Electric Co	35,000	984,375
Century Telephone Enterprises	110,000	3,705,570
Ceridian Corp	48,500	2,049,125
Chancellor Broadcasting Co Cl A	20,700	828,000
Charter One Financial Inc	36,700	1,977,212
Chase Manhattan Corp	256,680	24,913,874
Chesapeake Corp	108,600	3,665,250
Choice Hotels International Inc	85,000	1,439,645
Chubb Corp	62,500	4,179,687
Ciber Inc	39,300	1,343,549
Cigna Corp	121,300	21,530,750
CILCORP Inc	28,000	1,153,236
Cintas Corp	84,800	5,830,000
Circle International Group Inc	45,000	1,186,875
Circus Circus Enterprises Inc	183,000	4,506,375
Cisco Systems Inc	363,800	24,420,075
Citicorp	261,400	31,514,907
Citizens Corporation	63,000	1,740,375
Citrix Systems Inc	64,400	2,825,550
City National Corp	104,800	2,521,698
Cityscape Financial Corp	77,000	1,535,149
Clarify Inc	14,900	168,549
Clear Channel Communications	91,400	5,621,100
Closure Medical Corporation	47,700	918,225
CMAC Investment Corp	37,000	1,766,750
CMG Information Services Inc	47,400	622,125
CMS Energy Corp	220,600	7,776,150
CNF Transportation Inc	287,400	9,268,650
Coast Savings Financial Inc	39,000	1,772,043
Coastal Corp	166,200	8,839,679
Coca-Cola Enterprises	214,200	4,926,600
Coca-Cola Co	275,800	18,754,400
Cognex Corp	60,400	1,600,600
Cognos Inc	85,000	2,645,625
Cohr Inc	45,600	855,000
Cole (Kenneth) Productions	145,800	2,378,290
Colgate Palmolive Co	274,800	17,930,700
Columbia Gas System Inc	19,000	1,239,750
Columbia HCA Healthcare Corp	504,800	19,844,698

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Comerica Inc	36,100	\$ 2,454,800
Commodore Applied Tech	62,900	373,437
Commodore Applied Tech Warrants	53,600	73,700
Commonwealth Industries Inc	73,800	1,503,675
Community Bank System	49,000	1,384,250
Compaq Computer Corp	128,000	12,736,000
Compdent Corp	26,500	558,143
Computer Associates International Inc	387,500	21,578,712
Computer Horizons Corp	104,650	3,584,262
Computer Learning Centers Inc	35,000	1,470,000
Computer Management Sciences	116,400	2,386,200
Computer Products Inc	77,800	1,945,000
Compuware Corporation	140,000	6,685,000
Comverse Technology Inc	25,000	1,300,000
Conagra Inc	108,000	6,932,196
Concord EFS Inc	7,500	194,062
Conmed Corp	77,100	1,310,700
Cooper Cameron Corp	25,400	1,187,450
Cooper Industries Inc	25,000	1,243,750
Coors (Adolph) Cl B	145,000	3,860,625
Copart Inc	65,200	1,075,800
Cornell Corrections Inc	70,500	1,163,250
Corning Inc	380,300	21,154,187
Corporate Express Inc	29,498	425,863
Corrections Corp of America	44,000	1,765,500
Corus Bankshares Inc	13,800	389,850
Costco Companies Inc	169,000	5,555,875
Cotelligent Group Inc	29,800	409,750
Covance Inc	66,500	1,284,248
Coventry Corporation	124,300	1,880,037
Cox Radio Inc Cl A	50,700	1,299,187
CPC International Inc	155,000	14,308,360
CRA Managed Care Inc	56,400	2,943,347
Credit Acceptance Corp	78,000	1,004,250
Criimi Mae Inc	60,000	960,000
Crompton & Knowles Corp	329,100	7,322,475
Crown Cork & Seal Co Inc	119,100	6,364,347
CSG Systems International Inc	51,458	1,588,766
CSX Corp	190,800	10,589,400
CU Bancorp	10,400	158,600
Cubic Corp	40,550	1,054,300
CUC International Inc	225,000	5,807,700

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Culligan Water Technologies	44,300	\$ 1,982,425
Curative Health Services Inc	42,800	1,230,500
Cutter & Buck Inc	56,500	918,125
CVS Corp	428,305	21,950,631
CWM Mortgage Holdings Inc	58,900	1,409,889
Cyanotech Corp	21,200	104,664
Cymer Inc	44,200	2,154,750
Cypress Semiconductor Corp	76,600	1,110,700
Cytec Industries Inc	36,880	1,378,390
Cytotherapeutics Inc	71,800	385,925
Cytec Corporation	31,900	865,287
C&D Technologies Inc	11,300	423,750
Dallas SemiConductor Corp	85,000	3,325,625
Dames & Moore Inc	180,000	2,227,500
Danaher Corp	25,400	1,290,625
Daniel Industries	62,100	962,550
Darden Restaurants Inc	605,000	5,482,510
Data General Corp	120,000	3,120,000
Dayton Hudson Corp	192,000	10,211,904
DBT Online Inc	18,600	999,750
Dean Foods Co	75,500	3,057,750
Deluxe Corp	112,000	3,822,000
Dendrite International Inc	83,000	1,369,500
Dentsply International Inc	36,900	1,808,100
Dexter Corp	34,900	1,116,800
Dial Corp	214,000	3,343,750
Diamond Offshore Drilling	11,000	856,625
Dillard's Inc Cl A	88,300	3,057,387
Discount Auto Parts Inc	60,000	1,170,000
Discreet Logic Inc	37,200	613,800
Disney Walt Co	416,986	33,463,126
Dole Food Company	105,000	4,488,750
Dollar Tree Stores Inc	65,000	3,274,375
Donaldson Co Inc	93,200	3,541,600
Dow Chemical Co	38,900	3,379,437
Downey Financial Corp	73,988	1,747,967
Dravo Corp	62,300	677,512
Dresser Industries Inc	83,700	3,117,825
DST Systems Inc	140,000	4,663,680
Dupont E I De Nemours & Co	152,200	9,569,575
Dura Automotive Systems Inc	68,700	1,923,600
Dura Pharmaceuticals Inc	71,700	2,859,037

LIST OF INVESTMENTS
AS OF JUNE 30, 1997

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Duty Free International Inc	85,200	\$ 1,597,500
Eagle USA Airfreight Inc	10,200	276,675
Eastman Chemical Co	65,000	4,127,500
Eastman Kodak Co	155,000	11,896,250
Echlin Inc	130,000	4,680,000
Einstein/Noah Bagel Corp	38,600	460,768
Electronic Data Systems Corp	75,000	3,089,025
Electronics For Imaging	60,000	2,835,000
Elf Aquitaine	163,000	8,873,231
EMC Corp-Mass	752,700	29,355,300
Emeritus Corp	36,000	531,000
Emerson Electric Co	221,000	12,168,702
Emmis Broadcasting Corp Cl A	35,400	1,544,325
Encad Inc	65,900	2,734,850
Endosonics Corp	85,100	925,462
Enron Corp	281,700	11,496,740
ENSCO International Inc	45,000	2,373,750
Entergy Corp	108,000	2,970,000
Envoy Corporation	98,800	3,285,100
Equitable Companies Inc	332,000	11,039,000
Equity Residential Properties	19,500	926,250
ESC Medical Systems Ltd	54,200	1,382,100
ESCO Electronics Corp	58,400	737,300
Essex International Inc	30,300	844,612
Ethan Allen Interiors Inc	45,000	2,565,000
Everest Reinsurance Hldgs	198,500	7,865,562
Evergreen Media Corporation Cl A	35,000	1,561,875
EVI Inc	80,000	3,360,000
Exabyte Corp	70,400	901,965
Exar Corp	70,100	1,507,150
Excel Industries	45,100	879,450
Exxon Corp	52,000	3,185,000
E*TRADE Group Inc	31,900	626,037
Family Golf Centers Inc	173,400	3,988,200
Fed Home Loan Mtg Corp	640,000	22,400,000
Federal Express	336,100	19,451,787
Federal National Mtg Assn	581,000	25,346,125
Federated Department Stores	597,700	20,770,075
Felcor Suite Hotels Inc	33,100	1,232,975
Figgie International	75,000	1,031,250
Filenet Corp	32,000	464,000
Finova Group Inc	38,400	2,937,600

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
First American Corp-Tenn	158,400	\$ 6,078,600
First Commerce Corp	104,200	4,584,800
First Commercial Corp	90,000	3,701,250
First Commonwealth Inc	58,200	1,076,700
First Data Corp	661,358	29,058,086
First Financial Corp/Wisc	44,500	1,307,188
First of America Bank Corp	27,000	1,235,250
First Savings Bank of Washington	28,100	625,225
First Security Corp	181,550	4,958,494
First Tennessee National Corp	25,700	1,233,600
First Union Corp	140,000	12,950,000
First USA Paymentech Inc	20,500	593,208
Firstfed Financial Corp	88,600	2,752,093
Fiserv Inc	24,400	1,088,850
Fisher Scientific International	59,000	2,802,500
Fleet Financial Group Inc	108,100	6,837,325
Fleming Companies Inc	33,100	595,800
Fletcher's Fine Foods Ltd	50,700	481,650
Fluor Corp	90,000	4,966,830
Flushing Financial Corp	55,100	1,232,862
FMC Corp	25,500	2,025,643
Footstar Inc	165,360	4,320,030
Ford Motor Co	142,600	5,418,800
Forest Laboratories Inc	97,800	4,052,539
Fossil Inc	45,000	798,750
Foster Wheeler Corp	28,000	1,134,000
Foundation Health Systems Inc Cl A	328,000	9,942,336
Franklin Resources Inc	193,400	14,033,491
Frontier Insurance Group Inc	151,000	9,777,250
Fruit of the Loom Inc Cl A	123,100	3,816,100
FSI International Inc	84,100	1,345,600
Furniture Brands International Inc	165,658	3,209,624
G & K Services Inc Cl A	251,900	9,383,275
GA Financial Inc	39,500	750,500
Gannett Co Inc	285,000	28,143,750
Gap Inc	125,000	4,859,375
Gateway 2000 Inc	280,400	9,113,000
Gaylord Container Corp Cl A	136,200	1,046,969
Gaylord Entertainment Co	315,000	7,264,530
Gemstar International Group Ltd	46,300	850,762
General Electric Co	521,800	33,917,000
General Instrument Corp	565,000	14,266,250

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
General Motors Corp	261,200	\$ 14,561,900
General Nutrition Companies	52,400	1,467,200
General Re Corp	22,500	4,095,000
General Signal Corp	47,300	2,063,462
Genesis Health Ventures	70,000	2,362,500
Genesys Telecomm Labs Inc	41,500	1,151,625
Genzyme Corp - General Division	271,800	7,542,450
Geon Company	93,800	1,899,450
Georgia Gulf Corp	287,200	8,346,606
Georgia-Pacific Corp	130,000	11,098,750
GeoTel Communications Corp	70,900	948,287
Gillette Co	502,000	47,564,500
Glatfelter (P.H.) Co	370,000	7,400,000
Glendale Federal Bank FSB	40,200	1,050,225
Global Industrial Tech Inc	51,800	1,061,900
Global Industries Ltd	164,671	3,846,550
Global Marine Inc	100,000	2,331,200
Goodrich (B.F.) Co	33,000	1,429,296
Goodyear Tire & Rubber Co	269,800	17,081,578
GPU Inc	42,100	1,510,337
Grand Casinos Inc	72,500	1,069,375
Graphic Industries	43,600	577,700
Great Atlantic & Pacific Tea Co	175,000	4,757,725
Great Lakes Chemical Corp	48,000	2,514,000
Great Plains Software Inc	1,900	51,300
Great Western Financial Corp	146,000	7,847,500
Greater NY Savings Bank	73,300	1,644,632
Griffon Corporation	52,000	711,724
Guarantee Life Companies Inc	33,300	836,662
Guilford Mills Inc	38,550	802,303
Guilford Pharmaceuticals Inc	27,600	669,300
Gulf South Medical Supply	55,200	1,076,400
Gulfstream Aerospace Corp	47,000	1,374,750
Gymborco Corp	75,700	1,816,800
HA-LO Industries Inc	76,300	1,802,587
Hamilton Bancorp Inc	65,000	1,738,750
Hanna (M A) Co	115,500	3,306,187
Hannaford Brothers Co	40,000	1,422,480
Hanover Compressor Co	1,800	38,700
Harcourt General Inc	104,500	4,976,812
Harland (John H) Co	100,800	2,299,450
Harley-Davidson Inc	35,000	1,677,795

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Harman International	29,100	\$ 1,225,837
Harnischfeger Industries Inc	90,000	3,735,000
Harrah's Entertainment Inc	370,000	6,660,000
Hartford Financial Services Group	35,000	2,896,250
Hasbro Inc	333,000	9,448,875
HBO & Co	40,000	2,755,000
Health Care & Retirement	97,500	3,254,062
Health Management Assoc Cl A	90,000	2,565,000
Healthcare Financial Partners	15,700	319,887
HEALTHSOUTH Corp	160,000	3,989,920
Hecla Mining Co	108,300	588,827
Heftel Broadcasting Corp Cl A	15,300	845,325
Heinz (H J) Co	203,000	9,363,375
Hewlett Packard Co	80,000	4,480,000
Hibernia Corp Cl A	74,000	1,031,338
HMT Technology Corp	178,400	2,307,961
HNC Software	42,400	1,616,500
Hollinger International Cl A	140,200	1,568,417
Home Depot Inc	245,000	16,905,000
Horace Mann Educators	12,600	617,400
Horizon/CMS Healthcare Corp	147,700	2,963,157
Hormel Foods Corp	80,000	2,150,000
Houston Exploration Company	135,000	2,100,870
HPR Inc	81,200	1,502,200
Hub Group Inc Cl A	2,680	80,735
Hubbell Inc Cl B	57,200	2,516,800
Hudson Foods Inc	109,000	1,778,008
Huffy Corp	71,200	1,041,300
Humana Inc	60,500	1,399,063
IBP Inc	153,200	3,561,900
ICU Medical Inc	103,000	785,375
IDX Systems Corp	65,900	2,273,550
Illinois Central Corp	134,250	4,690,292
Illinois Tool Works	150,600	7,520,512
Illinova Corp	171,100	3,764,200
Imation Corporation	57,400	1,506,750
IMC Global Inc	291,360	10,197,600
Imperial Bancorp	53,700	1,550,588
Imperial Credit Industries	96,200	1,978,064
Informix Corp	71,300	641,700
Ingersoll-Rand Co	54,000	3,334,500
Ingles Markets Inc Cl A	39,900	653,363

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Inland Steel Industries Inc	144,800	\$ 3,782,900
Inso Corporation	7,200	148,046
Integrated Health Services	21,400	823,900
Integrated Systems Inc	92,000	1,081,000
Intel Corp	264,700	37,537,636
Interim Services Inc	70,000	3,115,000
International Business Machines Corp	455,600	41,117,900
International Network Services	42,400	1,102,400
International Rectifier Corp	67,800	1,262,775
International Specialty Products Inc	72,000	1,012,464
International Speedway Corp Cl A	71,100	1,395,338
Interpublic Group Cos Inc	177,600	10,889,011
Intersolv	55,200	517,500
Interstate Bakeries	49,500	2,935,944
Interstate Hotels Company	70,700	2,081,196
Intuit	65,000	1,490,905
Ionics Inc	60,000	2,730,000
Iridex Corp	132,200	1,206,325
ITT Corp	100,000	6,106,200
J Ray McDermott S A	48,000	1,296,000
J & L Specialty Steel Inc	80,000	960,000
Jabil Circuit Inc	50,000	4,193,750
Jacobs Engineering Group Inc	78,800	2,117,750
James River Corp of Virginia	438,100	16,209,700
Jan Bell Marketing Inc	165,000	402,105
Johnson & Johnson	449,600	28,943,000
Jones Medical Industries Inc	80,000	3,800,000
JSB Financial Inc	4,100	177,325
Just For Feet Inc	120,450	2,100,287
K & G Men's Center Inc	56,850	1,236,488
Karrington Health Inc	32,000	480,000
Kaufman & Broad Home Corp	114,000	2,002,068
KCS Energy Inc	37,200	757,950
Keane Inc	71,600	3,723,200
Kellogg Co	36,000	3,082,500
Kellwood Co	45,000	1,248,750
K-III Communications Corp	78,000	936,000
Kimberly Clark Corp	407,000	20,248,250
KLA Instruments Corp	48,400	2,359,500
Klamath First Bancorp Inc	53,600	1,025,100
KN Energy Inc	31,300	1,318,513
Knoll Inc	70,400	1,672,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Komag Inc	35,929	\$ 588,337
Kroger Co	546,600	15,851,400
Kuhlman Corp	18,900	607,163
La Quinta Inns Inc	59,550	1,302,656
Landry's Seafood Restaurants	70,000	1,610,000
Landstar System Inc	58,000	1,631,250
LCI International	110,900	2,439,800
Learning Tree International	16,300	723,313
Legato Systems Inc	75,500	1,396,750
Leucadia National Corp	125,000	3,867,125
Lexmark International Group Inc	110,000	3,341,250
Life Technologies Inc	130,000	3,607,500
Ligand Pharmaceuticals Cl B	17,400	224,025
Lilly Eli & Co	115,000	12,570,880
Lin Television Corp	31,500	1,389,938
Linear Technology Corp	143,100	7,405,425
Littlefuse Inc	225,000	6,356,250
Litton Industries Inc	114,000	5,507,568
Living Centers of America	55,000	2,172,500
Lockheed Martin Corp	216,794	22,451,620
Loewen Group Inc	27,600	959,100
Loews Corp	61,500	6,157,688
Logan's Roadhouse Inc	36,650	870,438
Lomak Petroleum Inc	44,300	786,325
Long Island Bancorp Inc	31,400	1,140,197
Long Island Lighting Co	225,000	5,175,000
Louisiana Land & Exploration	83,500	4,769,938
Louisiana Pacific Corp	103,000	2,175,875
LTV Corp	239,400	3,411,450
LTX Corp	130,000	845,000
Lucent Technologies Inc	198,116	14,276,635
Lukens Inc	23,500	442,082
Lumisys Inc	112,800	733,200
Lunar Corp	27,300	593,775
Lycos Inc	54,800	698,700
Lydall Inc	40,800	861,900
Lyondell Petrochemical	144,000	3,168,000
Magna Group Inc	48,100	1,671,475
Manor Care Inc	118,000	3,849,750
Manufactured Home Communities	140,000	3,228,680
Mapco Inc	169,200	5,329,800
Marine Drilling Co Inc	17,800	349,325

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Mark IV Industries	179,550	\$ 4,309,200
Marks Bros Jewelers Inc	124,500	1,556,250
Marriott International Inc	322,500	19,793,438
Martin Marietta Materials Inc	42,980	1,391,478
Masco Corp	433,000	18,077,750
Mascotech Inc	56,700	1,183,613
MasTec Inc	70,000	3,311,840
Mattel Inc	727,900	24,657,613
Maxim Integrated Products	140,000	7,962,500
Maximus Inc	45,300	809,738
Maytag Corp	123,000	3,259,500
MBNA Corp	402,000	14,723,250
McAfee Associates Inc	47,700	3,011,063
McDonalds Corp	313,200	15,131,318
MCI Communications	48,000	1,837,488
McLeodUSA Inc Cl A	80,200	2,706,750
MCN Energy Group Inc	27,100	829,938
Meadowbrook Insurance Group	52,600	1,311,686
Mechanical Dynamics Inc	59,800	433,550
Medallion Financial Corp	65,000	1,243,125
Medcath Inc	51,600	767,550
MedPartners Inc	62,500	1,351,563
Medquist Inc	19,600	595,350
Medtronic Inc	136,700	11,277,750
Mercantile Bankshares Corp	80,000	3,200,000
Merck & Co Inc	391,000	40,003,992
Mercury Interactive Corp	41,600	618,800
Merrill Lynch & Co Inc	273,900	16,331,288
Meta Group Inc	41,100	893,925
Metro Networks Inc	56,800	1,377,400
Metromail Corp	165,000	4,083,750
Meyer (Fred) Inc	93,200	4,817,228
MGIC Investment Corp	90,000	4,314,330
Micro Warehouse Inc	158,804	2,719,519
Microage Inc	43,700	802,988
Microsoft Corp	148,348	18,747,479
Millennium Chemicals Inc	323,428	7,357,987
Miller Industries Inc/Tenn	218,250	3,492,000
Miller (Herman) Inc	77,000	2,772,000
Minerals Technologies Inc	155,756	5,840,850
Mirage Resorts Inc	100,000	2,525,000
ML Bancorp Inc	57,100	1,106,313

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Mobil Corp	187,000	\$ 13,066,625
Mobile Telecomm Tech Corp	100,000	1,431,200
Money Store Inc (The)	49,000	1,405,663
Montana Power Co	100,000	2,318,700
Morgan Stanley Dean Witter Discover & Co	112,000	4,822,944
Morton International Inc Ind	48,800	1,473,126
Motorola Inc	60,000	4,567,500
MRV Communications Inc	85,000	2,507,500
MSC Industrial Direct Co Cl A	30,000	1,203,750
Multicare Companies Inc	33,017	903,840
Mylan Laboratories	93,900	1,385,025
NABI Inc	90,400	598,900
Nabisco Holdings Corp Cl A	264,000	10,527,000
National Data Corp	52,000	2,252,224
National Fuel Gas Co	30,000	1,258,110
National Service Industries Inc	26,000	1,265,862
National Techteam Inc	216,100	4,619,138
National-Oilwell Inc	11,000	632,500
NationsBank Corp	130,974	8,455,943
Nationwide Financial Services Cl A	44,600	1,193,050
Nationwide Health	50,000	1,100,000
Natural Microsystems Corp	70,200	2,527,200
Nautica Enterprises Inc	35,000	925,295
Neiman Marcus Group Inc	76,000	1,995,000
Nelcor Puritan Bennett Inc	240,000	4,350,000
Neopath Inc	51,000	969,000
Neoprobe Corp	169,000	2,366,000
Neose Technologies Inc	71,200	907,800
Network Appliance Inc	24,400	927,200
Network Equipment Tech Inc	41,700	750,600
Network General Corp	60,300	896,963
Neurogen Corp	45,000	1,023,750
New England Electric System	51,000	1,887,000
New York Times Co Cl A	60,000	2,970,000
Newell Company	108,500	4,312,875
Newpark Resources Inc	181,800	6,135,750
Newport News Shipbuilding Inc	138,900	2,699,799
News Corp Ltd	74,000	1,424,500
Nextel Communications Inc Cl A	201,500	3,815,806
Niagara Mohawk Power Corp	375,900	3,218,456
Nicor Inc	33,300	1,194,638
Noble Affiliates Inc	129,200	4,998,360

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
NorAm Energy Corp	170,000	\$ 2,592,500
Nordson Corp	58,000	3,726,500
North American Vaccine Inc	57,200	1,104,646
North Face Inc	80,300	1,465,475
Northern Trust Corp	32,000	1,548,000
Northrop Grumman Corp	24,000	2,107,488
Norwest Corp	360,800	20,295,000
Noven Pharmaceuticals Inc	157,700	1,123,613
NS Group Inc	59,000	700,625
Nuevo Energy Co	22,200	910,200
Nynex Corp	70,000	4,029,340
Oak Industries Inc	36,100	1,028,850
Oakley Inc	142,500	2,003,835
Occidental Petroleum Corp	194,300	4,869,547
OccuSystems Inc	108,700	3,152,300
Officemax Inc	344,200	4,969,215
Old Republic International Corp	48,450	1,468,616
Olsten Corp	63,200	1,228,418
OM Group Inc	40,000	1,315,000
Omnicare Inc	147,400	4,624,675
OmniQuip International Inc	43,600	1,008,250
Oneok Inc	39,200	1,261,730
Oracle Corporation	234,700	11,823,013
Orcad Inc	114,200	1,256,200
Ortel Corp	51,400	925,200
Orthodontic Centers of America	166,700	3,031,773
Orthologic Corp	115,000	632,500
Oryx Energy Co	388,300	8,202,838
Outboard Marine Corp	142,000	2,520,500
Outdoor Systems Inc	155,500	5,947,875
Overseas Shipholding Group	335,000	6,574,375
Owens Illinois Inc	213,300	6,612,300
Oxford Health Plans	104,700	7,512,225
P G & E Corporation	240,000	5,820,000
Pacific Century Financial Corp	85,000	3,931,250
Pacific Scientific Co	59,100	783,075
PacifiCare Health Systems Inc	29,000	1,852,375
Pairgain Technologies Inc	56,200	871,100
Parametric Technology Corp	77,400	3,294,299
Parker & Parsley Petro Co	88,300	3,123,613
Pathogenesis Corp	81,700	2,379,513
Paychex Inc	60,000	2,280,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
P-Com Inc	69,500	\$ 2,293,500
Peco Energy Co	374,300	7,860,300
PennCorp Financial Group Inc	36,200	1,393,700
Penney J C Co	30,000	1,565,610
Pennzoil Co	30,000	2,295,000
Penske Motorsports Inc	12,100	397,788
Pentair Inc	70,600	2,320,975
Pepsico Inc	462,600	17,376,181
Perclose Inc	53,800	1,345,000
Performance Food Group Co	82,500	1,732,500
Perkin-Elmer Corp	102,000	8,115,324
Perrigo Company	140,200	1,752,500
Petsmart Inc	178,800	2,056,200
PFF Bancorp Inc	98,100	1,839,375
Pfizer Inc	348,000	41,586,000
Pharmaceutical Product Development	72,800	1,601,600
Pharmacia & Upjohn Inc	168,700	5,862,325
Philip Morris Companies Inc	865,600	38,302,800
Phillips-Van Heusen	101,800	1,527,000
Phycor Inc	93,600	3,223,303
Pierce Leahy Corp	4,100	73,800
Pillowtex Corp	20,600	451,902
Pinnacle West Capital Corp	82,200	2,471,096
Pioneer Standard Electronics	32,300	436,050
Planning Sciences International	22,900	131,675
Playboy Enterprises Inc Cl B	21,700	250,895
PLC Systems Inc	84,300	1,859,827
Ply-Gem Industries	40,500	734,063
PNC Financial Corp	90,500	3,778,375
Polaroid Corp	172,700	9,584,850
Policy Management Systems	72,000	3,384,000
Polo Ralph Lauren Corp	11,400	312,075
Polymer Group Inc	45,000	725,625
PPG Industries Inc	57,000	3,313,125
Praxair Inc	348,200	19,499,200
Precision Castparts Corp	26,300	1,568,138
Premark International Inc	145,200	3,884,100
Premdor Inc	81,600	765,000
Prime Hospitality Corp	115,000	2,271,250
Procter & Gamble Co	202,200	28,560,750
Proffitt's Inc	37,200	1,632,150
Project Software & Development	94,900	1,376,050

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Promus Hotel Corp	84,400	\$ 3,270,500
Protein Design Labs Inc	26,700	760,950
Public Service Co of N Mex	65,800	1,176,175
Pulte Corporation	32,000	1,105,984
Pure Atria Corp	134,523	1,900,137
Quaker Chemical Corp	74,200	1,289,225
Quest Diagnostics Inc	157,800	3,244,684
Quorum Health Group Inc	44,000	1,573,000
Radiant Systems Inc	5,200	108,550
RadiSys Corporation	15,300	608,175
Rational Software Corp	58,600	985,183
Raychem Corp	18,800	1,398,250
Rayonier Inc	70,450	2,963,268
Raytheon Co	100,000	5,100,000
RCSB Financial Inc	31,000	1,484,125
Reading & Bates Corp	51,200	1,869,600
Read-Rite Corp	77,500	1,617,813
Redwood Trust Inc	42,400	1,982,200
Reebok International Ltd	238,400	11,189,781
Regal Cinemas Inc	76,475	2,523,675
Regions Financial Corp	36,000	1,138,500
Registry Inc	8,000	368,000
Reinsurance Group of America	75,000	4,312,500
Reliance Group Holdings Inc	125,000	1,484,375
ReliaStar Financial Corp	15,000	1,096,875
Remedy Corp	50,300	2,012,000
Renaissance Solutions Inc	3,300	122,100
Rental Service Corp	25,817	677,696
Republic New York Corp	44,900	4,826,750
Resmed Inc	50,000	1,212,500
Resource Bancshares Mtg Group	46,010	908,698
Rexel Inc	50,000	925,000
Reynolds Metals Co	56,000	3,990,000
Reynolds & Reynolds Cl A	130,000	2,047,500
RF Micro Devices Inc	2,500	47,813
Rhone-Poulenc Rorer	33,100	3,007,963
Rite Aid Corp	138,000	6,882,750
RJR Nabisco Hldgs Corp	544,980	17,984,340
RMI Titanium Co	145,600	3,967,600
Robert Half International Inc	50,200	2,362,512
Robert Mondavi Corp	22,900	1,082,025
Rofin-Sinar Technologies Inc	56,500	1,080,563

**LIST OF INVESTMENTS
AS OF JUNE 30, 1997**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Romac International Inc	89,700	\$ 2,937,675
Ross Stores Inc	85,500	2,794,739
Rouse Co	170,000	5,015,000
Rowan Cos Inc	55,200	1,555,922
RPM Inc	80,000	1,470,000
Russ Berrie & Co Inc	179,300	3,933,304
Ryan's Family Steak Houses Inc	92,000	787,704
Ryder System Inc	211,000	6,963,000
Safeco Corp	128,000	5,975,936
Safeskin Corp	169,000	4,974,853
Safeway Inc	143,400	6,614,325
Saks Holdings Inc	67,700	1,692,500
Sanmina Corp	40,000	2,540,000
Santa Fe Energy Resources	72,500	1,064,808
Santa Fe International Corp	29,300	996,200
Sara Lee Corp	115,000	4,786,875
Scherer (R P) Corp	44,200	2,281,825
Schering Plough Corp	686,400	32,861,400
Schlumberger Ltd	96,000	12,000,000
Schulman (A) Inc	80,000	1,970,000
Scientific-Atlanta Inc	402,000	8,793,750
Scopus Technology Inc	17,200	384,850
Scotts Company (The)	42,700	1,238,300
SCPIE Holdings Inc	33,000	917,796
ScaChange International Inc	52,200	1,474,650
SEACOR SMIT Inc	40,000	2,092,480
Seagate Technology Inc	85,400	3,010,350
Seagull Energy Corp	191,200	3,346,000
Sealed Air Corp	41,700	1,980,750
Security Dynamics Tech Inc	208,100	7,673,688
Selective Insurance Group	33,300	1,612,952
Service Corp International	475,000	15,615,625
SFX Broadcasting Inc Cl A	43,000	1,814,041
Shaman Pharmaceuticals Inc	39,700	235,699
Shared Medical Systems Corp	110,000	5,940,000
Sheldahl Inc	14,900	307,313
Shuffle Master Inc	65,400	535,430
Siebel Systems Inc	72,900	2,351,025
Sierra Health Services	9,000	281,250
Sigma-Aldrich Corporation	41,000	1,437,542
Signature Resorts Inc	40,600	1,403,217
Silicon Graphics Inc	253,000	3,795,000