4134

ANNUAL FINANCIAL REPORT

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA BATON ROUGE, LOUISIANA

DECEMBER 31, 2003 AND 2002

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

INDEX TO ANNUAL FINANCIAL REPORT

DECEMBER 31, 2003 AND 2002

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INDEPENDENT AUDITOR'S REPORT

March 31, 2004

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying statements of plan net assets of Parochial Employees' Retirement System of Louisiana as of December 31, 2003 and 2002, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America applicable to financial audits and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parochial Employees' Retirement System of Louisiana as of December 31, 2003 and 2002, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Parochial Employees' Retirement System of Louisiana adopted the provisions of the Government Accounting Standards Board Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of January 1, 2002.

Management's discussion and analysis on pages 3 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the System for the years ended December 31, 2003 and 2002, and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information and the supplemental schedules on pages 23 – 33 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending December 31, 1998 through 2003 and supplemental schedules for the years ending December 31, 2003 and 2002, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. We have not examined the financial statements of the System for any period prior to the year ended December 31, 2000. Accordingly, we do not express an opinion or any other form of assurances on the required statistical information relating to any period prior to December 31, 2000. The financial statements of the System prior to December 31, 2000 were audited by other auditors whose reports expressed an unqualified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2004 on our consideration of Parochial Employees' Retirement System of Louisiana's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

The Management's Discussion and Analysis of Parochial Employees' Retirement System's financial performance presents a narrative overview and analysis of Parochial Employees' Retirement System's financial activities for the year ended December 31, 2003. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in Parochial Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Parochial Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2003 by $1,515,136,770 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by $210,135,934 or 16.10%. The increase was due primarily to improved conditions in the securities market.
- Contributions to the plan by members and employers totaled $71,778,519 an increase of $3,864,751 or 6.59% over the prior year.
- Net change in the fair value of investments reflected a net increase of $185,533,444. The increase was due primarily due to the rise in stock prices.
- The rate of return on the System's investments was a 16.42% for Plan A and 16.55% for Plan B based on the market value. This is a substantial improvement over last year's –2.53% return in Plan A and -.26% return in Plan B. Strong stock market performance accounted for most of the improvement.
- Pension benefits paid to retirees and beneficiaries increased by $3,871,433 or 6.60%. This increase is due to an increase in the number of retirees and their benefit amounts.
- Administrative expenses totaled $788,671, an increase of $66,813 or 9.26%. The cost of administering the System per member during 2003 was $28 per individual compared to $26 per individual in 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- Statement of plan net assets,
- Statement of changes in plan net assets, and
- Notes to the financial statements.

This report also contains required supplemental information in addition to the basic financial statements themselves.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statements of plan net assets report the System's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of December 31, 2003 and 2002.

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

FINANCIAL ANALYSIS OF THE FUND

Parochial Employees' Retirement System provides benefits to all eligible parish employees in 61 of the 64 parishes in the State of Louisiana. Employee contributions, employer contributions and earnings on investments fund these benefits.

Statement of Plan Net Assets
December 31, 2003 and 2002

	2003	2002
Cash and investments	$1,632,749,784	$1,447,497,913
Receivables	27,129,057	24,214,068
Other	2,515	2,515
Property and equipment	45,981	64,325
Total assets	1,659,927,337	1,471,778,821
Total liabilities	144,790,567	166,777,985
Net Assets Held in Trust For Pension Benefits	$1,515,136,770	$1,305,000,836

Plan net assets increased by 16.10% ($1,515,136,770 compared to $1,305,000,836). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in plan net assets was a result of the rise in the value of investments due to strong stock market performance.

PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

FINANCIAL ANALYSIS OF THE FUND (Continued)

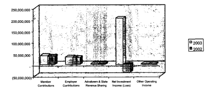
Statement of Changes in Plan Net Assets
December 31, 2003 and 2002

	2003	2002
Additions:		
Contributions	$ 75,978,007	$ 71,425,280
Investment gain (loss) (net)	204,286,458	(33,755,309)
Other	1,689,682	1,903,716
Total additions	281,954,147	39,573,687
Total deductions	71,818,213	67,456,159
Increase (decrease) in Plan Net Assets	$ 210,135,934	$ (27,882,472)

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased $2,164,713 or 5.88% while employer contributions increased $2,215,470 or 7.25%. The System experienced a net investment gain of $204,286,458 as compared to a net investment loss of $33,755,309 in the previous year. The increase in investment income was mainly due to the vastly improved stock market performance.

	2003	2002	Increase (Decrease) Percentage
Member Contributions	$ 38,997,030	$ 36,832,317	5.88%
Employer Contributions	32,781,489	30,566,019	7.25%
Advalorem & State Revenue Sharing	4,199,488	4,026,944	4.28%
Net Investment Income (Loss)	204,286,458	(33,755,309)	705.20%
Other Operating Revenues	1,689,682	1,903,716	(11.24%)
Total	$ 281,954,147	$ 39,573,687	



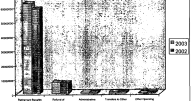
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net assets totaled $71,818,213 in fiscal year 2003. The increase of $4,362,054 was significant in light of the prior year's decrease of $114,878. Refunds to members, transfers to other systems, administrative expenses and other operating expenses were slightly higher in 2003. Retirement benefits, including both annuity payments and DROP payments, accounted for the majority of the increase. Eight retirees received DROP benefits of $100,000 or more. About 286 new retirees were added to our rolls. While this figure is offset somewhat by the 197 deaths, experience shows that new retirees receive higher benefits on average than existing retirees receive.

	2003	2002	Increase (Decrease) Percentage
Retirement Benefits	$ 62,550,602	$ 58,679,169	6.60%
Refunds of Contributions	7,489,820	7,181,192	4.30%
Administrative Expenses	788,671	721,858	9.26%
Transfers to Other Systems	969,736	855,660	13.33%
Other Operating Expenses	19,384	18,280	6.04%
Total	$ 71,818,213	$ 67,456,159	



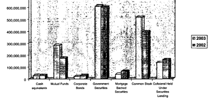
PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

FINANCIAL ANALYSIS OF THE FUND (Continued)

Investments

Parochial Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2003 amounted to $1,632,526,031 as compared to $1,446,992,587 at December 31, 2002 which is a increase of $185,533,444 or 12.82%. The major contributing factor to this increase was the strong performance of domestic and international stock markets. The System's investments in various markets at the end of the 2003 and 2002 fiscal years are indicated in the following table:

	2003	2002	Increase (Decrease) Percentage
Cash Equivalents	$ 28,121,158	$ 27,354,652	2.80%
Mutual Funds	281,522,392	172,636,414	6.31%
Corporate Bonds	20,976,424	29,088,485	(2.79%)
Government Securities	609,788,238	600,757,182	1.50%
Mortgage Backed Securities	38,583,885	63,795,001	(39.52%)
Common Stock	516,554,502	394,260,613	31.02%
Collateral Held Under Securities Lending	136,979,432	159,100,240	(13.90%)
Total	$ 1,632,526,031	$1,446,992,587	



PAROCHIAL EMPLOYEES'
RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Tom Sims, Administrative Director of Parochial Employees' Retirement System, 5420 Corporate Boulevard, Suite 103, Baton Rouge, Louisiana 70808, (225) 928-1361.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2003 AND 2002

	2003	2002
ASSETS:		
Cash	$ 223,753	$ 505,326
Receivables:		
Contributions receivable -Member	9,612,349	8,855,532
Contributions receivable - Employer	7,970,700	7,232,207
Ad valorem taxes & state revenue sharing receivable	4,133,710	3,997,307
Miscellaneous receivable	26,572	37,880
Investment receivable	1,667,739	782,552
Accrued interest and dividends	3,717,987	3,308,590
	27,129,057	24,214,068
Investments (at fair value):		
Cash equivalents	28,121,158	27,354,652
Mutual funds	281,522,392	172,636,414
Corporate bonds	20,976,424	29,088,485
Government securities	609,788,238	600,757,182
Mortgage backed securities	38,583,885	63,795,001
Common stock	516,554,502	394,260,613
Collateral under securities lending	136,979,432	159,100,240
Total	1,632,526,031	1,446,992,587
Deposits	2,515	2,515
Property, plant and equipment:		
Net of accumulated depreciation	45,981	64,325
Total assets	1,659,927,337	1,471,778,821
LIABILITIES:		
Accounts payable	932,152	655,103
Accrued leave payable	4,065	3,956
Withholding taxes payable	17,627	16,114
Refunds payable	798,990	718,251
Investment payable	1,426,711	1,562,755
Retirement payable	4,631,590	4,721,566
Obligations under securities lending	136,979,432	159,100,240
Total liabilities	144,790,567	166,777,985
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,515,136,770	$ 1,305,000,836

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
ADDITIONS:		
Contributions:		
Member	$ 38,997,030	$ 36,832,317
Employer	32,781,489	30,566,019
Ad valorem tax	4,036,250	3,868,218
Revenue sharing	163,238	158,726
Total contributions	75,978,007	71,425,280
Investment income:		
Net appreciation in fair value of investments	157,970,626	-
Interest income	41,415,291	27,879,960
Dividend income	8,192,059	6,185,021
Securities lending income	1,980,707	2,103,222
	209,558,683	36,168,203
Less: Investment expense:		
Net depreciation in fair value of investments	-	65,355,339
Custodial fee	198,216	201,312
Money manager fees	3,197,086	2,375,557
Securities lending	1,853,423	1,970,964
Investment counseling	23,500	20,340
	5,272,225	69,923,512
Net investment income/(expenses)	204,286,458	(33,755,309)
Other additions:		
Interest - transfers, refund payback	1,156,384	1,466,331
Transfers in - employer	507,172	427,780
Miscellaneous income	26,126	9,605
Total other additions	1,689,682	1,903,716
Total additions	281,954,147	39,573,687
DEDUCTIONS:		
Annuity benefits	58,455,869	55,550,017
Refunds to terminated employees	7,489,820	7,181,192
DROP benefits	4,094,733	3,129,152
Transfer to other systems - employee	229,236	310,973
Transfer to other systems - employer/interest	740,500	544,687
Administrative expenses	788,671	721,858
Depreciation	19,384	18,280
Total deductions	71,818,213	67,456,159
NET INCREASE (DECREASE)	210,135,934	(27,882,472)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -		
Beginning of the year	1,305,000,836	1,332,883,308
END OF YEAR	$ 1,515,136,770	$ 1,305,000,836

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

DESCRIPTION OF ORGANIZATION:

The Parochial Employees' Retirement System of Louisiana (System) was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the state of Louisiana or any governing body or a parish which employs and pays persons serving the parish.

The System is operated by a Board of Trustees, an Administrative Director, an Actuary and Legal Counsel. The Board consists of seven trustees, four of whom are active or retired members of the System with at least ten years of creditable service, elected by the members of the System; one of whom shall be appointed by the Executive Board of the Police Jury Association of Louisiana who shall serve as an ex-officio member during his tenure; one who shall be the Chairman of the Senate Retirement Committee; and one who shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana or their appointees.

Act #765 of the year 1979 established by the Legislature of the State of Louisiana revised the System to created Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Act #867 of the year 1997 revised the System to create Plan C. This plan was established for a larger employer that remained in Social Security on the revision date. As of December 31, 2003, there were no participants in this plan.

Act #194 of the year 2003 established a separate unfunded, non-tax qualified Excess Benefit Plan to supplement the benefits provided to members of the extent their benefits are reduced by the limitations imposed by Section 415 of the United States Internal Revenue Code.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). In addition, the Plan implemented GASB Statement Number 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* and related standards. The new standard did not change the financial reporting or note disclosures required by GASB 25; it did require the inclusion of a management's discussion and analysis as supplementary information.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Interest income is recognized when earned. Ad valorem taxes are recognized when assessed by the taxing body. Revenue sharing monies are recognized in the year they are appropriated by the Legislature.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property, Plant and Equipment:

Fixed assets of Parochial Employees' Retirement System of Louisiana are carried at historical cost. Depreciation is recognized on the straight- line method over the useful lives of the assets.

Estimates:

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

2. PLAN DESCRIPTION:

Parochial Employees' Retirement System of Louisiana is the administrator of a cost sharing multiple employer defined benefit pension plan. The System was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS).

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. For the year ended December 31, 2003, there were 218 contributing employers in Plan A and 51 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

2003	PLAN A	PLAN B	TOTAL
Active members	13,607	2,154	15,761
Retirees and survivors	4,602	417	5,019
"DROP plan participants	327	35	362
Terminated employees due deferred benefits	320	64	384
Terminated due refunds	5,439	1,182	6,621
TOTAL PARTICIPATING AS OF THE VALUATION DATE	24,295	3,852	28,147

2002	PLAN A	PLAN B	TOTAL
Active members	13,259	2,090	15,349
Retirees and survivors	4,507	404	4,911
"DROP plan participants	311	32	343
Terminated employees due deferred benefits	323	64	387
Terminated due refunds	5,528	1,199	6,727
TOTAL PARTICIPATING AS OF THE VALUATION DATE	23,928	3,789	27,717

Eligibility Requirements:

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners and justices of the peace, may no longer join the Retirement System.

Retirement Benefits:

Any member of Plan A can retire providing he/she meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

Any member of Plan B can retire providing he /she meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service.
2. Age 62 with a minimum of ten (10) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service or 65 with only seven (7) years of creditable service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the members' final average compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when she reaches age 50.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

2. PLAN DESCRIPTION: (Continued)

DROP Benefits:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest at the actual rate of return earned on the subaccount investments less one-fourth of one percent per annum or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

2. PLAN DESCRIPTION: (Continued)

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later).

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.5% of compensation for Plan A members and 3% of compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating employer.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2003, the actuarially determined contribution rate was 11.22% of member's compensation for Plan A and 5.18% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2003 was 7.75% for Plan A and 3.75% for Plan B. The contribution shortfall between the actuarially required amount and the amount contributed will be absorbed over future years.

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions.

Administrative costs of the System are financed through employer contributions.

Reserves:

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. CONTRIBUTIONS AND RESERVES: (Continued)

a. Expense Fund:

The Expense Fund Reserve provides for general and administrative expenses of the System. Funding consists of transfers from Plan A and Plan B. The balance in the expense fund as of December 31, 2003 and 2002 was $(19,013) and $959,831, respectively. The deficit balance in 2003 will be funded in future years. The expense fund is fully funded in 2002.

b. Annuity Savings Reserve:

The Annuity Savings Reserve is credited with contributions made by the member of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to fund part of the benefits. Plan A's Annuity Savings balance was $264,753,422 and $247,757,144 for December 31, 2003 and 2002, respectively. The balance for Plan B was $9,228,795 for 2003 and $8,192,413 for 2002. The Annuity Saving is fully funded for both plans for the years ending December 31, 2003 and 2002.

c. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relived when expenditures are not covered by the other accounts. The Pension Accumulation Reserve for Plan A as of December 31, 2003 and 2002 was $584,206,613 and $587,376,357, respectively. The balance for Plan B for December 31, 2003 and 2002 was $55,440,738 and $52,631,377, respectively.

The Pension Accumulation Reserve is 100% funded for Plan A and 100% funded for Plan B for the year ended December 31, 2003. The Pension Accumulation Reserve is 84% funded for Plan A and 100% funded for Plan B for the year ended December 31, 2002.

d. Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost of living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of December 31, 2003 and 2002 was $493,935,402 and $466,377,088 for Plan A and $25,005,636 for 2003 and $23,336,360 for 2002 for Plan B. The Annuity Reserve is 100% funded for both plans for the years ending December 31, 2003 and 2002.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. CONTRIBUTIONS AND RESERVES: (Continued)

e. Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he/she had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or a true annuity. The Deferred Retirement Option balance for Plan A as of December 31, 2003 and 2002 was $15,732,903 and $12,389,847, respectively. The balance for Plan B as of December 31, 2003 and 2002 was $559,580 and $ 412,713, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2003 and 2002.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method is used to calculate the funding requirements for Plan A with the unfunded accrued liability frozen as of December 31, 1989, and originally amortized over 40 years with payments increasing at 4% per year. The Aggregate Actuarial Cost Method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 31 - 33.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2003 and 2002:

	2003	2002
Deposits (bank balance)	$ 343,037	$ 598,450
Cash equivalents	28,121,158	27,354,652
Investments	1,604,404,873	1,419,637,935
	$ 1,632,869,068	$ 1,447,591,037

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

The System's bank deposits were fully covered by federal depository insurance.

Cash Equivalents:

Cash equivalents in the amount of $28,121,158 and $27,354,652 for December 31, 2003 and 2002, respectively, consists of a money market account. The funds are managed and held by a separate money manager, and are in the name of the System.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule requires each fiduciary of a retirement system and each board of trustees act collectively on behalf of the System and to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

The System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which 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 broker's or dealer'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 broker or dealer, or by its trust department or agent but not in the System's name.

	2003	
	Market Value	Category
U.S. Treasury Bonds	$ 801,795	1
U.S. Treasury Zeros	81,825,222	1
U.S. Agency Bonds	417,294,332	1
Government Guaranteed Bonds	3,659,412	1
Corporate Bonds	20,976,424	1
Government National Mortgage Corporation	38,583,885	1
Common Stock – Domestic	490,287,947	1
Mutual Funds – International	140,383,176	N/A
Mutual Funds – Domestic	141,139,216	N/A
Investments held by brokers – in which collateral may be reinvested:		
U. S. Government and Government Agency Obligations	106,207,477	N/A

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Common Stock	26,266,555	N/A
Collateral held under securities lending program:		
Tri Party Repurchase Agreement	136,979,432	2
TOTAL	$ 1,604,404,873	

	2002 Market Value	Category
U.S. Treasury Zeros	$ 44,275,835	1
U.S. Agency Bonds	407,308,625	1
Government Guaranteed Bonds	3,736,435	1
Corporate Bonds	28,981,484	1
Government National Mortgage Corporation	63,795,001	1
Common Stock – Domestic	385,342,843	1
Mutual Funds – International	107,264,386	N/A
Mutual Funds – Domestic	65,372,028	N/A
Investments held by brokers – in which collateral may be reinvested:		
U. S. Government and Government Agency Obligations	145,436,287	N/A
Common Stock	8,917,770	N/A
Corporate Bonds	107,001	N/A
Tri Party Repurchase Agreement	159,100,240	2
TOTAL	$ 1,419,637,935	

There were no investments in any one organization, which represented 5% of plan net assets at December 31, 2003 and 2002.

7. SECURITIES LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio of available assets, such as U.S. and non-U.S. equities, corporate bonds, government bonds and government agency bonds. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

7. SECURITIES LENDING AGREEMENTS: (Continued)

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest if the loaned securities are securities other than foreign securities. Collateralization of loans will be at 105% of the market value of the loaned securities if the loaned securities are foreign securities. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the System) in approved investments, such as commercial paper, certificates of deposit and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements varies depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper and other investments stipulated in the lender agent contract.

The System has the following securities on loan:

	December 31, 2003 Market (Carrying Value)	December 31, 2002 Market (Carrying Value)
U. S. Government Agency Obligations	$ 106,207,477	$ 145,436,287
Corporate Bonds	--	107,001
Common Stock	26,266,555	8,917,770
Totals	$ 132,474,032	$ 154,461,058

Securities on loan at December 31, 2003 and 2002 for which cash collateral was received are presented as unclassified under footnote 6. Securities on loan at December 31, 2003 and 2002 for which noncash collateral was received are classified under footnote 6. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at December 31, 2003 and 2002.

The following is a summary of equipment and fixtures at cost less accumulated depreciation:

2003	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 282,230	$ 1,040	$ --	$ 283,270
Less: accumulated depreciation	(217,905)	(19,384)	--	(237,289)
	$ 64,325	$ (18,344)	$ --	$ 45,981

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

8. EQUIPMENT AND FIXTURES: (Continued)

2002	Beginning Balance	Additions	Deletions	Ending Balance
Office equipment and furniture	$ 232,178	$ 50,052	$ --	$ 282,230
Less: accumulated depreciation	(199,625)	(18,280)	--	(217,905)
	$ 32,553	$ 31,772	$ --	$ 64,325

Depreciation expense for the years ended December 31, 2003 and 2002 was $19,384 and $18,280, respectively.

9. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a).

10. OPERATING LEASES:

The System entered into a five-year operating lease for office space beginning August 1, 2001 and ending July 31, 2006. Lease expense for the years ended December 31, 2003 and 2002 was $51,899 and $50,493, respectively. The minimum lease payments for the remaining term of the lease are as follows:

2004	$51,617
2005	52,607
2006	30,687

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2003 AND 2002

	PLAN "A" 2003	PLAN "A" 2002	PLAN "B" 2003	PLAN "B" 2002	EXPENSE FUND 2003	EXPENSE FUND 2002	TOTAL 2003	TOTAL 2002
ASSETS:								
Cash	$ 102,206	$ 339,603	$ 94,814	$ 61,757	$ 26,733	$ 103,966	$ 223,753	$ 505,326
Receivables:								
Due from (to) other funds	(90,162)	47,630	90,162	(47,630)	-	-	-	-
Contributions receivable -Member	9,329,931	8,510,267	282,418	345,265	-	-	9,612,349	8,855,532
Contributions receivable - Employer	7,653,423	6,915,206	317,277	317,001	-	-	7,970,700	7,232,207
Ad valorem taxes & state revenue sharing receivable	3,620,303	3,549,209	513,407	448,098	-	-	4,133,710	3,997,307
Miscellaneous receivable	8,983	6,942	17,589	17,523	-	13,415	26,572	37,880
Investment receivable	1,667,739	782,552	-	-	-	-	1,667,739	782,552
Accrued interest and dividends	3,559,907	3,118,017	158,080	188,916	-	1,657	3,717,987	3,308,590
	25,750,124	22,929,823	1,378,933	1,269,173	-	15,072	27,129,057	24,214,068
Investments (at fair value)								
Cash equivalents	27,293,960	25,821,750	827,198	685,263	-	847,639	28,121,158	27,354,652
Mutual funds	229,952,493	141,104,781	51,569,899	31,531,633	-	-	281,522,392	172,636,414
Corporate bonds	17,974,076	25,898,741	3,002,348	3,189,744	-	-	20,976,424	29,088,485
Government securities	567,393,376	553,518,756	42,394,862	47,238,426	-	-	609,788,238	600,757,182
Mortgage backed securities	37,976,946	62,303,921	606,939	1,491,080	-	-	38,583,885	63,795,001
Common stock	516,554,502	394,260,613	-	-	-	-	516,554,502	394,260,613
Collateral under securities lending	122,103,975	142,380,473	14,875,457	16,719,767	-	-	136,979,432	159,100,240
	1,519,249,328	1,345,289,035	113,276,703	100,855,913	-	847,639	1,632,526,031	1,446,992,587
Deposits	-	-	-	-	2,515	2,515	2,515	2,515
Property, plant and equipment: Net of accumulated depreciation	-	-	-	-	45,981	64,325	45,981	64,325
Total assets	1,545,101,658	1,368,558,461	114,750,450	102,186,843	75,229	1,033,517	1,659,927,337	1,471,778,821
LIABILITIES:								
Accounts payable	859,602	601,487	-	-	72,550	53,616	932,152	655,103
Accrued leave payable	-	-	-	-	4,065	3,956	4,065	3,956
Withholding taxes payable	-	-	-	-	17,627	16,114	17,627	16,114
Refunds payable	777,065	694,524	21,925	23,727	-	-	798,990	718,251
Investment payable	1,414,630	1,558,498	12,081	4,257	-	-	1,426,711	1,562,755
Retirement payable	4,402,964	4,496,559	228,626	225,007	-	-	4,631,590	4,721,566
Obligations under securities lending	122,103,975	142,380,473	14,875,457	16,719,767	-	-	136,979,432	159,100,240
Total liabilities	129,558,236	149,731,541	15,138,089	16,972,758	94,242	73,686	144,790,567	166,777,985
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,415,543,422	$ 1,218,826,920	$ 99,612,361	$ 85,214,085	$ (19,013)	$ 959,831	$ 1,515,136,770	$ 1,305,000,836

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
ADDITIONS:								
Contributions:								
Member	$ 37,413,422	$ 35,205,710	$ 1,583,608	$ 1,626,607	$ -	$ -	$ 38,997,030	$ 36,832,317
Employer	30,827,239	29,074,277	1,954,250	1,491,742	-	-	32,781,489	30,566,019
Ad valorem tax	3,538,595	3,409,018	497,655	459,200	-	-	4,036,250	3,868,218
Revenue sharing	138,021	144,515	25,217	14,211	-	-	163,238	158,726
Total contributions	71,917,277	67,833,520	4,060,730	3,591,760	-	-	75,978,007	71,425,280
Investment income:								
Net appreciation in fair value of investments	146,566,340	-	11,404,286	-	-	-	157,970,626	-
Interest income	39,133,726	25,751,404	2,271,638	2,110,517	9,927	18,039	41,415,291	27,879,960
Dividend income	8,192,059	6,185,021	-	-	-	-	8,192,059	6,185,021
Securities lending income	1,788,611	1,905,007	192,096	198,215	-	-	1,980,707	2,103,222
	195,680,736	33,841,432	13,868,020	2,308,732	9,927	18,039	209,558,683	36,168,203
Less: Investment expense:								
Net depreciation in fair value of investments	-	63,274,577	-	2,080,762	-	-	-	65,355,339
Custodial fees	-	-	-	-	198,216	201,312	198,216	201,312
Money manager fees	3,154,997	2,348,927	42,089	26,630	-	-	3,197,086	2,375,557
Securities lending	1,673,524	1,785,471	179,899	185,493	-	-	1,853,423	1,970,964
Investment consultant	-	-	-	-	23,500	20,340	23,500	20,340
	4,828,521	67,408,975	221,988	2,292,885	221,716	221,652	5,272,225	69,923,512
Net investment income (expense)	190,852,215	(33,567,543)	13,646,032	15,847	(211,789)	(203,613)	204,286,458	(33,755,309)
Other additions:								
Interest - transfers, refund payback	1,110,279	1,248,674	46,105	217,657	-	-	1,156,384	1,466,331
Transfers in - employer	501,943	415,880	5,229	11,900	-	-	507,172	427,780
Miscellaneous income	25,749	3,638	377	199	-	5,768	26,126	9,605
Total other additions	1,637,971	1,668,192	51,711	229,756	-	5,768	1,689,682	1,903,716
Total additions (reductions)	264,407,463	35,934,169	17,758,473	3,837,363	(211,789)	(197,845)	281,954,147	39,573,687
DEDUCTIONS:								
Retirement and disability benefits	55,592,921	52,921,419	2,862,948	2,628,598	-	-	58,455,869	55,550,017
Refunds to terminated employees	7,207,211	6,969,197	282,609	211,995	-	-	7,489,820	7,181,192
DROP benefits	3,961,463	3,056,075	133,270	73,077	-	-	4,094,733	3,129,152
Transfers to/from plans	40,748	888,630	252	111,370	(41,000)	(1,000,000)	-	-
Transfer to other systems - employee	209,577	298,940	19,659	12,033	-	-	229,236	310,973
Transfer to other systems - employer and interest	679,041	483,620	61,459	61,067	-	-	740,500	544,687
Administrative expenses	-	-	-	-	788,671	721,858	788,671	721,858
Depreciation	-	-	-	-	19,384	18,280	19,384	18,280
Total deductions	67,690,961	64,617,881	3,360,197	3,098,140	767,055	(259,862)	71,818,213	67,456,159
NET INCREASE (DECREASE)	196,716,502	(28,683,712)	14,398,276	739,223	(978,844)	62,017	210,135,934	(27,882,472)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -								
Net assets - beginning of year	1,218,826,920	1,247,510,632	85,214,085	84,474,862	959,831	897,814	1,305,000,836	1,332,883,308
END OF YEAR	$ 1,415,543,422	$ 1,218,826,920	$ 99,612,361	$ 85,214,085	$ (19,013)	$ 959,831	$ 1,515,136,770	$ 1,305,000,836

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

PLAN "A"	DECEMBER 31, 2003			DECEMBER 31, 2002		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 16,000,000	$ 16,470,993	$ 18,195,000	$ 6,000,000	$ 6,297,555	$ 8,443,140
U.S. Treasury Zeros	180,149,250	50,635,880	126,283,630	181,259,250	50,860,144	123,082,769
U.S. Treasury Agency Bonds	572,527,242	299,084,105	419,940,241	586,602,747	274,518,069	418,842,631
Government Guaranteed Bonds	2,910,471	2,872,613	2,974,505	3,033,391	2,993,726	3,150,216
Corporate Bonds	19,560,339	17,329,184	17,974,076	25,807,049	25,121,898	25,898,741
Government National Mortgage Corporation Bonds	36,226,813	35,167,696	37,976,946	59,113,196	57,113,273	62,303,921
TOTAL BONDS	$ 827,374,115	$ 421,560,471	$ 623,344,398	$ 861,815,633	$ 416,904,665	$ 641,721,418
		COST	MARKET		COST	MARKET
STOCKS:						
Common stocks		$ 387,048,518	$ 516,554,502		$ 366,415,077	$ 394,260,613
MUTUAL FUNDS:						
Domestic		$ 81,213,539	$ 89,569,317		$ 43,261,039	$ 33,840,395
International		122,134,653	140,383,176		122,827,596	107,264,386
TOTAL MUTUAL FUNDS		$ 203,348,192	$ 229,952,493		$ 166,088,635	$ 141,104,781
CASH EQUIVALENTS		$ 27,293,960	$ 27,293,960		$ 25,821,750	$ 25,821,750

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

PLAN "B"	DECEMBER 31, 2003			DECEMBER 31, 2002		
	PAR VALUE	ORIGINAL COST	MARKET VALUE	PAR VALUE	ORIGINAL COST	MARKET VALUE
BONDS:						
U.S. Treasury Notes	$ 2,320,000	$ 2,360,911	$ 2,964,434	$ 2,320,000	$ 2,360,911	$ 3,072,313
U.S. Treasury Zeros	32,570,750	11,107,591	26,244,719	33,560,750	11,369,941	26,527,644
U.S. Agency Bonds	11,426,249	11,171,933	12,500,802	18,924,617	14,614,907	17,052,250
Government Guaranteed Bonds	1,298,742	1,298,748	684,907	1,192,039	1,192,039	586,219
Corporate bonds	4,800,000	2,904,489	3,002,348	4,800,000	3,278,799	3,189,744
Government National Mortgage Corporation Bonds	553,274	508,551	606,939	1,388,948	1,319,320	1,491,080
TOTAL BONDS	$ 52,969,015	$ 29,352,223	$ 46,004,149	$ 62,186,354	$ 34,135,917	$ 51,919,250

	COST	MARKET	COST	MARKET
MUTUAL FUND	$ 39,963,636	$ 51,569,899	$ 31,870,240	$ 31,531,633
CASH EQUIVALENTS	$ 827,198	$ 827,198	$ 685,263	$ 685,263

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

	2003		
ADMINISTRATIVE EXPENSES:	Budget	Actual	Variance over (under)
SALARIES AND RELATED EXPENSES:			
Salaries	$ 389,680	$ 387,242	$ (2,438)
Retirement	30,200	30,011	(189)
Group hospitalization	26,484	25,009	(1,475)
Medicare and payroll taxes	4,958	4,808	(150)
Total salaries and related expenses	451,322	447,070	(4,252)
PROFESSIONAL SERVICES:			
Actuarial consultant	71,820	71,820	-
Auditor	35,000	36,290	1,290
Legal counsel	36,706	43,725	7,019
Computer programming	8,700	5,430	(3,270)
Medical board	6,681	7,504	823
Investigation	2,100	1,880	(220)
Professional services	-	-	-
Total professional services	161,007	166,649	5,642
COMMUNICATIONS:			
Printing	15,400	15,290	(110)
Telephone	11,200	11,937	737
Postage	19,800	22,562	2,762
Travel	19,765	15,888	(3,877)
Per diem	2,250	1,800	(450)
Total communications	68,415	67,477	(938)
GENERAL OFFICE:			
Rent	51,720	51,899	179
Supplies	6,900	6,295	(605)
Dues and subscriptions	6,372	6,238	(134)
Equipment rental	23,856	22,960	(896)
Equipment maintenance	12,600	5,697	(6,903)
Insurance	5,993	5,658	(335)
Microfilm	6,000	3,056	(2,944)
Miscellaneous	-	109	109
Training	4,575	5,563	988
Total general office	118,016	107,475	(10,541)
TOTAL ADMINISTRATIVE EXPENSES	$ 798,760	$ 788,671	$ (10,089)
INVESTMENT EXPENSES:			
Custodial Bank	$ 197,500	$ 198,216	$ 716
Investment consultant	37,000	23,500	(13,500)
TOTAL INVESTMENT EXPENSES	$ 234,500	$ 221,716	$ (12,784)
CAPITAL OUTLAYS	$ 3,000	$ 1,040	$ (1,960)

2002		
Budget	Actual	Variance over (under)
$ 358,259	$ 357,418	$ (841)
27,765	27,700	(65)
13,814	14,027	213
4,522	4,472	(50)
404,360	403,617	(743)
71,820	72,564	744
32,000	20,000	(12,000)
19,706	20,656	950
5,000	5,000	-
6,647	4,818	(1,829)
2,369	1,522	(847)
-	24,817	24,817
137,542	149,377	11,835
18,350	10,649	(7,701)
10,500	11,626	1,126
18,975	18,835	(140)
17,600	14,778	(2,822)
2,625	1,725	(900)
68,050	57,613	(10,437)
50,212	50,493	281
7,170	5,653	(1,517)
6,380	7,601	1,221
22,650	21,810	(840)
17,950	16,448	(1,502)
3,350	2,873	(477)
9,800	5,679	(4,121)
-	-	-
4,575	694	(3,881)
122,087	111,251	(10,836)
$ 732,039	$ 721,858	$ (10,181)
$ 188,000	$ 201,312	$ 13,312
23,000	20,340	(2,660)
$ 211,000	$ 221,652	$ 10,652
$ 52,700	$ 50,052	$ (2,648)

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "A"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	(UNFUNDED) SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE -						
BEGINNING	$ 247,757,144	$ 12,389,847	$ 466,377,088	$ 587,376,357	$ (95,073,516)	$ 1,218,826,920
REVENUES AND TRANSFERS:						
Employee contributions	37,413,422	-	-	-	-	37,413,422
Employer contributions	-	-	-	30,827,239	-	30,827,239
Tax collector contributions	-	-	-	3,538,595	-	3,538,595
Revenue sharing contributions	-	-	-	138,021	-	138,021
Net investment income	-	-	-	190,852,215	-	190,852,215
Miscellaneous income	-	-	-	25,749	-	25,749
Transfer from Annuity Savings	-	-	13,000,356	-	-	13,000,356
Transfer from Annuity Reserve	-	7,304,518	-	-	-	7,304,518
Interest - transfers, refund payback	-	-	-	1,612,221	-	1,612,221
Actuarial transfer	-	-	77,455,397	-	151,988,598	229,443,995
	37,413,422	7,304,518	90,455,753	226,994,040	151,988,598	514,156,331
EXPENDITURES AND TRANSFERS:						
Net investment expense	-	-	-	-	-	-
Refunds to terminated employees	7,207,211	-	-	-	-	7,207,211
Transfer to Annuity Reserve	13,000,356	-	-	-	-	13,000,356
Transfer to DROP	-	-	7,304,518	-	-	7,304,518
Pensions paid	-	-	55,592,921	-	-	55,592,921
Transfer to Expense Fund	-	-	-	40,748	-	40,748
DROP benefits	-	3,961,462	-	-	-	3,961,462
Actuarial transfer	-	-	-	229,443,995	-	229,443,995
Transfers to another system	209,577	-	-	679,041	-	888,618
	20,417,144	3,961,462	62,897,439	230,163,784	-	317,439,829
NET INCREASE (DECREASE)	16,996,278	3,343,056	27,558,314	(3,169,744)	151,988,598	196,716,502
BALANCE - ENDING	$ 264,753,422	$ 15,732,903	$ 493,935,402	$ 584,206,613	$ 56,915,082	$ 1,415,543,422

2002					
ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	UNFUNDED ACTUARIAL ACCRUED LIABILITY	TOTAL
$ 232,038,582	$ 9,531,017	$ 441,747,903	$ 643,422,845	$ (79,229,715)	$ 1,247,510,632
35,205,710	-	-	-	-	35,205,710
-	-	-	29,074,277	-	29,074,277
-	-	-	3,409,018	-	3,409,018
-	-	-	144,515	-	144,515
-	-	-	-	-	-
-	-	-	3,638	-	3,638
-	-	12,219,011	-	-	12,219,011
-	5,914,905	-	-	-	5,914,905
-	-	-	1,664,554	-	1,664,554
-	-	71,246,498	-	-	71,246,498
35,205,710	5,914,905	83,465,509	34,296,002	-	158,882,126
-	-	-	33,567,543	-	33,567,543
6,969,197	-	-	-	-	6,969,197
12,219,011	-	-	-	-	12,219,011
-	-	5,914,905	-	-	5,914,905
-	-	52,921,419	-	-	52,921,419
-	-	-	888,630	-	888,630
-	3,056,075	-	-	-	3,056,075
-	-	-	55,402,697	15,843,801	71,246,498
298,940	-	-	483,620	-	782,560
19,487,148	3,056,075	58,836,324	90,342,490	15,843,801	187,565,838
15,718,562	2,858,830	24,629,185	(56,046,488)	(15,843,801)	(28,683,712)
$ 247,757,144	$ 12,389,847	$ 466,377,088	$ 587,376,357	$ (95,073,516)	$ 1,218,826,920

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION - PLAN "B"
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003					
	ANNUITY SAVINGS	DROP	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCE -						
BEGINNING	$ 8,192,413	$ 412,713	$ 23,336,360	$ 52,631,377	$ 641,222	$ 85,214,085
REVENUES AND TRANSFERS:						
Employee contributions	1,583,608	-	-	-	-	1,583,608
Employer contributions	-	-	-	1,954,250	-	1,954,250
Net investment income	-	-	-	13,646,032	-	13,646,032
Tax collector contributions	-	-	-	497,655	-	497,655
Revenue sharing contributions	-	-	-	25,217	-	25,217
Miscellaneous income	-	-	-	377	-	377
Transfer from Annuity Savings	-	-	244,958	-	-	244,958
Transfer from Annuity Reserve	-	280,137	-	-	-	280,137
Interest - transfers refund payback	-	-	-	51,334	-	51,334
Actuarial transfer	-	-	1,704,455	-	8,736,390	10,440,845
	1,583,608	280,137	1,949,413	16,174,865	8,736,390	28,724,413
EXPENDITURES AND TRANSFERS:						
Refunds to terminated employees	282,609	-	-	-	-	282,609
Transfer to Annuity Reserve	244,958	-	-	-	-	244,958
Transfer to DROP	-	-	280,137	-	-	280,137
Pensions paid	-	-	-	2,862,948	-	2,862,948
Transfer to Expense Fund	-	-	-	252	-	252
DROP benefits	-	133,270	-	-	-	133,270
Actuarial transfer	-	-	-	10,440,845	-	10,440,845
Transfers to another system	19,659	-	-	61,459	-	81,118
	547,226	133,270	280,137	13,365,504	-	14,326,137
NET INCREASE						
(DECREASE)	1,036,382	146,867	1,669,276	2,809,361	8,736,390	14,398,276
BALANCE - ENDING	$ 9,228,795	$ 559,580	$ 25,005,636	$ 55,440,738	$ 9,377,612	$ 99,612,361

2002					
				SURPLUS	
ANNUITY		ANNUITY	PENSION	ACTUARIAL	
SAVINGS	DROP	RESERVE	ACCUMULATION	LIABILITY	TOTAL
$ 7,298,330	$ 274,695	$ 21,670,069	$ 54,164,574	$ 1,067,194	$ 84,474,862
1,626,607	-	-	-	-	1,626,607
-	-	-	1,491,742	-	1,491,742
-	-	-	15,847	-	15,847
-	-	-	459,200	-	459,200
-	-	-	14,211	-	14,211
-	-	-	199	-	199
-	-	508,496	-	-	508,496
-	211,095	-	-	-	211,095
-	-	-	229,557	-	229,557
-	-	3,997,488	-	-	3,997,488
1,626,607	211,095	4,505,984	2,210,756	-	8,554,442
211,995	-	-	-	-	211,995
508,496	-	-	-	-	508,496
-	-	211,095	-	-	211,095
-	-	2,628,598	-	-	2,628,598
-	-	-	111,370	-	111,370
-	73,077	-	-	-	73,077
-	-	-	3,571,516	425,972	3,997,488
12,033	-	-	61,067	-	73,100
732,524	73,077	2,839,693	3,743,953	425,972	7,815,219
894,083	138,018	1,666,291	(1,533,197)	(425,972)	739,223
$ 8,192,413	$ 412,713	$ 23,336,360	$ 52,631,377	$ 641,222	$ 85,214,085

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 2003 AND 2002

	2003	2002
Gwen Le Blanc	$ 375	$ 375
C. Reagan Sutton	375	375
Terri Rodrigue	375	300
Joseph Arabie	375	375
Thomas Nelson	300	300
TOTAL	$ 1,800	$ 1,725

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
DECEMBER 31, 1998 THROUGH 2003

PLAN A

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1998	$ 12,685,112	189.30%	$ 2,960,149	95.56%
1999	14,340,774	175.65%	2,831,754	102.87%
2000	18,225,616	145.17%	2,905,696	111.45%
2001	19,902,763	137.22%	3,051,546	110.93%
2002	26,639,688	109.14%	3,565,693	99.66%
2003	43,183,038	71.39%	3,725,026	98.70%

PLAN B

Year ended 12/31	Actuarial Required Contribution Employer	Percentage Contributed Employer	Actuarial Required Contribution Other Sources	Percentage Contributed Other Sources
1998	$ 591,248	150.79%	$ 346,450	95.49%
1999	840,278	119.04%	354,566	106.60%
2000	1,207,844	88.33%	374,209	96.36%
2001	1,137,155	113.32%	389,866	102.83%
2002	1,849,431	80.66%	490,729	96.47%
2003	2,866,570	68.17%	528,196	98.99%

For the years ended 1998 through 2002 for Plan A and the years ended 1998, 1999 and 2001 for Plan B, the actuarially required contribution differs significantly from actual contributions made due to the board of trustees' election to freeze the employer contribution rate at a higher level than required. The effect of this election is to reduce the number of years over which payments on the frozen unfunded accrued liability will be required for Plan A. In the case of Plan B, any excess contributions collected reduce future normal costs for the Plan.

During the year 2003 for Plan A and the years 2000, 2002 & 2003 for Plan B, the actuarially required contribution differs from actual contributions made due to state statute that requires the contributions rate be calculated and set two years prior to the effective year.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS PLAN A
DECEMBER 31, 1998 THROUGH 2003

	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Excess) AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/98	$ 960,159,912	$ 1,087,013,152	$ 126,853,240	88.33%	$ 307,631,138	41.24%
12/31/99	1,082,379,053	1,200,083,665	117,704,612	90.19%	323,096,742	36.43%
12/31/00	1,169,592,667	1,279,850,265	110,257,598	91.38%	337,142,274	32.70%
12/31/01	1,224,465,306	1,326,740,349	102,275,043	92.29%	352,458,011	29.01%
12/31/02	1,214,971,041	1,313,900,436	98,929,395	92.47%	372,814,126	26.54%
12/31/03	1,261,191,242	1,358,628,340	97,437,098	92.83%	396,330,869	24.58%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS – PLANS A & B
DECEMBER 31, 1998 THROUGH 2003

The information presented in the Schedule of Contributions – Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2003
Actuarial Cost Method	Plan A - Frozen Attained Age Normal Cost Plan B - Aggregate Actuarial Cost
Amortization Method	Plan A – The System uses the level percentage of projected payroll amortization cost. In accordance with state statute, the payment amounts increase at 4% each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis) Plan B – N/A
Remaining Amortization Period	Plan A - 14 years.
Asset Valuation Method:	
Bonds	Amortized Cost.
Equities	Market Value adjusted to reflect a three-year smoothing of realized and unrealized capital gains. Expense fund assets are allocated to each plan in proportion to reported payroll.
Actuarial Assumptions	
Investment Rate of Return	8%
Projected Salary Increases	Plan A - 6% Plan B - 6%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Change in Normal Cost	The System incurred an increase in normal cost for Plan A and Plan B in the amounts of $7,295,112 and $208,310 for the year ending December 31, 2003 due to use of the smoothing method which recognized prior years unfavorable asset experience in the current year. The effect of the changes in normal cost for the years ending subsequent to December 31, 2003 has not yet been determined.
Change in Assumptions	The System changed its methodology for determining the present value of certain survivor and vested benefits. The effect of this change was a decrease in normal cost in the amount of $1,477,993 for Plan A and an increase in normal cost in the amount of $44,143 for Plan B.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 31, 2004

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2003 and have issued our report thereon dated March 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether Parochial Employees' Retirement System'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 Parochial Employees' Retirement System'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 a material weakness. 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 a material weakness. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Parochial Employees' Retirement System of Louisiana, in a separate letter dated March 31, 2004.

This report is intended solely for the use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana and management, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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March 31, 2004

To the Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

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 errors or fraud 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 and its operations that we consider to be material weaknesses as defined above.

We noted other matters during the course of the audit, which we feel should be presented to management:

During the audit it was discovered that the System did not reconcile the DROP and Annunity Savings reports to the general ledger. Not reconciling the DROP and Annuity Savings reports with the general ledger could result in the incorrect reporting of participant's DROP or Annuity Savings balances. In addition, the System did not maintain an all-inclusive list of new retirees or new DROP participants. Not maintaining an all inclusive list results in a time consuming and difficult reconciliation process. We recommend that the DROP and Annuity Savings reports be reconciled with the general ledger on a monthly basis. We also recommend the System maintain an all-inclusive list of new retirees and DROP participants.

Lastly, it was noted during our audit that several parishes did not remit ad valorem or revenue sharing funds on a timely basis. The System did identify these parishes during the year but did not investigate or collect the non-payment. Not receiving ad valorem or revenue sharing funds from all parishes required could result in a loss of funds. We recommend that the System develop procedures to investigate any non-payments for collection.

This report is intended solely for the information and use of the Board of Trustees of Parochial Employees' Retirement System of Louisiana, management, others within administration and the Legislative Auditor, State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN, & MAHER, LLP

Michelle H. Cunningham

Michelle H. Cunningham, CPA
Partner

MHC/ct

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March 31, 2004

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804

SCHEDULES AND DATA COLLECTION FORM

SECTION 1: SUMMARY OF AUDITOR'S REPORT

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of Parochial Employees' Retirement System as of December 31, 2003 and have issued our report thereon dated March 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2003 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS:

Internal Control:

Material weakness – None noted.

Reportable conditions – None noted.

Compliance:

Noncompliance material to financial statements – None noted

Management Letter:

See current year findings 03-01 through 03-03

SECTION 2: FINANCIAL STATEMENTS FINDINGS

A. CURRENT YEAR FINDINGS:

03-01 – DROP RECONCILIATION:

The DROP subsidiary ledger is not reconciled to the general ledger. Not reconciling the DROP subsidiary ledger with the general ledger could result in the incorrect reporting of participant's balance. In addition, the System does not maintain an all-inclusive list of new DROP participants. Not maintaining an all inclusive list results in a time consuming and difficult reconciliation process. The DROP subsidiary ledger is the source of account transactions. It offers support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend the System develop formal reconciliation procedures to ensure the DROP subsidiary ledger is reconciled with the general ledger.

03-02 – ANNUITY SAVINGS RECONCILIATION:

The Annuity Savings subsidiary ledger is not reconciled to the general ledger. Not reconciling the DROP subsidiary ledger with the general ledger could result in the incorrect reporting of participant's balance. In addition, the System does not maintain an all-inclusive list of new retirees to assist in the reconciliation of Annuity Savings. Not maintaining an all inclusive list results in a time consuming and difficult reconciliation process. The Annuity Savings ledger is the source of account transactions. It offers support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend the System develop formal reconciliation procedures to ensure the Annuity Savings subsidiary ledger is reconciled with the general ledger.

03-03 – COLLECTION OF RECEIVABLES:

The System did not have procedures in place to collect ad valorem and revenue sharing receivables on a timely basis. The System has procedures in place to determine if parishes have not remitted their required payments, however, there were no procedures in place to investigate and collect any non-payment. If payments have not been received by the due date the System should investigate the non-payment. Not receiving ad valorem or revenue sharing funds from all parishes required to submit could result in a loss of funds. It is our understanding that the System in now investigating and collecting these receivables.

B. PRIOR YEAR FINDINGS:

None noted

Parochial Employees' Retirement System

OF LOUISIANA

THOMAS B. SIMS, C.F.A., ADMINISTRATIVE DIRECTOR

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June 25, 2004

Mr. Steve Theriot
Office of the Legislative Auditor
1600 North 3rd St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

In conjunction with Parochial's recent audit by Duplantier, Hrapmann, Hogan and Maher, a letter of reportable conditions was issued.

All three matters noted in the letter have been discussed with DHHM staff and with Parochial's Board of Trustees.

First, we have now collected all ad valorem taxes and revenue sharing funds that are due. We have determined appropriate deadlines for these payments and will contact the proper offices for payments not made by that date.

Secondly, we now have a report that includes all retirees. We are currently working on the list of all DROP participants.

Finally, we have begun the work that we believe will enable us to reconcile the DROP and Annuity Savings reports with the general ledger on a monthly basis.

If your office has any questions concerning these points, please contact me at 928-1361.

Sincerely,

Tom Sims

Tom Sims
Administrative Director