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LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

JUNE 30, 2004

Postlethwaite & Netterville

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COMPONENT UNIT FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of LASERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets as of June 30, 2004 and 2003, and the changes therein for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2004, on our consideration of LASERS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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.

The Management Discussion and Analysis and the other required supplemental information on pages 3 through 6 and 31 through 32, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedules on pages 34 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 3, 2004

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

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

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

We have audited the financial statements of Louisiana State Employees' Retirement System (LASERS), a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 3, 2004. We conducted our audit in accordance with 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.

Compliance
As part of obtaining reasonable assurance about whether LASERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 LASERS' 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 of 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 information of the Board of Trustees, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under La. Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
September 3, 2004

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
P.O. BOX 44213 • BATON ROUGE, LOUISIANA 70804-4213
8401 UNITED PLAZA BLVD.
BATON ROUGE, LA 70809
VOICE: 225-922-0600
TOLL-FREE: 1-800-256-3000
www.lasers.state.la.us

Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the Louisiana State Employees' Retirement System (LASERS) for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information furnished in the Transmittal Letter of LASERS' Comprehensive Annual Financial Report (CAFR), which is issued separately at a later date.

Financial Highlights

- As of June 30, 2004, LASERS' Plan Net Assets held in Trust for the payment of benefits is $6,608,025,129, an increase of $889,281,150, or about 15.6%, from the prior year. The primary causes of the increase are the increases in the financial markets that impacted LASERS' investment performance and a rise in contributions. All of the Plan Net Assets are available to meet LASERS' ongoing obligations to its members, retirees and beneficiaries.
- In 2004, LASERS' total revenue (Additions to Plan Assets) for the fiscal year was $1,504,618,279 compared to $679,748,580 in 2003. The net positive revenue consisted of employer and employee contributions totaling $499,268,795, investment income of $996,024,095 (net of manager fees), and miscellaneous income of $9,325,389. The largest increase in revenue is from investment income as a result of a $630,822,217 gain in unrealized income. See Table 2 for further details.
- Expenses (Deductions in Plan Assets) for fiscal year 2004 were $615,337,129, an increase of $34,454,294, or approximately 5.9%, from the prior year. The increase is primarily due to an increase in the number of retirees and an increase in benefit payments as a result of an increase in the average retirement benefit. See Table 3 of this analysis report for further details.
- LASERS' funding objective is to fund its long-term benefit obligations through contributions and investment income by the year 2029. As of June 30, 2004, the actuarial funded ratio of assets to liabilities is 59.6%. This ratio means that LASERS currently has about 60 cents for every dollar of future benefits to be paid to state employees.
- In February 2004, the Public Employees' Retirement Systems' Actuarial Committee (PERSAC) ruled that including the negative Employee Experience Account Balance in funding calculations violated constitutional funding requirements. This ruling resulted in a $686,860,302 increase in the Unfunded Actuarial Accrued Liability and a 6.2% decrease in the Plan's Funded Ratio.
- Act 588 of the 2004 Regular Session made significant changes to prospective funding of the Plan. The outstanding balance of changes in liabilities from 1993 – 1998 were re-amortized as a level dollar amount through 2029. The amortization period for changes in liabilities beginning with 1999 were extended to a thirty-year period from the date of occurrence. A minimum employer contribution rate of 15.5% and an Employer Credit Account were established for excess contributions.

Overview of the Financial Statements

The following discussion and analysis is intended to serve as an introduction to LASERS' financial statements, which are comprised of comparative Statements of Plan Net Assets, comparative Statements of Changes in Plan Net Assets, and Notes to the Financial Statements. This report also contains other required supplementary information and supporting schedules in addition to the basic financial statements themselves.

The Comparative Statements of Plan Net Assets is a snapshot of account balances at year-end. It indicates the assets of the fund, current liabilities that are owed, and the funds available for future payments (assets less liabilities) at that point in time.

The Comparative Statements of Changes in Plan Net Assets, on the other hand, provides a view of current year activity, both additions and deductions to the plan.

Both statements are in compliance with applicable Governmental Accounting Standards Board (GASB) Statements, including Nos. 25 and 34. These pronouncements require state and local governments to use the full accrual method of accounting and to provide certain disclosures in the footnotes. LASERS complies with all material requirements of these pronouncements.

The Comparative Statements of Plan Net Assets and the Comparative Statements of Changes in Plan Net Assets report information about LASERS' activities. These statements include all assets and liabilities, using the accrual basis of accounting. All investment gains and losses are shown on a trade date basis, not settlement date. In addition, both realized and unrealized gains and losses on investments are shown, and all fixed assets are depreciated over their useful lives. (See LASERS' financial statements following this discussion and analysis.)

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See *Notes to the Financial Statements* beginning on page 9 of this report.)

Required Supplementary Information provides additional information and detail concerning LASERS' progress in funding its obligations, the history of employers' contributions and schedules of trend data. (See *Required Supplementary Information* beginning on page 30 of this report.)

The ***Supporting Schedules*** section includes the schedules of administrative expenses, investment manager fees and other investment expenses, and payments to consultants. (See *Supporting Schedules* beginning on page 33 of this report.)

Financial Analysis

LASERS' financial position is measured in several ways. One way is to determine the Plan Net Assets (difference between total assets and total liabilities) available to pay benefits. Over time, increases and decreases in LASERS' Plan Net Assets indicate whether its financial health is improving or deteriorating. Other factors, such as financial market conditions, should also be taken into consideration when measuring LASERS' overall health.

LASERS' Plan Net Assets as of June 30, 2004, totaled $6,608,025,129. All of the Plan Net Assets are available to meet LASERS' ongoing obligations to members, retirees and beneficiaries (See Table 1 on page 5).

LASERS' Plan Net Assets held in trust for the payment of benefits steadily increased over the past decade until the fiscal year ending June 30, 2001, when there was a downturn in the investment market; however, in fiscal year 2003 Plan Net Assets began to rise again. In the year ending June 30, 2004, Plan Net Assets increased by

$889,281,150, or 15.6%, due primarily to a rise in the financial markets and an increase in contributions received. Despite past volatility in the financial markets, LASERS remains in a strong financial position to meet its obligations to LASERS' members, retirees and beneficiaries with a positive net operating cash flow of $9.3 million during the fiscal year (excludes both realized and unrealized investment gains and losses). LASERS constantly reviews its asset allocation strategies and makes minor adjustments in order to maximize return while maintaining adequate liquidity. LASERS is a long term investor in the market and believes, based on history, that such a strategy is prudent and profitable.

Table 1 - LASERS' Plan Net Assets

	2004	2003	Increase/ (Decrease)	Percentage Change
Cash	$ 48,821,649	$ 91,561,494	($ 42,739,845)	(46.7%)
Receivables	70,640,412	89,712,158	(19,071,746)	(21.2%)
Investments, at Fair Value	6,534,373,479	5,630,344,262	904,029,217	16.1%
Capital Assets	5,317,429	5,657,742	(340,313)	(6.0%)
Total Assets	**$6,659,152,969**	**$5,817,275,656**	**841,877,313**	**14.5%**
Total Liabilities	**51,127,840**	**98,531,677**	**(47,403,837)**	**(48.1%)**
LASERS' Plan Net Assets	**$6,608,025,129**	**$5,718,743,979**	**$ 889,281,150**	**15.6%**

LASERS' Activities

A rise in the market value of invested assets and increases in contributions as a result of higher salaries and increased employer contribution percentage increased Plan Net Assets by $889,281,150, a 15.6% gain at year end compared to a 1.8% gain experienced at June 30, 2003. Key elements of this increase are described in the sections that follow.

Revenues – Additions (Losses) to Plan Assets

The revenues needed to finance retirement benefits are accumulated primarily through the collection of employer and employee contributions and earnings on investments (net of investment expenses). Revenue gains for the fiscal year ended June 30, 2004, totaled $1,504,618,279. (See Table 2 following.)

Table 2 - Contributions and Investment Earnings

	2004	2003	Increase/ (Decrease)	Percentage Change
Employer Contributions	$ 335,991,617	$ 292,290,126	$ 43,701,491	15.0%
Employee Contributions	163,277,178	159,469,854	3,807,324	2.4%
*Investment Gain/(Loss) **	996,024,095	212,851,563	783,172,532	367.9%
Miscellaneous	9,325,389	15,137,037	(5,811,648)	(38.4%)
Total	**$1,504,618,279**	**$ 679,748,580**	**$ 824,869,699**	**121.4%**

* Net of investment manager fees of $20,266,725 and $16,901,210 for June 30, 2004, and June 30, 2003.

Contributions increased as a result of higher annual payroll overall and an increase in employer rate from 14.1% to 15.8%. The increase was required to meet the constitutional mandate of the system being fully funded by 2029. Also, since investments had a gain as the result of realized and unrealized gains and losses incurred during the year, revenues had a net increase of $824,869,699, or 121.4%, from the prior year. The Investment Section of LASERS' CAFR provides more detail concerning the investment activity for the fiscal year ended June 30, 2004.

Expenses – Deductions from Plan Assets

LASERS was created to provide lifetime retirement, survivor, and disability benefits to qualified LASERS' members. The cost of such programs includes recurring benefit payments, refund of contributions to terminated employees, and the cost of administering LASERS.

Deductions for the fiscal year ending June 30, 2004, totaled $615,337,129, an increase of approximately 5.9% over June 30, 2003 (see Table 3 below). The increase in benefits paid resulted from an increase in retirees and an increase in the average benefit resulting from the higher average salary history of the newer retirees. Total additions of $1,504,618,279 less total deductions of $615,337,129 resulted in a net increase in Plan Net Assets of $889,281,150. A detail of Administrative expense activity can be found in the Schedule of Administrative and Investment Expenses – Budget and Actual on page 35.

Table 3 - Benefit Payments and Other Expenses

	2004	2003	Increase/ (Decrease) Amount	Percentage Change
Benefit Payments	$ 573,152,747	$ 544,009,581	$ 29,143,166	5.4%
Refund of Contributions	28,760,064	25,043,817	3,716,247	14.8%
Administrative Expense	12,629,058	10,196,507	2,432,551	23.9%
Other Expenses	795,260	1,632,930	(837,670)	(51.3%)
Total	**$ 615,337,129**	**$ 580,882,835**	**$ 34,454,294**	**5.9%**

Request for Information

The CAFR is designed to provide LASERS' Board of Trustees, our membership, taxpayers, investment managers, and creditors with a general overview of LASERS' financial position and to show accountability for the funds it receives. It is available in its entirety on the Louisiana State Employees' Retirement Systems' web site (in Adobe Acrobat) at www.lasers.state.la.us.

Questions concerning any of the information provided in this report or the CAFR, or requests for additional financial information, should be addressed to:

LASERS
8401 United Plaza Blvd., Baton Rouge, LA 70809
PO Box 44213, Baton Rouge, LA 70804-4213

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2004 AND 2003

	2004	2003
ASSETS		
Cash and Cash Equivalents (at fair value)	$ 48,821,649	$ 91,561,494
Receivables:		
Employer Contributions	23,542,144	20,186,471
Member Contributions	11,440,448	11,013,639
Interest and Dividends	26,363,975	29,644,425
Investment Proceeds	6,813,288	27,771,546
Open Investment Contracts	1,796,303	255,914
Other	684,254	840,163
Total Receivables	70,640,412	89,712,158
Investments (at fair value):		
Short-term Investments - Domestic	406,659,192	172,524,924
U. S. Government Obligations	453,183,609	675,181,505
Bonds/Fixed Income - Domestic	653,811,272	863,268,859
Bonds/Fixed Income - International	425,666,540	370,356,361
Equity Securities - Domestic	2,997,721,043	2,370,603,802
Equity Securities - International	1,094,007,887	852,278,899
Real Estate Investments	36,559,190	31,238,732
Alternative Investments	466,764,746	294,891,180
Total Investments	6,534,373,479	5,630,344,262
Property and Equipment (at cost):		
Land	858,390	858,390
Building and Improvements	5,149,223	5,131,565
Equipment	8,976,375	8,652,667
Total Property and Equipment	14,983,988	14,642,622
Accumulated Depreciation	(9,666,559)	(8,984,880)
Property and Equipment - Net	5,317,429	5,657,742
TOTAL ASSETS	6,659,152,969	5,817,275,656
LIABILITIES		
Investment Commitments Payable	41,407,685	93,197,172
Accounts Payable - Open Investment Contracts	1,796,302	255,914
Accounts Payable and Other Accrued Liabilities	7,923,853	5,078,591
TOTAL LIABILITIES	51,127,840	98,531,677
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 6,608,025,129	$ 5,718,743,979

The accompanying notes are an integral part of these statements.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

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

	2004	2003
ADDITIONS		
Contributions:		
Employer Contributions	$ 335,991,617	$ 292,290,126
Member Contributions	163,277,178	159,469,854
Total Contributions	$499,268,795	$451,759,980
Investment Income:		
Net Appreciation in		
Fair Value of Investments	879,933,623	45,767,189
Interest and Dividends	133,200,790	177,513,699
Other Investment Income	3,156,407	6,471,885
	1,016,290,820	229,752,773
Less Investment Fee Expense	20,266,725	16,901,210
Net Investment Income	996,024,095	212,851,563
Other Income	9,325,389	15,137,037
Total Additions	1,504,618,279	679,748,580
DEDUCTIONS		
Retirement Benefits	573,152,747	544,009,581
Refunds of Member Contributions	28,760,064	25,043,817
Administrative Expenses	12,629,058	10,196,507
Other	795,260	1,632,930
Total Deductions	615,337,129	580,882,835
NET INCREASE	889,281,150	98,865,745
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of Year	5,718,743,979	5,619,878,234
End of Year	$ 6,608,025,129	$ 5,718,743,979

The accompanying notes are an integral part of these statements.

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A. PLAN DESCRIPTION

General Organization

The Louisiana State Employees' Retirement System ("LASERS" or the "System") is the administrator of a single-employer defined benefit pension plan and is a component unit of the State of Louisiana included in the state's CAFR as a pension trust fund. The System was established and provided for within Title 11 Chapter 401 of the Louisiana Revised Statutes (LRS).

In May 2002, the Governmental Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units* which amended Statement No. 14, *The Financial Reporting Entity*. The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens 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.

Plan Membership

The System is one of several public retirement systems in Louisiana. Each system has specific membership requirements established by legislation with LASERS established for state officers and employees and their beneficiaries. Other public employers report members who retained membership in LASERS upon transfer to other public systems or as provided by specific legislation. A summary of government employers and members participating in LASERS at June 30, 2004 and 2003 follows:

	2004		2003	
Type of Employer	Number of Employers	Number of Members	Number of Employers	Number of Members
State Agencies	216	63,874	214	65,122
Other Public Employers	131	275	136	319
	347	64,149	350	65,441
Type of Active Members				
Regular State Employees		58,226		59,056
Corrections Employees		5,328		5,628
Judges		324		326
Wildlife Agents		217		370
Legislators		54		61
Total Active Members		64,149		65,441

A. **PLAN DESCRIPTION** (continued)

Plan Membership (continued)

At June 30, 2004 and 2003, membership consisted of:

	2004	2003
Retirees and beneficiaries currently receiving benefits	33,456	32,757
Terminated vested employees not yet receiving benefits	1,324	1,317
Deferred retirement option plan participants	2,835	2,768
Terminated non-vested employees who have not withdrawn employee contributions	35,955	30,940
Current active members	64,149	65,441
	137,719	133,223

DEFINED BENEFIT PLAN

Eligibility Requirements

All state employees except certain classes of employees specifically excluded by statute become members of the System as a condition of employment unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS.

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute and vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age upon completing 30 years of creditable service, to age 60 upon completing ten years of creditable service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit.

The basic annual retirement benefit for substantially all members is equal to 2-1/2% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or certain specified dollar amounts of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefit, a member may elect to receive his retirement benefits under any one of six different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

A. PLAN DESCRIPTION (continued)

DEFINED BENEFIT PLAN - Retirement (continued)

A member leaving employment before attaining minimum retirement age but after completing certain minimum service requirements becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw his accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

Deferred Benefits

The state legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). 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 for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. Interest at a rate of one-half percent less than the system's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account.

Effective January 1, 1996, members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amount may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Effective January 1, 2004, under Act 818 of the 2003 Regular Session, LASERS established a Self-Directed DROP Plan (SDDP) administered by a third-party provider under contract with LASERS. The SDDP allows DROP/IBO participants to choose from a menu of investment options for the allocation of their DROP/IBO balances. Participants may diversify their investments by choosing fixed investment options and mutual funds from asset classes with different holdings, management styles, and risk factors.

DROP/IBO participants have the option to choose the LASERS' DROP/IBO account, or the new SDDP, if the participant:

- retired and selected the IBO before January 1, 2004, or
- had a DROP start date before January 1, 2004, or
- was eligible for regular retirement before January 1, 2004, continued to work, and later entered DROP within the three-year sixty-day window, or took the IBO, or
- was the spousal beneficiary of a DROP/IBO account.

A. **PLAN DESCRIPTION** (continued)

DEFINED BENEFIT PLAN (continued)

Disability Benefits

Substantially all members with ten or more years credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Supplemental Benefit Adjustments

Previous statutes allowed the Board of Trustees to make annual supplemental cost-of-living adjustments (COLAs) each year when the System's Actuary and the State Legislative Actuary certified that LASERS was systematically approaching actuarial soundness, if such COLAs had not already been enacted by the legislature. The COLAs could not be greater than 3% in any year. These adjustments were computed on the base retirement or survivors' benefit. Benefit increases have occurred under the statutes in various years since 1970 and have been limited to the 3% amount. In addition, several other COLAs or supplemental benefit payments have occurred in the past as a result of legislation, some being paid from investment income, and others being paid from funds appropriated by the state legislature. COLAs were granted in 1980, 1981, 1984, 1986 and 1991. The last COLA from appropriations of funds was granted on September 1, 1991.

In 1992, Act 1031 created an Employee Experience Account to accumulate one-half of any returns above the target return rate of 8.25%. Such accumulations are offset when returns do not meet the target rate. In 1999, additional legislation was added to provide a permanent mechanism and guidelines for COLAs.

Act 900 of 2001 provided legislation for a Minimum Retirement Benefit funded by the Employee Experience Account. The Minimum Retirement Benefit was designed to increase benefits for those members who had been retired the longest and were receiving a relatively small benefit. This additional monthly benefit provided a benefit increase for 1,485 retirees. The Employee Experience Account provided COLAs in 1996 and 1998 through 2002.

In 2001, Act 1016 provided for an additional 1% COLA when the actuarial return exceeds 8.25%. Act 1016 legislation limited the COLA to the first $70,000 of a member's benefit and provided for the $70,000 to be increased each year in an amount equal to any increase in the consumer price index (U.S. city average for all

A. **PLAN DESCRIPTION** (continued)

DEFINED BENEFIT PLAN- Supplemental Benefit Adjustments (continued)

urban consumers (CPI-U)) for the preceding year. In addition, the legislation provided that any COLA increase shall begin on July 1st following legislative approval.

Following the events of September 11, 2001, financial market volatility (the relative ups and downs) was redefined. As a result, by June 30, 2003, the balance in the Employee Experience Account was ($634,512,981). In February 2004, the Louisiana Public Employees' Retirement Systems' Actuarial Committee (PERSAC) ruled that the negative balance violated constitutional funding requirements and should not be included in funding calculations. This ruling resulted in a 6.2% decrease in the Plan's Funded Ratio as of June 30, 2004.

Act 588 of the 2004 Regular Session made significant changes to prospective funding for COLAs. The outstanding balance of changes in liabilities from 1993 – 1998 were re-amortized as a level dollar amount through 2029. The amortization period for changes in liabilities beginning with 1999 were extended to a thirty-year period from the date of occurrence, in accordance with GASB. A minimum employer contribution rate of 15.5% and an Employer Credit Account were established for excess contributions. Act 588 also reset the Employee Experience Account to zero and thereafter limited the account balance to no more than the reserve for two COLAs. The Employer Credit Account has an initial value of zero. Its purpose is to accumulate the excess of the minimum rate of 15.5% over the actuarially required employer contribution for the fiscal year and will accumulate interest at the actuarial rate of return earned annually by the System.

The process for granting COLAs was also changed by Act 588. Under Act 588, the Board of Trustees may not grant a COLA increase unless it has been approved by the legislature by a concurrent resolution adopted by the favorable vote of a majority of the elected members of each house. LASERS' Board of Trustees may recommend to the Legislature that a COLA increase be granted if the Employee Experience Account is sufficient to fund such a benefit fully on an actuarial basis, as determined by the System's Actuary.

DEFINED CONTRIBUTION COMPONENT

Optional Retirement Plan

The 1999 Regular Legislative Session, in Act 1320, established the Optional Retirement Plan (ORP), which functions as a defined contribution component of LASERS for certain unclassified employees who otherwise would be eligible to become members of LASERS. The ORP was established to provide retirement and death benefits to eligible participants while affording the maximum portability of these benefits to the participants. Investment options for participants are established by the ORP provider and selected by the participant. ORP balances are held by the ORP provider in separate accounts in each participant's name. Vesting in the system is immediate in all funds submitted to the ORP provider by LASERS on behalf of the participant. The ORP does not contain special provisions for disability benefits, and death benefits are paid out by the provider in accordance with Internal Revenue Code provisions. All other benefit obligations are the sole obligation of the ORP.

The effective date of the Plan established by Act 1320 was July 1, 2000 with a sunset provision for June 30,

A. **PLAN DESCRIPTION** (continued)

DEFINED CONTRIBUTION COMPONENT - Optional Retirement Plan (continued)

2001. Each eligible member had a window of opportunity to join the ORP. The sunset provision of Act 1320 was exercised on June 30, 2001, but ORP was re-opened effective May 1, 2002 by Act 136 of the First Extraordinary Session of the Legislature. The basic eligibility and purpose of ORP remained unchanged. A new sunset provision date was set to December 7, 2003. Those in an eligible position prior to May 1, 2002, had 90 days, or until July 31, 2002, to make this election. Those placed in an eligible position on or after May 1, 2002, and on or before December 7, 2003, had 90 days from their date of appointment to make the election.

The ORP was revised by Act 923 of the 2004 Legislative Session with an effective date of July 1, 2004 and a sunset date of December 7, 2007. Act 923 allows for any current participating member of the Defined Benefit Plan (DBP), who would otherwise be eligible for the ORP as of December 7, 2003, to make an irrevocable election to participate in the ORP. The member had until August 31, 2004 to file this election in writing with LASERS, or the member remained in the DBP. If this election was made, then only the employee contributions maintained by LASERS in the DBP for that member were transferred to the ORP provider. All service credit and employer contributions in the DBP were forfeited. If the employee had refunded service credit from the DBP, that employee must have repaid the refund prior to enrollment in the ORP to transfer employee contributions, or forfeited the right to repay the refunded service credit. After enrollment in the ORP the employee is not permitted to purchase service credit from the DBP. Additionally, Act 923 provided that anyone who elected to participate in the ORP in lieu of the DBP before July 31, 2002, may regain membership in the DBP by complying with certain provisions, designed to ensure that there is no additional actuarial cost to the System as a result of such transfers. All such transfers must be completed prior to retirement or entry into DROP. No member will be allowed to retain credit in both the ORP and the DBP.

For employees hired on or after July 1, 2004, the irrevocable election to participate in the ORP must be made in writing and filed with LASERS within 60 days after the eligible employee begins work. Elections shall be effective as of the date of appointment. If an eligible employee fails to make an election to participate in the ORP within sixty days of appointment, he shall become a member of the DBP as of the date of appointment.

Eligible employees may make a voluntary irrevocable election to participate in the ORP rather than the DBP. If an eligible employee fails to make an election for the ORP within the election period established by the legislature, the employee automatically becomes a member of the DBP. Members who elect to join the ORP shall not be considered eligible for any benefits provided from the DBP, forfeiting all service credit. As of June 30, 2004, the number of participants in the ORP is 53. Employee contributions in the ORP plan equal 7.5% of earned income. From this contribution, LASERS receives 1% of earned income for administrative fees.

Employer contributions shall be the same amount as would have been contributed in the DBP. For ORP participants, the employer rate for normal employer cost is transferred to the employees' ORP accounts and the Unfunded Liability portion of the employers' contributions are used to reduce the Plan's Unfunded Liability. For the year ended June 30, 2004, the employer rate was 15.8%, which included the normal

A. **PLAN DESCRIPTION** (continued)

DEFINED CONTRIBUTION COMPONENT - Optional Retirement Plan (continued)

employer cost of 6.7529% and the Unfunded Liability rate of 9.047%. The total amount retained by the System during the fiscal year for the Unfunded Liability was $398,180.

B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

LASERS' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred. Investment purchases and sales are recorded as of their trade date. State fund appropriations for supplemental benefits are recognized when drawn from the State Treasury. Employer and member contributions are recorded in the period the related salaries are earned. Administrative expenses are funded exclusively from investment earnings and are subject to budgetary control of the Board of Trustees. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of 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.

Method Used to Value Investments

As required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are reported at fair value. Short-term investments are reported at market value when published prices are available, or 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. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of estimated future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Pension plan investments and financial statements are subject to market fluctuations that can rapidly change the fair value on a day-to-day basis. Such market swings can create material changes in unrealized appreciation (depreciation) of investments. LASERS is a long-term investor whose overall investment decisions and policies are not based on daily market swings.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are carried at historical cost. Depreciation is computed using the straight-line method based upon useful lives of 40 years for building and 3 to 15 years for equipment and furniture. For the year ended June 2004, the capitalization threshold of property and equipment was $1,000.

LASERS is a 50% co-owner of the Louisiana Retirement Systems building and related land with Teachers' Retirement System of Louisiana.

Compensated Absences

The System pays a lump sum amount for a maximum of 300 hours of accrued personal leave upon termination of employment. Accumulated personal leave (including benefits) of employees directly related to the administration of the System is accrued, when earned, in the financial statements.

Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform with current year presentation.

C. CONTRIBUTIONS

Member Contributions

Member contribution rates for the System are established by LRS 11:62. Member contributions are deducted from their salary and remitted to the System by participating employers. The rates in effect during the years ended June 30, 2004 and 2003, for the various types of members are as follows:

Type	% of Earned Compensation	
	2004	2003
Judges, court officers and legislators, the Governor and Lt. Governor	11.5%	11.5%
Clerk of the House of Representatives and Secretary of the Senate	9.5%	9.5%
Certain Department of Corrections employees	9.0%	9.0%
Certain Department of Wildlife and Fisheries employees	9.5%	8.5%
Certain Bridge Police employees	8.5%	8.5%
All others	7.5%	7.5%

A member's claim is established for member contributions less amounts transferred to reserves for retirement and amounts refunded to terminated members. If a member leaves covered employment or dies before any benefits become payable on his behalf, the accumulated contributions may be refunded to the member or his designated beneficiary. Similarly, accumulated contributions in excess of any benefits paid to a member or his survivors are refunded to the member's beneficiary or his estate upon cessation of any survivor's benefits.

C. CONTRIBUTIONS *(continued)*

Employer Contributions

Each employer is required to contribute a percentage of each employee's earned compensation to finance participation of its employees in LASERS. The employer's contribution rate is established under LRS 11:101-11:104 annually by PERSAC, considering the recommendation of the System's Actuary. In February 2004, PERSAC ruled that the negative Employee Experience Account balance must be removed from the funding calculations, and reset the employer contribution rate for the 2004-2005 plan year from the 17.2% recommended by the System's Actuary to 19.1%. Act 588 of the 2004 Regular Session modified the Plan's amortization schedule, reducing the contribution rate to 17.9%. On June 30, 2004, PERSAC reset the rate officially for the 2004-2005 plan year at 17.8%. This rate of employer contribution is 0.8% less than the 18.6% required employer contribution rate recommended in the 2003-2004 System Actuary's Valuation.

Shown below are the rates for the years ended June 30, 2004 and 2003.

	2004	2003
Percent of members' earned compensation	15.8%	14.1%

The State's pension cost and net pension obligation to LASERS for the years ended June 30, 2004 and 2003 is as follows:

	2004	2003
Actuarial required contribution	$ 367,881,226	$ 326,335,197
Interest on net pension obligation	1,751,076	168,933
Adjustment to annual required contribution	(4,702,134)	2,268,608
Annual pension cost-interest adjusted to end of year	364,930,168	328,772,738
Contributions made	(350,787,845)	(309,595,244)
Increase (decrease) in net pension obligation	14,142,323	19,177,494
Net pension obligation beginning of year	21,225,164	2,047,670
Net pension obligation end of year	$ 35,367,487	$ 21,225,164

The Annual Pension Cost (APC) has been adjusted with interest at the valuation rate to the end of the fiscal year in accordance with GASB's Statement No. 27.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) (Value at Midyear)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	$281,791,315	96.3%	$ 2,047,670
6/30/03	$328,772,738	94.1%	$ 21,225,164
6/30/04	$364,930,168	96.1%	$ 35,367,487

C. CONTRIBUTIONS (continued)

Transfer of Service

Any Louisiana public retirement or pension system member who has six months of creditable service and who has membership credit in any other such system has the option of transferring all of this credit to the member's current system. The transferring system is required to transfer to the member's current system the greater of all employee and employer contributions plus interest compounded annually at the board approved actuarial valuation rate of the transferring system or the actuarial liability. In the event that the contributions transferred are less than the contributions which would have been made had the service been in his current system, the member has the option of either paying the difference plus interest or having his credited service decreased based upon the amount of contributions transferred.

D. CASH AND INVESTMENTS

Deposit and Investment Risk Disclosures

The tables presented below include disclosures of credit, interest rate and foreign currency risks in accordance with GASB 40 and are designed to inform financial statement users about investment risks that could affect LASERS' ability to meet its obligations. These tables classify investments by risk type, while the financial statements present investments by asset class; thus, the totals shown on the tables may not be comparable to the amounts shown for the individual asset classes on the financial statements. For issues or issuers of investment-grade quality, S&P assigns the credit ratings AAA, AA, A, and BBB, while Moody's uses Aaa, Aa, A, and Baa. (Both agencies introduced rating modifiers in the early 1980's: S&P using plus and minus signs, and Moody's using 1, 2 and 3). For issues or issuers of non-investment-grade quality, S&P assigns ratings of BB, B, CCC, CC, C, and D, while Moody's uses Ba, B, Caa, Ca, and C (again with modifiers). The higher the rating, the less likely the chance of default (defined as an issuer's not making a payment of principal or interest on time). According to S&P's definition, a triple-A rating means that the issuer has an "extremely strong capacity to pay interest and repay principal on time", whereas, a C rating means a "high risk of default or reliance on third parties to prevent default."

Cash and Cash Equivalents

Cash and cash equivalents include cash deposited in banks and short term repurchase agreements. Cash is insured by the Federal Deposit Insurance Corporation up to $100,000, and cash equivalents are collateralized by the pledge of government securities held by the agents in the entity's name. These are category 1 funds. Category 1 funds include investments that are insured or registered, or securities that are held by the System or its agent in the System's name. Category 2 funds include uninsured and unregistered investments with securities held by the counterparty's trust department, or agent, in the System's name. Category 3 funds include uninsured and unregistered investments with securities held by the counterparty, its trust department or agent but not in the System's name.

Short-Term Investments

Short-term funds may be invested in direct U.S. Government obligations such as U.S. Treasury Bills or repurchase agreements, which are fully collateralized by U.S. Treasury issues. Excess cash may also be

D. CASH AND INVESTMENTS-Short-Term Investments (continued)

invested in the Short Term Investment Fund (STIF) and Yield Plus Fund of the Custodian Bank or negotiable certificates of deposit, or other short-term investment vehicles designated by the Board. At June 30, 2004 LASERS had the following balances in short-term funds held at State Street Bank (SSB):

ISSUER	Fair Value @ 6/30/2004	S&P RATING	COMMENT
AIG FUNDING INC	$ 13,598,054	A-1+	
LASALLE BANK CORP	16,297,668	A-1	
PRUDENTIAL FUNDING LLC	13,598,017	A-1	
SSB STIF (State Street Bank Short Term Investment Fund)	363,165,453	UNRATED	Average rating of AA on underlying issues
TOTAL	$ 406,659,192		

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risks because their existence is not evidenced by securities that exist in physical or book entry form. LASERS had no custodial credit risk as of June 30, 2004.

Investments

LRS 11:261-269 "provides for the governing of fiduciary responsibilities and investments" by LASERS. LRS 11:263 states that the prudent man rule shall apply to all investments of LASERS. This law specifically requires management of LASERS to exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence 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. LRS 11:267C provides that the system may invest up to 65% of its total assets in common stock provided that "the system invests an amount equal to at least 10% of the system's total equity portfolio in one or more index funds" in accordance to LRS 11:267B(1)(a). In addition, LASERS' Board of Trustees has adopted certain investment policies, objectives, rules, and guidelines that are intended to protect and preserve LASERS' assets while targeting a 9.35% nominal rate of return and also, a real return target of 4% over the inflation rate as determined by the consumer price indexes (CPI).

The System has no investments of any single organization (other than those issued or guaranteed by the U. S. Government) that represents 5% or more of the System's net plan assets, nor does the System hold more than 5% of any corporation's stock. During Fiscal Year 2004, the System's investments (including investments

D. **CASH AND INVESTMENTS-Investments** (continued)

bought, sold, as well as held during the year) appreciated in value by $879,933,623 compared to appreciation of $45,767,189 in the System's investments in 2003.

	2004	2003
Increase/(Decrease) in fair value of investments held at year end:	$ 630,822,217	$ 239,217,199
Realized gains/(losses) on investments including currency sold during the year:	249,111,406	(193,450,010)
	$ 879,933,623	$ 45,767,189

Realized gains/(losses) include all sales of investment assets during the year measured between the sales proceeds and the purchase cost or amortized cost of the investment asset sold and is independent of the calculation for investments held at year end. Unrealized gains and losses in investments sold in the current year that had been held for more than one year was included in the net appreciation (depreciation) reported in the prior year(s).

The following table presents the fair value of investments permissible under such objectives, rules and guidelines as of June 30, 2004 and June 30, 2003:

INVESTMENT TYPE	Fair Value @ 6/30/2004	Fair Value @ 6/30/2003
AMERICAN DEPOSITORY RECEIPTS	$ 26,936,413	$ 20,691,027
COLLATERALIZED MORTGAGE OBLIGATIONS	27,759,195	70,157,311
COMMINGLED STOCK FIXED INCOME	10,918,768	8,405,559
COMMINGLED STOCK FUNDS	82,490,411	80,865,719
CORPORATE BONDS	607,461,573	851,632,738
DOMESTIC COMMON STOCK	2,915,230,632	2,289,738,083
FEDERAL AGENCY SPONSORED	28,986,408	79,861,093
FEDERAL SPONSORED	354,237,546	440,892,825
FIXED INCOME COMMINGLED	21,487,748	0
FOREIGN CORPORATE BONDS	49,465,159	62,549,144
FOREIGN CORPORATE YANKEE BONDS	91,452,725	84,646,012
FOREIGN GOVT BONDS	269,913,005	208,851,957
FOREIGN GOVT YANKEE BONDS	3,916,883	5,903,688
FOREIGN PREFERRED STOCK	2,607,755	3,501,906
FOREIGN STOCK RIGHTS	1,871,700	3,226,091
INTERNATIONAL COMMINGLED STOCK FUND	708,065,896	566,628,016
INTERNATIONAL COMMON STOCK	354,526,122	258,231,859
OTHER BONDS	24,861,952	11,636,121
ALTERNATIVE INVESTMENTS	466,764,746	294,891,180
REAL ESTATE INVESTMENT POOLS	36,559,190	31,238,732
SHORT TERM INVESTMENT FUNDS	406,659,192	172,524,924
US TREASURIES BILL & NOTES	42,200,460	84,270,277
TOTAL	$6,534,373,479	$5,630,344,262

D. CASH AND INVESTMENTS-Investments (continued)

Domestic Equity

Domestic equity purchases are limited to common stocks traded over the counter or on a domestic stock exchange. Uncommitted investment manager allocations may be invested for a short term in the Short Term Investment Fund (STIF). Exceptions shall be approved by the Board in advance.

Basically, investment managers are limited to any one holding not to exceed 6% at market value of their managed portfolio, except one manager may hold up to 8% of the portfolio, at market, in any one security, subject to having a minimum of 30 stocks in the portfolio. The purchase of stocks or convertibles in foreign companies through American Depository Receipts (ADR's), which are dollar denominated foreign securities traded on the domestic U.S. stock exchanges, may be held by each domestic stock manager in proportions which each manager shall deem appropriate up to 10% of the portfolio at market value. Convertible bonds, convertible preferred stocks, warrants and rights may be purchased as equity substitutes so long as the common stocks underlying them meet the aforementioned required equity standards.

Domestic and Foreign Debt

Domestic fixed income investments may include U.S. Government and Federal Agency obligations, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage backed securities and other instruments deemed prudent by the investment managers. No more than 6% of the market value of LASERS' domestic fixed income assets may be invested in the debt securities of any one issuer, except one manager may hold up to 10% of the portfolio in a single security (at market) with a minimum of 30 securities. None of the above limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies as defined in the most current issue of Moody's Bond Record.

Collateralized Mortgage Obligations (CMOs) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes/tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates, while others are significantly sensitive to interest rate fluctuations.

D. **CASH AND INVESTMENTS- Domestic and Foreign Debt** (continued)

As of June 30, 2004, the System had the following domestic and foreign debt investments and maturities:

		Investment Maturities (in years)			
INVESTMENT TYPE	**Fair Value**	**Less than 1**	**1 - 5**	**5 - 10**	**More than 10**
U.S. Treasuries	$ 42,200,460	$ 7,196,702	$ 26,890,117	$ 8,113,641	$ 0
Federal Sponsored	354,237,546	0	33,823,784	15,248,326	305,165,436
Federal Agency Sponsored	28,986,408	0	0	1,279,416	27,706,992
Collateralized Mortgage Obligations	27,759,195	0	0	0	27,759,195
Corporate Bonds	607,461,573	11,611,955	138,858,400	385,505,508	71,485,710
Foreign Corporate Bonds	49,465,159	0	16,267,210	29,986,251	3,211,698
Foreign Government Bonds	269,913,005	13,275,077	57,691,725	175,266,135	23,680,068
Corporate Yankee Bonds	91,452,725	0	14,710,752	65,187,828	11,554,145
Government Yankee Bonds	3,916,883	0	0	1,221,938	2,694,945
Other Bonds	24,861,952	328,532	7,200,084	7,560,171	9,773,165
TOTAL	**$1,500,254,906**	**$32,412,266**	**$295,442,072**	**$689,369,214**	**$483,031,354**

Derivatives

A derivative is a security or contractual agreement that derives its value from some underlying security, commodity, currency, or index.

Derivative Securities

Derivative securities include Collateralized Mortgage Obligations (CMOs) and other Structured Notes. "Plain Vanilla" CMOs are CMOs that either satisfy the Federal Financial Institutions Examination Council test and/or it can be shown the CMO is less exposed to interest rate or prepayment risk than the underlying collateral. Non-vanilla CMOs are restricted to a maximum of 20% of a manager's portfolio. These CMOs must also be stress-tested to estimate how their value and duration will change with extreme changes in interest rates which LASERS defines as at least 300 basis points.

In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments causes a decline in cash flows and, thus, a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus, an increase in the fair value of the security.

Interest Rate Risk

Interest rate risk deals with debt investments with fair values that are highly sensitive to interest rate changes. These investments may contain terms that increase the sensitivity of their fair values. For example terms embedded in variable rate investments may include reset dates, benchmark indices, and coupon multipliers.

D. CASH AND INVESTMENTS- Interest Rate Risk (continued)

As of June 30, 2004, the System had the following investments in floaters/inverse floaters:

Asset	Benchmark Indices	Coupon Multipliers		Embedded Options	Interest Rate Sensitivity		Market Value
Type	**Index Description**	**Coupon (range)**	**Imputed Multiplier (range)**	**Weighted Average Life**	**Duration (average)**	**Convexity (average)**	**Fair Value @ 6/30/2004**
Non-callable Securities with Annual Reset Dates	Federal Reserve US Treasury Note 1.5%	3.05-6.935	.4102-4.885	1.28	0.953	-0.214	$ 13,241,441
	BBA Libor USD 12 Month	3.874-4.932	1.574-2.632	3.842	3.49	-0.757	46,349,000
Non-callable Securities with Monthly Reset Dates	Federal Reserve US 12 Month Cumulative Avg 1 Year CMT	2.688	1.225	0.0833	0.74	-0.12	1,807,687
	BBA Libor USD 1 Month	9.016	7.524	13.48	28.63	6.16	3,026,148
Callable Securities with Monthly Reset Dates	BBA Libor USD 1 Month	2.115-35.099	0.5-33.499	7.314	15.067	-0.873	10,730,694
Fix to Float Foreign Securities with Annual Reset Dates	Fixed for an average of 8 years; then 3 month Euribor with an average of +246 bp	5.75-6.375	-	8.48	6.43	.54	2,699,667
TOTAL							**$ 77,854,637**

Credit Risk

Credit risk is the risk that a borrower will be unable to meet its obligation. The overall average quality of each fixed income portfolio shall be rated AA by Standard and Poors or higher. Non-rated issues or issues below investment grade (below BBB) may be purchased up to a maximum of 15% of the portfolio. These quality restrictions will not apply to a manager that is hired by LASERS to manage dedicated high-yield fixed income portfolios. The average duration shall not differ from the passive benchmark's duration by more than two years.

D. CASH AND INVESTMENTS-Credit Risk (continued)

The System's exposure to credit risk, both domestic and foreign, as of June 30, 2004 is as follows:

Moody or S&P Rating	Fair Value @ 6/30/2004
A-	$ 2,816,856
A-1	26,559,962
A-2	65,502,546
A-3	27,226,804
AA1	6,434,451
AA2	19,518,534
AA3	14,163,864
AAA	680,888,821
B	3,275,200
B1	53,873,764
B2	99,277,409
B3	68,756,795
BA1	53,458,567
BA2	62,196,598
BA3	101,462,106
BAA1	29,826,912
BAA2	51,751,134
BAA3	46,017,742
CA	16,860,590
CAA1	12,575,375
CAA2	15,526,393
CA3*	10,918,768
TOTAL	$1,468,889,191

*Commingled global investment fund rated CA3 by Moody

International Investments

As part of its normal asset allocation for equity and fixed income securities, the System may invest a portion of its equity and fixed income allocation in international securities. International investments shall only be entered into through the selection of a qualified investment management organization as consistent with fiduciary responsibilities. An international manager employing an active currency management program may, upon specific authorization of the Board, deal in futures and options within the discipline of that currency management program.

The number of issues held and their geographic or industry distribution shall be left to the investment manager provided that the equity holdings in any one company (including common stock and convertible securities) do not exceed 6% of the market value of the manager's portion of LASERS' portfolio, or 150% of a stock's weighting in the style benchmark against which the manager is measured, whichever is larger. However, the manager may hold up to 10% of the portfolio, at market, in any one security, subject to having a minimum of 30 stocks in the portfolio.

D. **CASH AND INVESTMENTS-International Investments** (continued)

The global bond portfolio may hold no more than 30% of its assets at market value in the debt securities of any single government of a non-U.S. governmental entity. No single non-government debt security shall constitute more than 6% of the global bond portfolio, at market value. Securities issued by AAA rated Supranational Organizations (such as the World Bank) shall be considered to be government equivalents.

Short-term reserves may be held in U.S. dollar denominated, local currency securities, or investment vehicles available through the System's custodian.

Foreign Currency Risk

Foreign currency risk is the potential risk for loss due to changes in exchange rates. The fair value of securities held in a foreign currency at June 30, 2004 and June 30, 2003 was as follows:

CURRENCY	Total Fair Value @ 6/30/2004	Foreign Bonds @ 6/30/2004	Foreign Stock @ 6/30/2004	% @ 6/30/2004	Total Fair Value @ 6/30/2003
Australian Dollar	$ 48,879,141	$ 31,258,329	$ 17,620,812	7.88%	$ 25,965,335
Canadian Dollar	7,343,273	0	7,343,273	1.18%	4,365,274
Euro	219,162,468	116,261,498	102,900,970	35.32%	170,862,573
Hong Kong Dollar	6,560,545	0	6,560,545	1.06%	7,812,059
Japanese Yen	131,017,082	79,992,365	51,024,717	21.11%	86,695,517
New Zealand Dollar	2,947,612	0	2,947,612	0.48%	40,916,703
Norwegian Krone	3,580,067	0	3,580,067	0.58%	13,723,441
Polish Zloty	30,675,502	30,675,502	0	4.94%	14,373,370
Pound Sterling	86,343,221	16,826,812	69,516,409	13.91%	61,746,315
Singapore Dollar	6,150,016	0	6,150,016	0.99%	4,675,683
South African Rand	5,124,272	3,629,925	1,494,347	0.83%	1,133,375
South Korean Won	9,981,985	0	9,981,985	1.61%	11,443,243
Swedish Krona	47,322,454	40,733,733	6,588,721	7.61%	38,888,377
Swiss Franc	15,510,872	0	15,510,872	2.50%	9,515,019
TOTAL	**$ 620,598,510**	**$ 319,378,164**	**$ 301,220,346**	**100.00%**	**$ 492,116,284**

Derivative Contracts

LASERS allows the use of derivative contracts to the extent they can be used to hedge against the non-derivative component of a portfolio that is exposed to clearly defined risks. Derivatives shall not be used to magnify exposure by the use of leverage or to create speculation.

LASERS may enter into contractual commitments involving financial instruments with off-balance-sheet risk. These financial instruments include forward contracts, futures and options.

Options are contracts that allow the holder to purchase or sell financial instruments for cash at a specified price at or within a specified period of time. Options bear the risk of an unfavorable change in the price of the financial instruments underlying the option and the risk that a counterparty is unable to perform in accordance

D. CASH AND INVESTMENTS-Derivative Contracts (continued)

with the terms of the option. LASERS held no options as of June 30, 2004.

Forwards are commonly used to protect against currency devaluation from the time a trade is made to the time a trade settles. Derivative contracts can also be used to reduce those risks associated with holding securities in a particular currency within the portfolio to protect against wide swings in currency fluctuation.

The following table represents the fair value of all open currency forwards at June 30, 2004:

Currency Forward	US Dollar Value at Trade Date	Current US Dollar Value	Unrealized Gain(Loss)
Sold GBP/Bought USD	$ 25,715,847	$ 26,226,813	($ 510,966)
Bought JPY/ Sold USD	1,796,303	1,779,759	(16,544)
Sold EUR/ Bought USD	79,730	81,093	(1,363)

Real Estate

Investments in real estate are limited to an initial investment value at market value of not more than 2% of total fund assets. Real estate investments are limited to a direct investment in the property located at the intersection of Essen Lane and United Plaza Boulevard in Baton Rouge, Louisiana, investments in commingled real estate pools (both open and closed end) or real estate investment trusts (REITS), and separately managed accounts. As current real estate investments are liquidated, they are being re-deployed as needed throughout the rest of LASERS asset allocation.

Alternative Investments

Investments in alternative investments, including limited partnership agreements, private capital markets, venture capital, mezzanine debt, and hedge funds shall be limited to an initial investment value at market value of no more than 8% of total fund assets. Reserves for future alternative investments may be held in large capitalization U. S. equities, subject to the 65% limit on all equity investments.

LASERS has entered into alternative investment types that include limited partnership agreements with different strategies that invest in real estate properties, domestic private equity, international private equity, hedge funds, and mezzanine debt. By making these investments, LASERS is seeking to attain investment returns of at least 11%. The total commitments for alternative investments (private placements) were approximately $713,241,151 and $649,400,000 as of June 30, 2004 and 2003, respectively. The total amount invested in alternative assets as of June 30, 2004 and 2003 on a cost basis was $494,366,940 and $356,729,900, respectively.

E. SECURITIES LENDING PROGRAM

The System has, pursuant to a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to act as agent in lending the System's securities to broker-dealers and banks pursuant to a form of loan agreement. All investment assets are available for lending.

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E. SECURITIES LENDING PROGRAM (continued)

During the fiscal year, State Street lent, on behalf of the System, certain securities held by State Street as custodian and received cash (both United States and foreign currency), and securities issued or guaranteed by the United States government, sovereign debt and irrevocable bank letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) 102% of the market value of the loaned securities, in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments; and (ii) 105% of the market value of the loaned securities, in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The System did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified the System by agreeing to purchase replacement securities, or return cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no such failures by any borrower to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal years resulting from a default of the borrowers or State Street.

During the fiscal year, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool managed by the custodian. As of June 30, 2004, such investment pool had an average duration of 55 days and an average weighted maturity of 483 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2004, the System had no credit risk exposure to borrowers.

The System is also authorized by policy to contractually loan securities to investment brokers. The contract for a security loan provides that LASERS loan specific securities from its holdings to the broker in return for collateral. Securities under loan are maintained on the System's financial records and are classified in the preceding summary of investment risk. As the System does not have the ability to trade or sell the collateral received in the securities lending program, such collateral is not considered an asset of the System and a corresponding liability is not required on the Statements of Net Plan Assets.

The market values of securities on loan and the collateral held for the System as of June 30, 2004, were $555,839,061 and $568,516,250, respectively.

E. **SECURITIES LENDING PROGRAM** (continued)

Fair value of securities types lent as of June 30, 2004:

SECURITY TYPE	Fair Value of Securities on Loan @ 6/30/2004	Fair Value of Collateral Held @ 6/30/2004
U.S. GOVERNMENT AND AGENCY	$ 66,567,890	$ 67,813,409
U. S. CORPORATE *	416,540,852	424,727,071
INTERNATIONAL EQUITY	62,000,267	65,118,170
INTERNATIONAL FIXED	10,730,052	10,857,600
TOTAL	$ 555,839,061	$ 568,516,250

*Fair value of US CORPORATE SECURITIES ON LOAN consists of Domestic Equity at $326,123,315 and Domestic Fixed Income at $90,417,537

The assets received as collateral on securities lending transactions are not available for the System or its agent to pledge or sell unless the borrower defaults. Therefore, in compliance with GASB 28, Paragraph 7, neither assets nor liabilities are reported on the Statements of Plan Net Assets.

F. **OPEN INVESTMENT CONTRACTS**

Open investment contracts include forwards and future contracts for the delayed delivery of currencies at a future date. The amounts that clear within the same broker/banks and consist of the same currency are offset. The receivables and payables include the same currencies clearing through different brokers/banks and LASERS has no right of offset. The System expects no significant loss or gain from these transactions.

Any type of investment other than detailed previously shall be made only after specific guidelines are established by the Board of Trustees.

G. **SELF-DIRECTED DEFERRED RETIREMENT OPTION PLAN (SDDP)**

Investments in the Self-Directed DROP are mutual funds that consist of mutual funds, domestic equity, foreign equity and domestic fixed income. Self-Directed DROP includes $4,888,525 invested in equity type funds and $21,487,710 in domestic fixed income:

ISSUER	Fair Value @ 6/30/2004	RATING	COMMENT
Hancock Horizon Strategic Inc., Bond Trust	$ 15,014	UNRATED	Average rating of A on underlying issues.
LASERS Stable Value Fund	$ 20,968,048	UNRATED	Average rating of AAA on underlying issues.
Loomis Sayles Bond Fund-Retail	$ 342,750	UNRATED	Average rating of A+ on underlying issues.
Pimco Total Return Fund-Admin (60% allocated to bonds)	$ 112,050	UNRATED	Up to 10% can be invested in high yield.
Strong Government Securities Fund	$ 49,848	UNRATED	Average rating of AAA on underlying issues.

H. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB No. 25, required supplementary information can be found in the attached schedules.

REQUIRED SUPPLEMENTARY INFORMATION

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS
FOR THE SIX YEARS ENDED JUNE 30, 2004
(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)
6/30/99	$ 5,574,958	$ 7,582,856	$ 2,007,898	73.5%	$ 1,736,963	115.6%
6/30/00	6,170,978	8,257,313	2,086,335	74.7%	1,820,132	114.6%
6/30/01	6,418,296	8,652,591	2,234,295	74.2%	1,782,884	125.3%
6/30/02	6,460,594	9,206,734	2,746,140	70.2%	1,861,887	147.5%
6/30/03	6,487,538	9,796,306	3,308,768	66.2%	1,924,680	171.9%
6/30/04	6,097,815	10,237,574	4,139,759*	59.6%*	2,017,726	205.2%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $441,268 from June 30, 2003 to June 30, 2004. There was a net experience loss of $113,159 after allocating $63,243 of deficit investment income to the Experience Account in accordance with Act 1031. (All dollar amounts reported in thousands.)

* In February 2004, PERSAC ruled that the use of a negative Employer Experience Account balance in funding calculations violated constitutional funding requirements. That ruling reduced the funding ratio by 6.2% and increased the UAAL by $686,860 (in thousands) for the fiscal year ended June 30, 2004. See the Notes to the Financial Statements for additional information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE SIX YEARS ENDED JUNE 30, 2004

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	$ 226,387,848	102.1%
2000	250,678,505	99.8%
2001	258,281,738	100.7%
2002	279,119,335	97.2%
2003	326,335,197	94.8%
2004	367,881,226	95.4%

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

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL METHODS AND ASSUMPTIONS
JUNE 30, 2004

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

Valuation date	June 30, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of payroll, increasing annuity to 2029
Remaining amortization period	25 years, closed by statute
Asset valuation method	Utilizes a four year weighted average of the unrealized gain or loss in the value of all assets at market.
Actuarial assumptions:	
Investment rate of return	8.25% per annum
Inflation Rate	3.0% per annum
Mortality	Mortality rates were projected based on the 1983 Sex Distinct Graduated Group Annuity Mortality Table with females set at attained age plus one.
Termination, disability and retirement	Termination, disability, and retirement assumptions were projected based on a five year (1997-2001) experience study of the System's members.
Salary increases	Salary increases were projected based on a 1997-2001 experience study of the System's members. The salary increase range for regular employees is 4.25% - 14.0%. The salary increase range for specific types of members is judges 2.5% - 4.7%, Corrections 4.0% - 18.0%, and Wildlife 6.5% - 18.0%.
Cost-of-living adjustments	Liability for raises already granted is included in the retiree reserve.

SUPPORTING SCHEDULES

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
FOR THE SIX YEARS ENDED JUNE 30, 2004

REVENUES BY SOURCE

Fiscal Year	Member Contributions	(1) Employer Contributions	Net *Investment Income (3)	Other Income	Total	(2) Annual Covered Payroll	Percentage (1)/(2)
1999	$ 135,479,230	$ 218,929,941	$ 470,204,749	$ 9,175,049	$ 833,788,969	$ 1,765,389,858	12.4%
2000	$ 147,090,812	$ 236,104,720	$ 664,556,035	$ 8,658,621	$ 1,056,410,188	$ 1,919,487,365	12.3%
2001	$ 144,603,488	$ 245,213,071	$ (408,921,855)	$ 12,102,647	$ (7,002,649)	$ 1,885,417,750	13.0%
2002	$ 151,350,321	$ 256,079,880	$ (342,821,109)	$ 14,658,709	$ 79,267,801	$ 1,969,622,814	13.0%
2003	$ 159,469,854	$ 292,290,126	$ 212,851,563	$ 15,137,037	$ 679,748,580	$ 2,072,945,958	14.1%
2004	$ 163,277,178	$ 335,991,617	$ 996,024,095	$ 9,325,389	$ 1,504,618,279	$ 2,125,561,464	15.8%

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative	Other	Total	*Investment Expenses (3)
1999	$ 397,966,405	$ 31,851,567	$ 6,011,305	$ 2,778,585	$ 438,607,862	$ 16,071,796
2000	$ 424,142,312	$ 32,300,258	$ 7,004,880	$ 3,237,333	$ 466,684,783	$ 19,295,553
2001	$ 452,637,691	$ 36,147,087	$ 7,644,230	$ 6,228,406	$ 502,657,414	$ 18,916,270
2002	$ 498,392,717	$ 31,391,355	$ 8,315,745	$ 4,943,827	$ 543,043,644	$ 17,213,862
2003	$ 544,009,581	$ 25,043,817	$ 10,196,507	$ 1,632,930	$ 580,882,835	$ 16,901,210
2004	$ 573,152,747	$ 28,760,064	$ 12,629,058	$ 795,260	$ 615,337,129	$ 20,266,725

*Investment income less investment fees includes net appreciation (depreciation) in fair value of investments, which can create significant fluctuations from year to year. These fluctuations could also affect Investment Expenses.

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LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES - BUDGET AND ACTUAL

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Administrative Expenses:						
Salaries and Related Benefits	$ 7,622,340	$ 7,823,695	$ 201,355	$ 6,515,988	$ 6,560,963	$ 44,975
Travel	179,880	351,229	171,349	186,266	347,962	161,696
Operating Services	2,452,549	2,980,141	527,592	2,187,731	3,219,860	1,032,129
Supplies	272,497	299,765	27,268	181,422	197,475	16,053
Professional Services	1,952,139	2,149,403	197,264	1,125,100	1,414,256	289,156
Acquisitions*	594,009	688,774	94,765	542,073	751,417	209,344
Total Budget and Actual Expenditures	$ 13,073,414	$ 14,293,007	$ 1,219,593	$ 10,738,580	$ 12,491,933	$ 1,753,353
Capitalization of Capital Outlay	(444,356)	(688,774)	(244,418)	(542,073)	(751,417)	(209,344)
Total Administrative Expenses	$ 12,629,058	$ 13,604,233	$ 975,175	$ 10,196,507	$ 11,740,516	$ 1,544,009
Investment Fee Expenses	$ 20,266,725	$ 20,292,290	$ 25,565	$ 16,901,210	$ 19,109,271	$ 2,208,061
Depreciation Expense **	$ 800,103	$ -	N/A	$ 657,638	$ -	N/A

*A change in capitalization policy allows expensing of acquisitions of less than $1,000.
**Depreciation is not a budgeted Administrative expense but is included in the "Other Operating Expense" category.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF MEETINGS ATTENDED BY AND PER DIEM PAID TO BOARD MEMBERS

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003		
	Board Meetings Attended	Other Meeting Days	Amount	Board Meetings Attended	Other Meeting Days	Amount
Cynthia Bridges	10	10	$ 1,500	11	10	$ 1,575
Virginia Burton	11	11	1,650	11	11	1,650
Connie Carlton	6	6	900	-	-	-
Pamela Davenport	5	5	750	10	10	1,500
Ray Funderburg	3	4	525	-	-	-
Shirley Grand	-	-	-	7	7	1,050
Benny Harris	6	6	900	9	11	1,500
Barbara McManus McCann	5	5	750	-	-	-
Louis Quinn	12	11	1,725	8	9	1,275
Sheryl Ranatza	6	6	900	-	-	-
Kathy Singleton	12	12	1,800	11	11	1,650
Cheryl Turner	10	12	1,650	9	10	1,425
Sona Young	5	5	750	9	8	1,275
Trudy White	5	5	750	9	8	1,275
Total	96	98	$ 14,550	94	95	$ 14,175

Note - Effective August 1997, board members are paid a per diem of $75 per day for board meetings and other meetings. Generally, meetings are held for two consecutive days each month. During the fiscal years ended June 30, 2004 and June 30, 2003, there were 24 and 22 days, respectively, for which board members could be compensated.

The above schedule does not include publicly elected officials who serve on the board but are not compensated for their attendance.

September 2002 board meetings cancelled due to hurricane alerts.

LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENTS AT AMORTIZED COST
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
Short-term Investments - Domestic	$ 406,659,192	$ 172,524,924
U.S. Government Obligations	454,363,092	665,762,688
Bonds/Fixed Income - Domestic	635,222,571	790,676,413
Bonds/Fixed Income - International	394,867,982	328,522,789
Equity Securities - Domestic	2,743,185,332	2,537,809,362
Equity Securities - International	840,125,940	843,413,319
Real Estate Pools	29,999,798	30,144,452
Alternative Investments	494,366,940	356,729,900
Total	$ 5,998,790,847	$ 5,725,583,847

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LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF PROFESSIONAL SERVICE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

ACCOUNTING AND AUDITING		
Postlethwaite and Netterville, APAC - System Auditors	$ 59,935	
Government Finance Officers Association	1,050	
		$ 60,985
ACTUARIAL FEES		
Hall Actuarial Associates - System Actuary	90,000	
		90,000
LEGAL FEES		
Roedel, Parsons, Kock, Balhoff & McCollister	12,977	
Kathleen Hogan Cook	12,913	
Other Legal Fees	1,032	
		26,922
DISABILITY PROGRAM		
Physician and Other Reviews	65,123	
		65,123
INVESTMENT PERFORMANCE MANAGEMENT AND ANALYTICAL SERVICES		
Plexus Group	29,000	
IRRC	28,000	
Cost Effectiveness Management	15,000	
		72,000
INVESTMENT CONSULTATION		
New England Pension Consultants	225,000	
		225,000
OTHER PROFESSIONAL SERVICES		
SSA Consultants	498,750	
J D Edwards	490,041	
L. R. Wechsler	110,168	
Syscom Inc.	100,545	
Cortex	68,866	
Maximus	49,335	
Westaff Temporary Staffing	48,214	
PMO Link Government Solutions	15,353	
Sparkhound	14,154	
Other Non-Consultant Professionals	16,683	
		1,412,109
PROFESSIONAL SERVICE EXPENSES		$ 1,952,139