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**State of Louisiana
School Employees' Retirement System
June 30, 1996**

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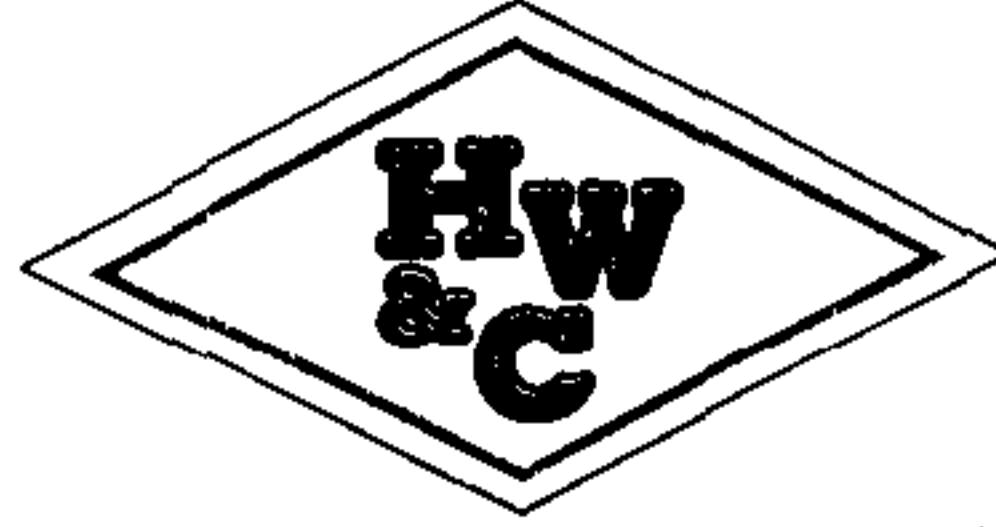
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RETIRED

August 29, 1996

Independent Auditor's Report

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

Members of the Board:

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

**State of Louisiana
School Employees' Retirement System
A Component Unit of the State of Louisiana**

as of June 30, 1996 and June 30, 1995, and the related statements of changes in Plan net assets for the years then ended. These financial statements are the responsibility of the State of Louisiana School Employees' Retirement 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 generally accepted auditing standards 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 the State of Louisiana School Employees' Retirement System as of June 30, 1996 and June 30, 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the financial statements, Louisiana School Employees' Retirement System's adopted Governmental Accounting Standards Board, Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The accompanying supplemental information as of and for the year ended June 30, 1996 is presented for the purpose of additional analysis and is not a required part of the financial statements but is 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.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 1996, on our consideration of the State of Louisiana School Employees' Retirement System's internal control structure and a report dated August 29, 1996, on its compliance with laws and regulations.

Yours truly,

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

**State of Louisiana
School Employees' Retirement System
Statement of Plan Net Assets
June 30, 1996 and June 30, 1995**

| | <u>1996</u> | <u>1995</u> |
|---|--|--|
| Assets | | |
| Cash and Cash Equivalents | <u>\$215,866</u> | <u>\$152,027</u> |
| Receivables | | |
| Member contributions | 2,052,148 | 1,935,802 |
| Employer contributions | 1,812,406 | 1,820,226 |
| Accrued interest and dividends | 9,157,623 | 8,444,799 |
| Investment sale proceeds | 4,322,475 | 20,503,459 |
| Other | <u>4,024</u> | <u>67,932</u> |
| Total receivables | <u>17,348,676</u> | <u>32,772,218</u> |
| Investments, at Fair Value | | |
| U. S. Government obligations | 178,700,737 | 210,295,675 |
| Bonds | 373,198,069 | 332,352,750 |
| Marketable securities | | |
| Domestic | 425,698,438 | 370,724,760 |
| Foreign | 53,004,553 | |
| Short term investments | 57,171,656 | 82,214,483 |
| Futures and options | 1,551,940 | |
| Collateral held under securities lending program | <u>205,214,216</u> | <u>171,344,704</u> |
| Total investments | <u>1,294,539,609</u> | <u>1,166,932,372</u> |
| Property and Equipment, at cost | | |
| Building | 5,311,836 | 3,904,494 |
| Land | 1,464,837 | 1,464,837 |
| Furniture and equipment | <u>432,353</u> | <u>320,463</u> |
| | 7,209,026 | 5,689,794 |
| Less accumulated depreciation | <u>388,007</u> | <u>225,700</u> |
| Total property and equipment | <u>6,821,019</u> | <u>5,464,094</u> |
| Total assets | <u>1,318,925,170</u> | <u>1,205,320,711</u> |
| Liabilities | | |
| Accounts payable | 690,879 | 823,232 |
| Investment commitments payable | 9,980,933 | 3,096,570 |
| Obligations under securities lending program | 205,214,216 | 171,344,704 |
| Accrued expenses and benefits | <u>525,212</u> | <u></u> |
| Total liabilities | <u>216,411,240</u> | <u>175,700,265</u> |
| Net assets held in trust for pension benefits (a schedule of of funding progress for the Plan is presented on Page 20) | <u>1,102,513,930</u> | <u>1,029,620,446</u> |

The accompanying notes are an integral part of these statements.

**State of Louisiana
School Employees' Retirement System
Statement of Changes in Plan Net Assets
Years Ended June 30, 1996 and June 30, 1995**

| | <u>1996</u> | <u>1995</u> |
|---|----------------------|----------------------|
| Additions | | |
| Contributions | | |
| Members | \$13,671,636 | \$12,955,100 |
| Employer | <u>12,816,141</u> | <u>12,135,206</u> |
| Total contributions | <u>26,487,777</u> | <u>25,090,306</u> |
| Investment Income | | |
| Net appreciation (depreciation) in fair value of investments | 55,778,076 | 91,921,151 |
| Interest | 53,164,737 | 50,709,693 |
| Dividends | 7,209,285 | 6,552,982 |
| Other operating revenue | <u>408,706</u> | <u>78,783</u> |
| | 116,560,804 | 149,262,609 |
| Less Investment Expense | <u>14,579,588</u> | <u>9,778,628</u> |
| Net investment income | <u>101,981,216</u> | <u>139,483,981</u> |
| Total additions | <u>128,468,993</u> | <u>164,574,287</u> |
| Deductions | | |
| Retirement benefits | 51,659,769 | 45,676,699 |
| Refunds of employee contributions | 2,301,809 | 1,840,488 |
| Administrative expenses | <u>1,613,931</u> | <u>1,429,005</u> |
| Total deductions | <u>55,575,509</u> | <u>48,946,192</u> |
| Net Increase | 72,893,484 | 115,628,095 |
| Net Assets Held in Trust for Pension Benefits: | | |
| Beginning of Year | <u>1,029,620,446</u> | <u>913,992,351</u> |
| End of Year | <u>1,102,513,930</u> | <u>1,029,620,446</u> |

The accompanying notes are an integral part of these statements.

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996

Note 1-Plan Description

The State of Louisiana School Employees' Retirement System ("the Plan") is the administrator of a cost-sharing multiple-employer defined benefit plan and is a component unit of the State of Louisiana included in the State's CAFR as a Pension Trust Fund. The Plan was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes. The accompanying statements present information only as to transactions of the program of the Plan as authorized by Louisiana Revised Statutes. For the years ended June 30, 1996 and 1995, the local government contributors consisted of 66 school boards and 8 other agencies contributing to the Plan.

The Plan provides retirement benefits for non-teacher school employees excluding those classified as lunch workers within the public educational system of Louisiana. At June 30, 1996 and June 30, 1995, plan membership consisted of:

| | <u>1996</u> | <u>1995</u> |
|--|---------------|---------------|
| Retirees and beneficiaries currently receiving benefits | 7,531 | 7,340 |
| Terminated employees entitled to benefits but not yet receiving them | 129 | 112 |
| Terminated vested employees who have not withdrawn contributions | 623 | 352 |
| Current active employees | | |
| Vested | 7,509 | 7,846 |
| Nonvested | <u>7,454</u> | <u>7,145</u> |
| <u>Total participants</u> | <u>23,246</u> | <u>22,795</u> |

Membership is mandatory for all employees under age 60 employed by a Louisiana Parish or City School Board who work more than twenty hours as a school bus driver, school janitor, school custodian, school maintenance employee, or school bus aide. Members are vested after 10 years of service.

A member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 60.

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 1-Plan Description (Continued)

The maximum retirement benefit is an amount equal to 2 1/2% of the average compensation for the three highest consecutive years of membership service, multiplied by the number of years of service, plus a supplementary allowance of \$24.00 per annum or \$2.00 per month for each year of service, not to exceed average final compensation. The supplemental allowance was eliminated for members entering the Plan on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

Effective January 1, 1992, any member retiring on or after January 1, 1992 shall receive for their first 20 years of service a 2 1/2% accrual rate, with a 3% accrual rate for each year after 20 years.

A member is eligible to retire and receive disability benefits if he has at least five years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled and has been certified as disabled by the Medical Board.

Upon the death of a member with five or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from \$300 up to 75% of the member's average compensation for the three highest consecutive years of membership service.

All temporary, seasonal and part-time employees as defined in Federal Regulations 26 CFR 31:3121(b)(7)-2 are not eligible for membership in the Plan. Any part-time employee who works less than 20 hours and does not have at least 10 years of credited service will be refunded their contributions.

Effective July 1, 1992, members of the Plan may elect to participate in the Deferred Retirement Option Plan, (DROP) and defer the receipt of benefits. The election may be made only one time and the duration is limited to three years. Once an option has been selected, no change is permitted. Upon the effective date of the commencement of participation in the DROP Plan, active membership in the regular retirement plan of the system shall terminate. Average compensation and creditable service shall remain as they existed on the effective date of commencement of participation in the Plan. The monthly retirement benefits that would have been payable had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan Fund Account. The Plan shall maintain subaccounts within this account reflecting the credits attributed to each participant in the Plan. All amounts which remain credited to the individual's subaccount shall be credited with interest at the end of the Plan year at a rate equal to the realized return of the Plan's portfolio for the Plan year less one-half of one percent.

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 1-Plan Description (Continued)

Upon termination of participation in both the Plan and employment, a participant may receive either a lump sum payment for the account or systematic disbursements.

The Plan also provides for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable.

Note 2-Summary of Significant Accounting Policies

Financial Reporting Entity

In June 1991, the Governmental Accounting Standards Board ("GASB") issued Statement No. 14, The Financial Reporting Entity. The definition of the reporting entity is based primarily on the notion of financial accountability.

In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and whether either they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. There are not component units of the Plan.

Basis of Accounting

The Plan uses the accrual basis of accounting where the measurement focus is on the flow of economic resources. Within this context, revenue and expenses are recognized as follows:

Interest income is recognized when earned.

Dividends are recognized at the declaration date.

Employer and employee contributions are recognized in the period that the employee is compensated for services performed.

Gains and losses on security transactions are recognized by the difference in proceeds received and carrying value at the Trade date.

Expenditures are recognized in the period incurred.

Benefits and refunds paid are recognized when due and payable in accordance with the terms of the Plan.

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 2-Summary of Significant Accounting Policies (Continued)

Estimates

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

Securities

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. Investments that do not have an established market are reported at estimated fair value.

Besides investment in U. S. government obligation and U. S. government agency, the Plan had no investments in any one organization which represented 5% or more of the net assets available for pension benefits. There are no investments in loans to or leases with parties related to the pension plan. The investment activity of the Plan is subject to an investment policy adopted by the Board of Trustees and to oversight by the Board of Trustees.

Property and Equipment

Land, building equipment and furniture are carried at historical cost. Depreciation is computed by the straight-line method based upon useful lives of 40 years for building and 3 to 10 years for equipment and furniture.

Note 3-Restatement

In November 1994, GASB issued Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, which established financial reporting standards for defined-benefit pension plans. GASB encouraged early application of the Statement, which the Plan has elected to do. The Statement requires the Plan to restate the financial statements of all periods presented. The effects resulting from this Statement are reported as a restatement of the "Net assets held in trust for pension benefits-beginning of year" for the earliest period restated. The Net assets held in trust for pension benefits-beginning of year for fiscal year 1995, which was \$912,485,629 before restatement, has been restated as \$913,992,351 in order to reflect application of GASB Statement No. 25.

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 4-Contributions

Plan members are required to contribute 6.35% of their annual covered salary. Participating school boards are required to contribute at an actuarially determined rate, which was 6.0% for 1996 and 1995. Per LRS11.1193, contribution requirements of the Plan members and the participating employers are established and may be amended by the Plans Board of Trustees. Administrative cost of the Plan are financed through investment earnings.

Note 5-Deposits and Investments

In accordance with LRS 11.263, the Plan is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the Plan "shall 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 Plan shall not invest more than fifty-five percent of the total portfolio in equity investment. However, the Plan's internal investment policy limits the portion of the portfolio that can be invested in equity investment to forty percent.

Deposit Balances

The following table breaks down the Plan's cash and cash equivalents, and bank balances which were covered by Federal depository insurance and/or collateral held by the State Treasury in the Plan's name.

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996

Note 5-Deposits and Investments (Continued)

Deposit Balances (Continued)

| | <u>1996</u> | | | <u>Total</u> |
|--|------------------|------------------------------------|-----------------------------|------------------|
| | <u>Cash</u> | <u>Certificates Of Deposit</u> | <u>Other (Describe)</u> | |
| Carrying Amount on Statement of Plan Net Assets | <u>\$215,866</u> | | | <u>\$215,866</u> |
| Bank Balances: | | | | |
| a) Insured or collateralized with securities held by the entity or its agent in the entity's name | 81,461 | | | 81,461 |
| b) Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name | | | | |
| c) Uncollateralized, including any securities held for the entity but not in the entity's name | | | | |
| <u>Total bank balance</u> | <u>81,461</u> | | | <u>81,461</u> |

| | <u>1995</u> | | | <u>Total</u> |
|--|------------------|------------------------------------|-----------------------------|------------------|
| | <u>Cash</u> | <u>Certificates Of Deposit</u> | <u>Other (Describe)</u> | |
| Carrying Amount on Statement of Plan Net Assets | <u>\$152,027</u> | | | <u>\$152,027</u> |
| Bank Balances: | | | | |
| a) Insured or collateralized with securities held by the entity or its agent in the entity's name | 416,904 | | | 416,904 |
| b) Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name | | | | |
| c) Uncollateralized, including any securities held for the entity but not in the entity's name | | | | |
| <u>Total bank balance</u> | <u>416,904</u> | | | <u>416,904</u> |

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 5-Deposits and Investments (Continued)

Investments

The Plan'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 the securities are held by the Plan or its agent in the Plan'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 Plan'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 Plan's name.

| | <u>1996</u> | | | |
|---|------------------|----------|----------|--|
| | <u>Category</u> | | | <u>Carrying Amount And Fair Market Value</u> |
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| FHLMC & GNMA mortgage backed securities | \$188,882,124 | | | \$188,882,124 |
| U.S. Government obligations and U.S. Government Agency obligations. | | | | |
| Not on securities loan | 21,295,376 | | | 21,295,376 |
| Collateral or letters of credit | 31,568,003 | | | 31,568,003 |
| Corporate and Municipal Bonds | | | | |
| Not on securities loan | 160,384,960 | | | 160,384,960 |
| Collateral or letters of credit | 4,681,892 | | | 4,681,892 |
| Domestic Common and Preferred Stock | | | | |
| Not on securities loan | 364,237,627 | | | 364,237,627 |
| Collateral or letters of credit | 12,004,185 | | | 12,004,185 |
| International Common Stock | | | | |
| Not on securities loan | 44,852,787 | | | 44,852,787 |
| Collateral or letters of credit | 1,584,911 | | | 1,584,911 |
| Liquid Asset Trust Treasury Fund | 57,171,656 | | | 57,171,656 |
| Futures & Options | <u>1,551,940</u> | | | <u>1,551,940</u> |
| (Amounts brought forward) | 888,215,461 | | | 888,215,461 |

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996

Note 5-Deposits and Investments (Continued)

| | <u>1996</u> | | | <u>Carrying Amount And Fair Market Value</u> |
|---|----------------------|---|---|--|
| | <u>Category</u> | 2 | 3 | |
| | 1 | | | |
| (Amounts carried forward) | \$888,215,461 | | | \$888,215,461 |
| Investments - Non Categorized Investments held by broker dealers under security loans with cash collateral | | | | |
| U. S. Government Obligations and U. S. Government Agency Obligations | 125,837,358 | | | 125,837,358 |
| Corporate and Municipal Bonds | 19,249,093 | | | 19,249,093 |
| Domestic Common and Preferred Stock | 49,456,626 | | | 49,456,626 |
| International Common Stock | 6,566,855 | | | 6,566,855 |
| Securities Lending Short-Term Investment Pool | <u>205,214,216</u> | | | <u>205,214,216</u> |
| Total | <u>1,294,539,609</u> | | | <u>1,294,539,609</u> |

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996**

Note 5-Deposits and Investments (Continued)

| | <u>1995</u> | | | |
|---|-----------------|----------|----------|---|
| | <u>Category</u> | | | <u>Carry Amount And Fair Market Value</u> |
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| FHLMC & GNMA mortgage backed securities | \$126,463,074 | | | \$126,463,074 |
| U.S. Government obligations and U.S. Government Agency obligations. | | | | |
| Not on securities loan | 29,346,855 | | | 29,346,855 |
| Collateral or letters of credit | 48,893,457 | | | 48,893,457 |
| Corporate and Municipal Bonds | | | | |
| Not on securities loan | 182,836,165 | | | 182,836,165 |
| Collateral or letters of credit | 6,107,520 | | | 6,107,520 |
| Domestic Common and Preferred Stock | | | | |
| Not on securities loan | 344,978,652 | | | 344,978,652 |
| Collateral or letters of credit | 6,829,652 | | | 6,829,652 |
| International Common Stock | | | | |
| Not on securities loan | | | | |
| Collateral or letters of credit | | | | |
| Liquid Asset Trust Treasury Fund | 82,214,483 | | | 82,214,483 |
| Futures & Options | _____ | | | _____ |
| (Amounts brought forward) | 827,669,858 | | | 827,669,858 |

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996

Note 5-Deposits and Investments (Continued)

| | <u>1995</u> | | | <u>Carrying Amount And Fair Market Value</u> |
|---|-----------------------------|----------|----------|--|
| | <u>Category</u> <u>1</u> | <u>2</u> | <u>3</u> | |
| (Amounts carried forward) | \$827,669,858 | | | \$827,669,858 |
| Investments - Non Categorized Investments held by broker dealers under security loans with cash collateral | | | | |
| U. S. Government Obligations and U. S. Government Agency Obligations | 132,055,363 | | | 132,055,363 |
| Corporate and Municipal Bonds | 16,945,991 | | | 16,945,991 |
| Domestic Common and Preferred Stock | 18,916,456 | | | 18,916,456 |
| International Common Stock | | | | |
| Securities Lending Short-Term Investment Pool | <u>171,344,704</u> | | | <u>171,344,704</u> |
| Total | <u>1,166,932,372</u> | | | <u>1,166,932,372</u> |

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1996

Note 6-Security Lending Transactions

State statutes and board of trustees policies permit the Plan 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. Securities are loaned versus collateral that may include cash, U. S. Government securities, and irrevocable letters of credit. U. S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U. S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. At year-end, the Plan has no credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe the Plan. The contract with the Plan's custodian requires it to provide borrower identification. The custodian's responsibility includes performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 10 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of twenty-eight days. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions, nor borrower or lending agent default losses known to the securities lending agent.

Note 7-Derivatives

During fiscal year 1996, the Plan invested in asset/liability based derivatives such as principal-only strips, collateralized mortgage obligations (forms of mortgage-backed securities) and forward foreign exchange contracts. The Plan reviews market values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates.

1. Principal-Only Strips

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

State of Louisiana
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Notes to Financial Statements
June 30, 1996

Note 7-Derivatives (Continued)

2. Collateralized Mortgage Obligations

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

3. Forward Foreign Exchange Contracts

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

Note 8-Per Diem Paid to Board Members

Per diem paid to board members, as presented in page 23, was established at \$75.00 per day in accordance with Louisiana Revised Statute 42:700.2.

Note 9-Supplementary Information

In accordance with GASB 25, required Supplementary information can be found in the attached schedules.

Supplemental Information

**State of Louisiana
School Employees' Retirement System
Schedule of Funding Progress**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) Entry Age (b)</u> | <u>Unfunded (Overfunded) AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Annual Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a/c)</u> |
|---|--|--|---|-----------------------------------|---|--|
| | | | | | | |
| 1991 | \$740,846,956 | \$708,092,181 | (\$32,754,775) | 104.6% | \$200,582,273 | (16.3)% |
| 1992 | 805,618,773 | 753,731,578 | (51,887,195) | 106.9% | 203,987,435 | (26.6)% |
| 1993 | 861,920,273 | 811,409,358 | (50,510,915) | 106.2% | 204,458,988 | (25.4)% |
| 1994 | 932,112,162 | 854,867,111 | (77,245,051) | 109.0% | 203,270,170 | (38.0)% |
| 1995 | 986,376,389 | 908,811,746 | (77,564,643) | 108.5% | 205,467,129 | (37.8)% |
| 1996 | 1,089,962,911 | 970,569,414 | (119,393,497) | 112.3% | 211,178,640 | (56.5)% |

**State of Louisiana
School Employees' Retirement System
Schedule of Employer Contributions**

| <u>Year Ended June 30</u> | <u>Annual Required Contribution</u> | <u>Annual Contribution</u> | <u>Percentage Contributed</u> |
|---------------------------|-------------------------------------|----------------------------|-------------------------------|
| 1991 | \$7,190,564 | \$12,871,231 | 179.0% |
| 1992 | 11,041,033 | 13,262,342 | 120.1% |
| 1993 | 12,241,348 | 11,983,380 | 96.5% |
| 1994 | 11,591,250 | 12,581,273 | 108.5% |
| 1995 | 12,241,039 | 12,135,206 | 99.2% |
| 1996 | 12,918,080 | 12,816,141 | 99.2% |

**State of Louisiana
School Employees' Retirement System
Schedule of Trend Data**

The information presented in the required supplementary schedules was determined from the actuarial valuations at the dates indicated. Additional information as of the actuarial valuation date of June 30, 1996 follows:

| | |
|-------------------------------|---|
| Valuation date | June 30, 1996 |
| Actuarial cost method | Entry Age |
| Amortization method | Level Dollar |
| Remaining amortization period | 33 Years |
| Asset valuation method | Bonds are valued at amortized cost. For the Plan Year ending June 30, 1996 equities are valued at a four year weighted average. The computation of the actuarial value of assets is the sum of the bonds at amortized cost, less a weighted average of unrealized losses or (gains) in the market value of equities, plus the market value of equities. This value is determined in accordance with Reg.1.412(c)(2)-1-(6) & (7) of the Internal Revenue Service Code and is subject to the Corridor Limits defined therein. |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% |
| Projected salary increases | The rate of annual salary growth is based on 1981-1986 salary scale experience of the Plan. The rates were smoothed then the table was increased by .5% at all durations to account for the continuing affects of inflation. |
| Cost of living adjustments | 3.0% |

**State of Louisiana
School Employees' Retirement System
Schedule of Per Diem Paid Trustees
Year Ended June 30, 1996**

| | <u>Number of Meetings</u> | <u>Amounts</u> | | |
|------------------|-------------------------------|-----------------|---------------|---------------|
| | | <u>Meetings</u> | <u>Travel</u> | <u>Total</u> |
| Trustee | | | | |
| Howard Broussard | 13 | \$1,200 | \$782 | \$1,982 |
| Lee R. Darbonne | 9 | 900 | 418 | 1,318 |
| Betty Jacobs | 11 | 975 | -0- | 975 |
| Sylvia Myers | 9 | 825 | 994 | 1,819 |
| Joe Seymour | 9 | 900 | 1,150 | 2,050 |
| Boyd Zitzmann | 13 | <u>1,200</u> | <u>1,286</u> | <u>2,486</u> |
| | <u>Totals</u> | <u>6,000</u> | <u>4,630</u> | <u>10,630</u> |

The Board holds regular two-day meetings each quarter, and one-day Investment Committee meetings during the months those regular meetings are not held. For fiscal year ended 1996, the board held an additional one-day Special Board meeting.

State of Louisiana
School Employees' Retirement System
Schedule of U. S. Government Obligations and Bonds
June 30, 1996

| | <u>Par Value</u> | <u>Cost</u> | <u>Fair Value</u> |
|---|----------------------|--------------------|-----------------------|
| U. S. Government Obligations | \$167,075,000 | \$166,652,924 | \$168,444,731 |
| U. S. Government Agency | <u>10,600,000</u> | <u>10,592,419</u> | <u>10,256,006</u> |
| <u>Total U. S. Government Obligations</u> | <u>177,675,000</u> | <u>177,245,343</u> | <u>178,700,737</u> |
| Corporate Bonds | \$177,561,000 | \$184,426,315 | \$179,347,045 |
| Municipal Bonds | 1,000,000 | 1,181,570 | 1,100,260 |
| Collateralized Mortgage Obligations | 27,897,447 | 27,564,537 | 27,494,186 |
| Private Placements | 4,000,000 | 3,929,160 | 3,868,640 |
| Federal National Mortgage | 66,578,642 | 65,618,776 | 65,140,857 |
| Government National Mortgage | 60,545,394 | 59,041,096 | 59,542,218 |
| Federal Home Loan Mortgage | 5,334,742 | 5,374,335 | 5,379,713 |
| Other Asset Backed Securities | 29,458,435 | 29,464,938 | 29,329,507 |
| Principal Only Strips | <u>2,244,768</u> | <u>1,821,242</u> | <u>1,995,643</u> |
| <u>Total Bonds</u> | <u>374,620,428</u> | <u>378,421,969</u> | <u>373,198,069</u> |

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------------|---------------|-------------|-------------------|
| Aflac Inc. | 17,400 | \$476,732 | \$519,825 |
| Agco Corp | 98,200 | 2,647,806 | 2,725,050 |
| Amr Corp | 9,500 | 863,044 | 864,500 |
| American Telephone & Telegraph | 10,800 | 663,342 | 669,600 |
| Adobe Systems Inc | 52,500 | 1,877,921 | 1,883,438 |
| Air Express International Cp | 11,600 | 271,103 | 327,700 |
| Air Products Chemical | 5,600 | 317,375 | 322,700 |
| Alco Standard Corp. | 42,000 | 1,761,574 | 1,900,500 |
| Allmerica Financial Corp. | 87,500 | 2,009,695 | 2,614,063 |
| Alltrista Corp. | 12,500 | 232,280 | 296,875 |
| Aluminum Company Of America | 6,200 | 329,927 | 355,725 |
| American Express Co | 14,000 | 541,908 | 624,750 |
| American Home Prods Corp | 5,400 | 275,225 | 324,675 |
| American International Group | 28,850 | 1,550,331 | 2,845,331 |
| American Medical Response | 21,100 | 662,182 | 743,775 |
| American Re Corp. | 61,300 | 2,495,003 | 2,750,838 |
| Amerin Corp. | 29,900 | 614,792 | 799,825 |
| Amerisource Health Corp-Cl A | 26,000 | 613,889 | 864,500 |
| Ameritech Corporation | 54,200 | 2,210,837 | 3,218,125 |
| Amp, Inc. | 8,400 | 354,354 | 337,050 |
| Amoco Corporation | 4,400 | 287,121 | 317,350 |
| Anadarko Petroleum Corporation | 33,000 | 1,441,060 | 1,914,000 |
| Apache Corporation | 19,200 | 523,577 | 631,200 |
| Applied Materials Inc. | 88,400 | 2,070,563 | 2,696,200 |
| Aquila Gas Pipeline Corp | 18,600 | 174,946 | 241,800 |
| Arch Communications Group Inc. | 26,900 | 592,129 | 501,013 |
| Archer - Daniels - Midland Co. | 2,579 | 39,169 | 49,323 |
| Armor All Products Corp. | 23,500 | 365,864 | 349,563 |
| Atlantic Richfield Co Com | 24,700 | 2,716,721 | 2,920,775 |
| Avnet, Inc. | 100 | 4,731 | 4,213 |
| Avon Prods Inc Com | 15,400 | 547,125 | 694,925 |
| Bisys Group Inc | 13,700 | 269,286 | 517,175 |
| Bmc Software | 37,800 | 1,072,027 | 2,258,550 |
| Baby Superstore, Inc. | 8,400 | 342,569 | 138,600 |
| Bacou Usa, Inc. | 17,800 | 289,005 | 315,950 |
| Baldwin Technology Co -Cl A | 91,300 | 425,803 | 325,211 |
| Banctec Inc | 65,500 | 1,242,948 | 1,326,375 |
| Bankamerica Corp | 31,000 | 1,706,404 | 2,348,250 |
| Barefoot, Inc. | 15,300 | 213,496 | 168,300 |
| Barrick Gold Corp | 55,000 | 1,755,224 | 1,491,875 |
| Bear Stearns Cos., Inc. | 38,430 | 777,946 | 907,909 |
| Becton Dickinson & Co | 11,200 | 786,414 | 898,800 |
| Belden & Blake Corp. | 26,600 | 402,996 | 551,950 |
| Bell & Howell Company | 13,800 | 214,987 | 424,350 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|-------------------------------|---------------|-------------|-------------------|
| Bellsouth Corporation | 23,600 | 824,626 | 991,200 |
| Bergen Brunswig Corp. | 52,300 | 1,361,757 | 1,451,325 |
| Black & Decker Corporation | 144,200 | 3,307,696 | 5,569,725 |
| Blair Corp | 5,100 | 226,030 | 120,488 |
| E. W. Blanch Holdings Inc. | 41,800 | 756,161 | 830,775 |
| Boeing Co. | 30,000 | 1,781,762 | 2,613,750 |
| Borg-Warner Security | 6,900 | 226,389 | 272,550 |
| Boston Edison Company | 36,900 | 981,951 | 940,950 |
| Bristol-Myers Squibb Co | 68,000 | 4,795,815 | 6,120,000 |
| Brunswick Corporation | 105,000 | 2,171,700 | 2,100,000 |
| Burlington Northern Santa Fe | 31,500 | 2,660,426 | 2,547,563 |
| Cigna Corp | 24,500 | 2,423,577 | 2,887,938 |
| Calenergy Inc. | 49,400 | 828,719 | 1,259,700 |
| Callaway Golf Company | 92,800 | 1,619,614 | 3,085,600 |
| Canandaigua Wine Co Inc Cl A | 7,200 | 260,660 | 216,000 |
| Capital Re Corp. | 6,200 | 201,637 | 227,850 |
| Capitol American Finl Corp. | 16,000 | 380,710 | 402,000 |
| Capsure Holdings Corp. | 35,200 | 458,485 | 629,200 |
| Caraustar Industries, Inc. | 30,400 | 733,793 | 805,600 |
| Cascade Communications Corp | 2,800 | 151,550 | 190,400 |
| Case Corporation | 5,100 | 264,279 | 244,800 |
| Casey's General Stores Inc. | 43,400 | 788,252 | 862,575 |
| Caterpillar Inc. | 24,000 | 1,370,204 | 1,626,000 |
| Century Telephone Enterprises | 71,300 | 2,046,193 | 2,272,688 |
| Chase Manhattan Corp | 103,600 | 4,615,372 | 7,316,750 |
| Checkpoint Systems, Inc. | 16,100 | 487,404 | 553,438 |
| Chrysler Corporation | 117,100 | 5,654,932 | 7,318,750 |
| Cidco Inc | 11,200 | 360,713 | 394,800 |
| Cisco Systems, Inc. | 81,700 | 2,745,390 | 4,626,263 |
| Citicorp | 48,000 | 2,010,614 | 3,972,000 |
| Citrix Systems Inc. | 2,800 | 112,175 | 106,400 |
| Cleveland-Cliffs, Inc. | 15,300 | 605,268 | 598,613 |
| Clorox Company | 28,700 | 1,869,191 | 2,543,538 |
| Coastal Corporation | 2,900 | 95,874 | 121,075 |
| Coca-Cola Company Com | 47,500 | 1,165,166 | 2,327,500 |
| Cognex Corp | 23,800 | 325,505 | 383,775 |
| Coleman Co., Inc. | 11,100 | 417,216 | 470,363 |
| Colgate-Palmolive | 8,300 | 648,023 | 703,425 |
| Columbia Hca/Healthcare Corp | 15,000 | 807,150 | 804,375 |
| Comdisco, Inc. | 6,100 | 162,016 | 162,413 |
| Commerce Bancorp Inc. Nj | 23,040 | 423,919 | 541,440 |
| Community Psychiatric Cntrs | 32,500 | 417,907 | 308,750 |
| Compaq Computer Corp | 60,000 | 2,826,435 | 2,947,500 |
| Computer Associates Int'L. | 126,100 | 5,717,272 | 8,953,100 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------------|---------------|-------------|-------------------|
| Computer Sciences Corp | 25,300 | 1,837,707 | 1,894,338 |
| Compuware Corp. | 59,200 | 2,390,546 | 2,338,400 |
| Consolidated Edison Co N Y Inc | 6,300 | 162,428 | 184,275 |
| Consolidated Freightways, Inc. | 105,000 | 2,203,537 | 2,218,125 |
| Consolidated Papers Inc. | 10,300 | 507,598 | 535,600 |
| Consolidated Stores Corp. | 2,900 | 106,628 | 106,575 |
| Continental Airlines-CI B | 35,000 | 1,917,782 | 2,161,250 |
| Corning, Inc. | 78,400 | 2,667,331 | 3,008,600 |
| Cousins Properties Inc | 58,400 | 967,687 | 1,146,100 |
| Credence Systems Corp. | 21,800 | 596,911 | 292,927 |
| Crown Cork & Seal, Inc. | 51,000 | 2,286,228 | 2,295,000 |
| Culligan Water Technologies | 19,700 | 495,259 | 748,600 |
| Dqe, Inc. | 46,500 | 982,226 | 1,278,750 |
| Dsc Communications Corp. | 63,500 | 1,949,276 | 1,912,938 |
| Dt Industries Inc | 6,900 | 83,303 | 125,925 |
| Dayton Hudson Corporation | 1,600 | 175,525 | 165,000 |
| Decisionone Holdings Corp. | 20,200 | 453,717 | 479,750 |
| Dell Computer Corporation | 50,100 | 2,703,547 | 2,548,838 |
| Delphi Financial Group - CI A | 17,500 | 432,625 | 472,500 |
| Dentsply International Inc | 24,575 | 939,029 | 1,044,438 |
| Diamond Offshore Drilling | 37,000 | 1,864,649 | 2,109,000 |
| Digital Equipment Corp. | 52,900 | 2,125,337 | 2,387,113 |
| Walt Disney Co | 35,200 | 2,000,621 | 2,213,200 |
| Dupont (Ei) De Nemours & Co. | 42,700 | 2,860,582 | 3,378,638 |
| Dyersburg Corp. | 55,000 | 341,275 | 281,875 |
| E G & G, Inc. | 14,800 | 337,261 | 316,350 |
| Emc Corp/Mass | 154,300 | 2,707,408 | 2,854,550 |
| EnSCO International Inc. | 87,800 | 2,027,890 | 2,853,500 |
| Easco Inc. | 37,500 | 320,363 | 309,375 |
| Eastman Chemical Company | 5,500 | 363,144 | 334,813 |
| Eastman Kodak Co Com | 86,800 | 4,504,949 | 6,748,700 |
| Echlin, Inc. | 15,000 | 538,207 | 568,125 |
| A. G. Edwards, Inc. | 1,200 | 28,752 | 32,550 |
| El Paso Natural Gas | 5,000 | 187,175 | 192,500 |
| Electroglas Inc | 20,000 | 382,378 | 285,000 |
| Electronic Data Systems Corp | 11,700 | 535,802 | 628,875 |
| Electronics For Imaging | 7,800 | 181,415 | 541,125 |
| Engelhard Corporation | 19,300 | 449,415 | 443,900 |
| Enron Corporation | 70,000 | 1,993,103 | 2,861,250 |
| Enron Oil & Gas Company | 16,100 | 348,067 | 448,788 |
| Ericsson (Lm) Tel-Sp | 32,200 | 647,202 | 692,300 |
| Evergreen Media Corp-CI A | 10,500 | 316,047 | 448,875 |
| Exabyte Corp | 30,200 | 391,139 | 394,472 |
| Exar Corp. | 48,000 | 754,504 | 624,000 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|---------------------------------------|---------------|-------------|-------------------|
| Exide Electronics Group, Inc. | 22,000 | 322,625 | 209,000 |
| Exxon Corp Com | 49,300 | 3,162,395 | 4,282,938 |
| Falcon Building Products Inc-A | 43,600 | 497,379 | 534,100 |
| Federal Express Corp. | 42,700 | 2,680,908 | 3,501,400 |
| Federal National Mortgage Association | 100,000 | 1,439,308 | 3,350,000 |
| First Bank Systems, Inc. | 48,200 | 1,744,347 | 2,795,600 |
| First Financial Caribbean Cp | 11,100 | 189,195 | 227,550 |
| First Financial Corp. - Wisc | 12,000 | 246,625 | 270,000 |
| Fleet Financial Group | 62,000 | 2,000,551 | 2,697,000 |
| Fluor Corporation | 6,700 | 351,443 | 438,013 |
| Ford Motor Company | 105,800 | 3,838,224 | 3,425,275 |
| Foster Wheeler Corporation | 7,600 | 239,011 | 340,100 |
| Fusion Systems Corp | 12,350 | 254,719 | 305,663 |
| G & K Services Inc. - Cl A | 24,100 | 562,672 | 686,850 |
| General Dynamics Corporation | 53,800 | 2,655,592 | 3,335,600 |
| General Electric Co | 43,400 | 1,583,315 | 3,764,950 |
| General Motors Corp | 62,000 | 2,803,220 | 3,247,250 |
| General Re Corp. | 2,100 | 288,246 | 319,725 |
| Georgia Gulf Corporation | 85,600 | 2,972,349 | 2,503,800 |
| Global Natural Resources, Inc. | 48,100 | 356,606 | 787,638 |
| Great Atlantic & Pac Tea Co | 42,600 | 1,264,726 | 1,400,475 |
| Greenfield Industries, Inc. | 17,700 | 412,432 | 584,100 |
| Guidant Corporation | 9,662 | 363,999 | 475,854 |
| Halliburton Co. | 8,700 | 371,779 | 482,850 |
| Harman International | 8,600 | 355,597 | 423,550 |
| Harmon Industries Inc. | 20,000 | 281,582 | 325,000 |
| Harsco Corp. | 40,000 | 1,921,867 | 2,690,000 |
| Heartland Express, Inc. | 3,400 | 84,050 | 90,950 |
| Heritage Media Corp.-Cl A | 28,400 | 701,140 | 1,132,450 |
| Hewlett - Packard | 30,700 | 2,026,475 | 3,058,488 |
| Home Depot, Inc. | 45,000 | 1,926,689 | 2,430,000 |
| Horace Mann Educators | 18,800 | 468,490 | 596,900 |
| Hormel Co. | 26,400 | 641,784 | 706,200 |
| Hughes Supply, Inc. | 5,500 | 198,581 | 191,125 |
| IBP, Inc. | 82,400 | 2,227,918 | 2,276,300 |
| Imc Global, Inc. | 8,500 | 318,582 | 319,813 |
| Illinois Tool Works, Inc. | 26,000 | 1,736,803 | 1,758,250 |
| Informix Corp. | 12,900 | 383,068 | 290,250 |
| Inland Steel Industries Inc. | 72,000 | 2,610,247 | 1,413,000 |
| Intel Corporation | 109,200 | 3,793,269 | 8,019,320 |
| Interim Services, Inc. | 13,050 | 319,446 | 561,150 |
| International Business Machines | 65,600 | 5,364,149 | 6,494,400 |
| International Imaging Materials, Inc. | 33,600 | 669,718 | 798,000 |
| International Paper | 14,200 | 597,663 | 523,625 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|---------------------------------------|---------------|-------------|-------------------|
| Interpool Inc | 24,900 | 337,367 | 454,425 |
| Interpublic Group | 7,200 | 268,949 | 337,500 |
| Interstate Hotels Company | 3,200 | 67,200 | 70,400 |
| Jacor Communications Inc | 28,100 | 358,908 | 867,588 |
| Jason, Inc. | 40,000 | 298,525 | 335,000 |
| Johnson & Johnson | 112,870 | 2,985,449 | 5,587,065 |
| Katz Media Group Inc. | 64,700 | 1,038,614 | 930,063 |
| Keane, Inc. | 11,400 | 296,047 | 420,375 |
| Kennametal, Inc. | 14,200 | 499,674 | 482,800 |
| Kimberly Clark Corporation | 35,800 | 2,413,360 | 2,765,550 |
| Kingworld Productions Inc | 34,900 | 1,363,772 | 1,269,488 |
| Kroger Co. | 50,100 | 1,984,449 | 1,978,950 |
| Ltv Corporation | 110,000 | 2,128,100 | 1,251,250 |
| Lattice Semiconductor Corp. | 17,200 | 505,990 | 414,950 |
| Leasing Solutions Inc | 27,900 | 228,008 | 439,425 |
| Lehman Brothers Holding Inc | 1,800 | 46,920 | 44,550 |
| Libbey, Inc. | 11,500 | 248,327 | 319,125 |
| Lilly Eli & Co Com | 10,316 | 469,626 | 670,540 |
| Long Island Lighting | 2,600 | 45,552 | 43,875 |
| Luby'S Cafeteria Inc | 13,400 | 287,481 | 314,900 |
| Lucent Technologies, Inc. | 40,000 | 1,251,175 | 1,515,000 |
| Mac Frugals Bargains Close Outs, Inc. | 15,000 | 198,230 | 266,250 |
| Madge Networks N. V. | 6,800 | 222,308 | 98,600 |
| Magellan Health Services | 57,700 | 1,233,423 | 1,240,550 |
| Marsh & McLennan Cos | 27,700 | 2,616,491 | 2,673,050 |
| Marshall Industries | 11,600 | 354,033 | 340,750 |
| Martin Marietta Materials, Inc. | 21,000 | 416,260 | 509,250 |
| Masco Corporation | 90,000 | 2,205,400 | 2,722,500 |
| Mattel, Inc. | 70,000 | 1,227,249 | 2,003,750 |
| Maxim Group Inc (The) | 20,700 | 243,124 | 292,388 |
| Mc Donalds Corporation | 13,400 | 549,079 | 626,450 |
| Mcgrath Rentcorp | 17,000 | 267,538 | 382,500 |
| Mcwhorter Technologies | 19,300 | 335,431 | 342,575 |
| Mead Corporation | 18,000 | 1,006,009 | 933,750 |
| Media General Inc. - Cl A | 23,200 | 897,442 | 864,200 |
| Medtronic Inc | 33,000 | 939,811 | 1,848,000 |
| Mentor Graphics Corp. | 53,700 | 939,454 | 872,625 |
| Merck & Co. Inc. | 42,600 | 1,533,739 | 2,753,025 |
| Metromail Corp. | 13,200 | 276,425 | 295,350 |
| Microsoft Corporation | 26,900 | 2,436,576 | 3,231,363 |
| Millipore Corporation | 8,100 | 263,023 | 339,188 |
| Minerals Technologies, Inc. | 13,700 | 492,584 | 469,225 |
| Mobil Corporation | 36,100 | 2,951,989 | 4,056,738 |
| Mobilemedia Corp. | 21,900 | 481,231 | 265,538 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|------------------------------------|---------------|-------------|-------------------|
| Molex, Inc. | 9,900 | 296,601 | 314,325 |
| Monsanto | 67,000 | 2,085,173 | 2,177,500 |
| J. P. Morgan & Company | 33,100 | 2,721,484 | 2,801,088 |
| Morgan Stanley Group, Inc. | 9,000 | 388,664 | 442,125 |
| Morton International, Inc. | 8,100 | 244,337 | 301,725 |
| Motorola Inc. | 7,500 | 474,128 | 470,625 |
| Mtl Inc | 28,400 | 412,382 | 482,800 |
| Mutual Risk Management Ltd. | 17,600 | 484,046 | 550,000 |
| National Data Corp | 16,700 | 381,696 | 571,975 |
| National Fuel Gas Co. N. J. | 7,400 | 248,344 | 266,400 |
| Nationsbank Corp. | 42,600 | 2,749,687 | 3,519,825 |
| New York State Electric & Gas Corp | 53,300 | 1,296,643 | 1,305,850 |
| Nokia Corp-Adr Pref | 9,300 | 370,005 | 344,100 |
| Noble Drilling Corp. | 22,500 | 150,750 | 312,188 |
| Nu-Kote Holding Inc-CI A | 53,500 | 520,105 | 889,438 |
| Nuevo Energy Co. | 12,800 | 379,936 | 412,800 |
| Nynex Corp | 3,700 | 175,539 | 175,750 |
| Oak Industries Inc. | 61,300 | 1,460,542 | 1,816,013 |
| Old Republic Intl. Corp. | 4,200 | 95,036 | 90,300 |
| Omnicare, Inc. | 26,600 | 516,776 | 704,900 |
| Omnicom Group, Inc. | 8,400 | 255,780 | 390,600 |
| Oracle Systems Corporation | 13,950 | 368,249 | 550,146 |
| Owens Corning | 55,200 | 2,426,205 | 2,373,600 |
| Pacific Enterprises | 1,900 | 46,351 | 56,288 |
| Pacific Gas & Electric Co. | 6,700 | 194,434 | 155,775 |
| Panenergy Corp | 4,900 | 104,216 | 161,088 |
| Pepsi Co Inc. Capital Stock | 135,200 | 3,334,258 | 4,799,600 |
| Petroleum Heat And Power-CI A | 29,600 | 213,759 | 229,400 |
| Pfizer Inc Com | 37,000 | 1,675,423 | 2,640,875 |
| Philip Morris Cos | 33,500 | 1,869,480 | 3,484,000 |
| Physicians Resource Grp., Inc. | 7,100 | 205,361 | 236,963 |
| Physio-Control Intl Corp. | 25,400 | 383,430 | 447,675 |
| Planar Systems Inc. | 19,800 | 391,325 | 282,150 |
| Pogo Producing Co. | 11,800 | 267,369 | 449,875 |
| Polymer Group, Inc. | 15,300 | 278,701 | 267,750 |
| Praxair Inc. | 97,000 | 1,922,807 | 4,098,250 |
| Premier Parks, Inc. | 10,100 | 198,808 | 219,675 |
| Price (T.Rowe) Associates | 7,000 | 96,731 | 215,250 |
| Procter & Gamble Co Com | 18,000 | 1,510,164 | 1,631,250 |
| Pronet Inc. | 4,700 | 80,000 | 57,575 |
| Protein Design Labs Inc | 12,500 | 235,222 | 281,250 |
| Rational Software Corp. | 2,000 | 115,000 | 107,500 |
| Raytheon Co Com | 37,200 | 1,226,767 | 1,920,450 |
| Read-Rite Corp. | 400 | 11,122 | 5,650 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|----------------------------------|---------------|-------------|-------------------|
| Reading & Bates Corp. | 9,800 | 230,888 | 216,825 |
| Repap Enterprises | 129,000 | 859,696 | 491,748 |
| Rite Aid Corporation | 43,300 | 1,241,647 | 1,288,175 |
| Rochester Gas & Electric | 25,300 | 519,662 | 543,950 |
| Rohm & Haas Company | 3,000 | 193,680 | 188,250 |
| Roosevelt Financial Grp Inc | 31,900 | 525,289 | 614,075 |
| Ross Stores, Inc. | 1,200 | 21,474 | 41,700 |
| Safeway, Inc. | 38,800 | 861,067 | 1,280,400 |
| St. John Knits Inc | 3,700 | 56,556 | 165,113 |
| St. Mary Land & Exploration | 31,300 | 385,240 | 524,275 |
| Sanmina Corp | 11,000 | 98,125 | 297,000 |
| R.P. Scherer Corp. | 5,000 | 217,030 | 226,875 |
| Seagate Technology | 35,000 | 2,046,706 | 1,575,000 |
| Sealed Air Corp. | 5,800 | 117,201 | 195,025 |
| Sears Roebuck & Co. | 30,000 | 1,555,246 | 1,458,750 |
| Security Capital Pacific Trust | 27,525 | 480,013 | 598,669 |
| Shorewood Packaging Corp. | 41,400 | 687,178 | 636,525 |
| Snap-On, Inc. | 12,900 | 532,754 | 611,138 |
| Sola International Inc. | 24,900 | 643,918 | 722,100 |
| Southern New England Telecomm | 10,600 | 424,489 | 445,200 |
| Spacelabs Medical Inc. | 58,300 | 1,364,193 | 1,355,475 |
| Sprint Corporation | 9,000 | 278,543 | 378,000 |
| Stewart Enterprises, Inc. - Cl A | 21,150 | 488,558 | 660,938 |
| Storage Technology Corp. | 34,500 | 864,151 | 1,354,125 |
| Summit Care Corp. | 28,400 | 592,289 | 624,800 |
| Sun Microsystems | 10,000 | 449,702 | 588,750 |
| Sunamerica, Inc. | 40,000 | 1,990,346 | 2,300,000 |
| Sundstrand Corporation | 92,000 | 2,312,996 | 3,369,500 |
| Sungard Data Systems Inc | 16,500 | 388,602 | 662,063 |
| Sybron Chemicals, Inc. | 32,200 | 390,522 | 466,900 |
| Sybron Intl Corp-Wisconsin | 25,400 | 461,543 | 635,000 |
| Sylvan Inc | 21,400 | 229,142 | 286,225 |
| Symantec Corp. | 77,600 | 1,349,790 | 970,000 |
| Synopsys, Inc. | 27,800 | 793,999 | 1,105,050 |
| System Software Assoc. Inc. | 65,999 | 1,542,245 | 1,121,983 |
| Tjx Companies Inc. | 4,200 | 72,595 | 141,750 |
| Taubman Centers Inc | 42,900 | 484,312 | 477,263 |
| Tektronix, Inc. | 3,600 | 136,685 | 161,100 |
| Telebras-Spons Adr | 22,000 | 1,158,850 | 1,531,750 |
| Teledyne, Inc. | 5,300 | 133,516 | 192,125 |
| Teradyne, Inc. | 14,900 | 596,894 | 257,025 |
| Terra Industries, Inc. | 108,700 | 1,398,082 | 1,345,163 |
| Texas Instruments, Inc. | 60,000 | 2,258,049 | 2,992,500 |
| Thermo Electronics Corp | 72,300 | 1,556,931 | 3,009,488 |

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1996**

| <u>Domestic Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|------------------------------------|---------------|--------------------|--------------------|
| 3 Com Corp. | 11,400 | 464,272 | 521,550 |
| Tidewater, Inc. | 27,900 | 699,284 | 1,224,113 |
| Travelers Inc. | 60,000 | 1,938,033 | 2,737,500 |
| Tribune Co. | 40,000 | 2,404,501 | 2,905,000 |
| Triton Energy Ltd | 45,000 | 1,747,375 | 2,188,125 |
| Ual Corp. | 55,600 | 2,505,429 | 2,988,500 |
| Ucar International, Inc. | 20,700 | 530,632 | 861,638 |
| Ugi Corporation New | 10,200 | 211,777 | 226,950 |
| USF&G Corp. | 128,700 | 2,304,502 | 2,091,375 |
| USX- U.S. Steel Group | 61,000 | 2,402,736 | 1,730,875 |
| U.S. Xpress Enterprises, Inc. | 21,900 | 254,205 | 164,250 |
| Union Texas Petroleum | 105,000 | 2,046,630 | 2,047,500 |
| United Dominion Industries | 13,700 | 330,047 | 315,100 |
| United Insurance Cos. | 5,800 | 118,900 | 131,950 |
| United States Surgical Corporation | 11,700 | 315,475 | 362,700 |
| United Video Satellite Grp-A | 17,300 | 172,893 | 363,300 |
| United Wisconsin Services | 8,000 | 169,232 | 208,000 |
| Verifone, Inc. | 6,400 | 154,016 | 270,400 |
| Viacom Inc. - Cl "B" | 40,000 | 1,630,861 | 1,555,000 |
| Vicor Corp. | 19,500 | 398,608 | 453,375 |
| Vivra Inc | 21,200 | 486,408 | 696,950 |
| Washington Post Co Class B | 400 | 104,458 | 129,600 |
| Waters Corp. | 17,500 | 262,500 | 577,500 |
| Weatherford Enterra, Inc. | 15,250 | 412,361 | 457,500 |
| Wellpoint Health Networks-A | 2,134 | 110,164 | 66,688 |
| Westinghouse Elec Corp | 202,800 | 3,068,445 | 3,827,850 |
| Westpoint Stevens, Inc. | 43,100 | 867,328 | 1,029,013 |
| Williams Companies Inc | 54,000 | 1,477,928 | 2,673,000 |
| Wolverine Tube, Inc. | 8,700 | 252,810 | 304,500 |
| World Acceptance Corp | 8,200 | 78,116 | 59,450 |
| Xerox Corporation | 29,700 | 1,430,847 | 1,588,950 |
| Zilog, Inc. | 11,900 | 450,279 | 285,600 |
| Zurich Reinsurance Centre | 6,900 | 210,864 | 217,350 |
| | | <u>343,490,797</u> | <u>425,698,438</u> |
| Total Domestic Stocks | | | |

State of Louisiana
School Employees' Retirement System
Schedule of Foreign Stocks
June 30, 1996

| <u>Foreign Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------------|---------------|-------------|-------------------|
| Adidas Ag | 18,500 | 1,012,737 | 1,554,479 |
| Koninklijke Ahold Nv | 25,500 | 1,004,089 | 1,381,810 |
| Autoliv Ab | 36,000 | 995,918 | 1,095,890 |
| Air New Zealand Ltd.-Class B | 291,000 | 984,916 | 926,974 |
| Autobacs Seven Co. Limited | 12,000 | 1,238,599 | 1,159,685 |
| Advantest Corp. | 19,800 | 743,058 | 785,249 |
| Bilfinger & Berger Bau Ag | 2,000 | 940,613 | 843,544 |
| Cable & Wireless Plc | 141,000 | 974,388 | 932,186 |
| Castorama Dubois Investisse | 6,600 | 1,017,733 | 1,299,937 |
| Chiyoda Co. | 46,000 | 855,112 | 1,077,814 |
| Docks De France Sa-New | 7,000 | 1,066,171 | 1,482,057 |
| Daifuku Co. Limited | 90,000 | 1,122,141 | 1,378,493 |
| Ericsson Lm-B | 52,800 | 1,057,135 | 1,137,845 |
| Fotolabo Sa | 3,000 | 987,756 | 1,243,958 |
| Familymart | 26,400 | 1,184,816 | 1,174,564 |
| Fuji Machine Mfg. Co. | 29,000 | 990,199 | 816,976 |
| Fanuc | 22,000 | 985,872 | 874,504 |
| Futaba | 21,000 | 1,029,369 | 947,714 |
| Gea Ag | 2,500 | 1,009,502 | 885,261 |
| Hennes & Mauritz Ab-B Shs | 16,000 | 1,146,610 | 1,482,888 |
| Hagemeyer Nv | 23,319 | 1,066,621 | 1,661,154 |
| Ito-Yokado Co., Ltd. | 19,000 | 1,084,332 | 1,145,006 |
| Jurong Shipyard Limited | 133,000 | 1,050,448 | 673,716 |
| Jusco | 34,000 | 1,040,670 | 1,112,823 |
| Kiekert Ag | 18,000 | 973,493 | 496,666 |
| Keyence Corporation | 9,000 | 1,042,407 | 1,222,592 |
| Kyocera Corp. | 14,000 | 1,184,339 | 989,196 |
| Lvmh (Moet-Hennessy Louis Vui) | 5,000 | 945,250 | 1,184,869 |
| Maruko Co. Ltd. | 18,200 | 997,069 | 1,634,408 |
| Mitsubishi Heavy Inds. Ltd. | 142,000 | 1,060,522 | 1,233,769 |
| Otra Nv | 45,000 | 935,105 | 1,036,028 |
| Plettac Ag | 3,000 | 978,202 | 703,610 |
| Petroleum Geo-Services | 44,000 | 1,027,411 | 1,259,746 |
| Rohm Company | 19,000 | 1,039,530 | 1,254,137 |
| Saga Petroleum A/S/-Ser B | 71,000 | 988,411 | 1,043,708 |
| Seb Sa (Frf20)-Prime Fidel.98 | 8,592 | 975,946 | 1,471,984 |
| Sophus Berendsen A/S-Ord "B" | 8,000 | 1,058,598 | 1,069,535 |
| Santen Pharmaceutical | 49,500 | 1,178,351 | 1,150,795 |
| Secom | 16,000 | 1,023,191 | 1,056,115 |
| Sharp Corp. | 65,000 | 976,691 | 1,137,804 |
| Shin-Etsu Chemical Co. | 58,800 | 1,155,693 | 1,125,769 |
| Telecom Corp Of New Zealand | 257,000 | 1,057,798 | 1,077,472 |
| Tokio Marine & Fire Ins. | 76,000 | 1,034,805 | 1,011,624 |
| Vendome Luxury Group-Uts | 100,000 | 1,018,944 | 926,041 |

State of Louisiana
School Employees' Retirement System
Schedule of Foreign Stocks
June 30, 1996

| <u>Foreign Stock</u> | <u>Shares</u> | <u>Cost</u> | <u>Fair Value</u> |
|----------------------------|---------------|-------------------|-------------------|
| Wolters Kluwer-Div 93 | 11,126 | 1,000,925 | 1,278,291 |
| Woodside Petroleum Limited | 246,000 | 1,068,848 | 1,479,210 |
| Xebio Co Ltd | 29,000 | <u>968,790</u> | <u>1,086,657</u> |
| Total Foreign Stock | | <u>48,279,120</u> | <u>53,004,553</u> |

**State of Louisiana
School Employees' Retirement System
Schedule of Short-Term Investments
June 30, 1996**

Description

| | |
|--|-------------------|
| Northern Trust Collective Government Short-Term Investment | \$50,162,254 |
| Marquis Treasury Securities Money Market Fund | <u>7,009,402</u> |
| | <u>57,171,656</u> |

State of Louisiana
School Employees' Retirement System
Schedule of Futures and Options
June 30, 1996

| | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------|-------------|-------------------|
| Deutsche Mark Put Option | 88,220 | 161,700 |
| Deutsche Mark Put Option | 103,090 | 81,380 |
| Japanese Currency Put | 740,000 | 1,184,000 |
| Japanese Currency Put | 36,960 | 32,520 |
| Japanese Currency Put | 102,220 | 92,340 |
| | 1,070,490 | 1,551,940 |
| | 1,070,490 | 1,551,940 |

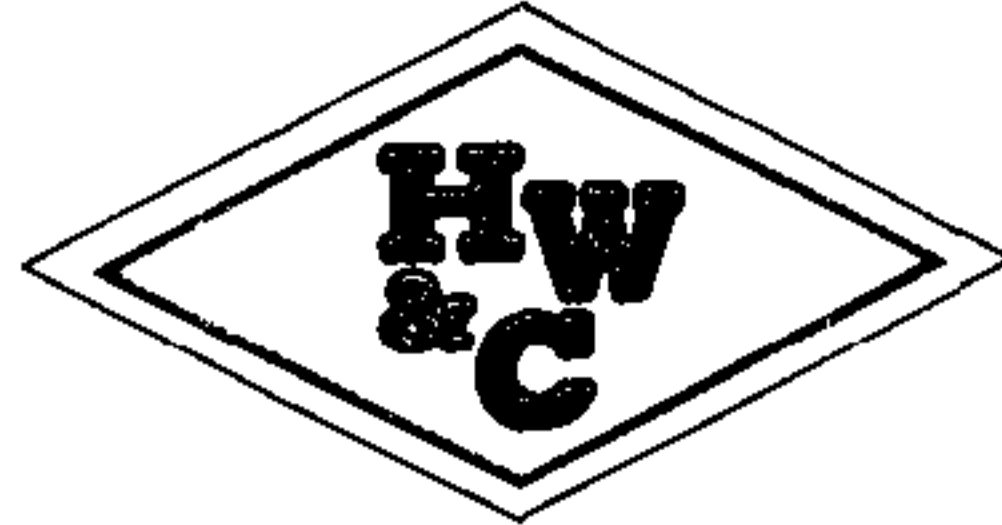
**State of Louisiana
School Employees' Retirement System
Schedule of Administrative Expenses
June 30, 1996**

| | | |
|--|---------------------------|----------------------|
| Expenses | | |
| Salaries | | \$730,534 |
| Student labor | | 8,811 |
| Compensation - Board | | 6,000 |
| Related benefits | | 105,566 |
| Overtime pay | | <u>32,983</u> |
| | | <u>883,894</u> |
| Operating Expenses | | |
| Professional improvement - staff and Board | | <u>61,312</u> |
| Operating Services | | |
| Advertising | | 712 |
| Printing | | 8,365 |
| Auto repairs | | 1,160 |
| Equipment maintenance | | 19,430 |
| Building expense | | 239,293 |
| Dues | | 4,853 |
| Postage | | 62,170 |
| Telephone | | 31,379 |
| Insurance | | 8,006 |
| Legal | | <u>4,453</u> |
| | | <u>379,821</u> |
| Supplies | | |
| Office | | 17,174 |
| Food | | 901 |
| Computer | | <u>13,989</u> |
| | | <u>32,064</u> |
| | | <u>1,357,091</u> |
| | (Amounts brought forward) | |

State of Louisiana
School Employees' Retirement System
Schedule of Administrative Expenses
June 30, 1996

| | |
|------------------------------|-------------------------|
| (Amounts carried forward) | \$1,357,091 |
| | |
| Professional Services | |
| General information services | \$115 |
| Medical | 7,030 |
| Actuary | 29,940 |
| Audit | <u>24,480</u> |
| | <u>61,565</u> |
| | |
| Interagency Transfers | |
| Secretary of State | \$4,335 |
| State Treasurer | 246 |
| Civil Service | <u>1,807</u> |
| | <u>6,388</u> |
| | |
| Other Charges | |
| Legiscon | 3,000 |
| Computer equipment | 1,244 |
| Miscellaneous expenses | 2,807 |
| Computer software | 7,234 |
| TRS Computer | 295 |
| HUB data | <u>12,000</u> |
| | <u>26,580</u> |
| | |
| Depreciation Expense | <u>162,307</u> |
| | |
| <u>Total expenditures</u> | <u><u>1,613,931</u></u> |

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



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

CERTIFIED PUBLIC ACCOUNTANTS

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

August 29, 1996

Report on the Internal Control Structure Based on an Audit of the Component Unit Financial Statements in Accordance with Government Auditing Standards

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

Members of the Board:

We have audited the component unit financial statements of the State of Louisiana School Employees' Retirement System, Baton Rouge, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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 component unit financial statements are free of material misstatement.

The management of the State of Louisiana School Employees' Retirement System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of the State of Louisiana School Employees' Retirement System, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such and opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit 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 structure and its operations that we consider to be material weaknesses as defined above.

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

Yours truly,

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

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



H. DANIEL CARROLL, C.P.A.
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RETIRED

CERTIFIED PUBLIC ACCOUNTANTS

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(504) 923-3000 • FAX (504) 923-3008

August 29, 1996

Report on Compliance Based on an Audit of the Component Unit Financial Statements Performed in Accordance with Government Auditing Standards

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

Members of the Board:

We have audited the component unit financial statements of the State of Louisiana School Employees' Retirement System, Baton Rouge, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 29, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance with laws, regulations and contracts applicable to the State of Louisiana School Employees' Retirement System is the responsibility of the State of Louisiana School Employees' Retirement System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the State of Louisiana School Employees' Retirement System's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

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

Yours truly,

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