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TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF THE STATE OF LOUISIANA

FISCAL YEAR ENDED JUNE 30, 2005

Teachers' Retirement System of Louisiana
Comprehensive Annual Financial Report -
A Component Unit of the State of Louisiana
For the Fiscal Year Ended
June 30, 2005

MAUREEN H. WESTGARD
DIRECTOR

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

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INTRODUCTORY SECTION

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Baton Rouge LA 70804-9123

October 1, 2005

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

Dear Board Members:

I am pleased to present the Comprehensive Annual Financial Report of the Teachers' Retirement System of Louisiana (TRSL) for the fiscal year ended June 30, 2005, as required by the Louisiana Revised Statute 11:832(B). This statute requires that a report be published annually "showing the fiscal transactions of the retirement system for the preceding school year, the amount of the accumulated cash and securities of the system, and the last balance sheet showing the financial condition of the system by means of an actuarial valuation of the assets and liabilities of the retirement system."

Responsibility for the accuracy of financial statements and all disclosures rests with management. To the best of our knowledge and belief, all information is accurate and has been prepared according to the generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB).

This report consists of six sections:

1. The **Introductory Section** contains this letter of transmittal; listings of the Board of Trustees, administrative staff, and professional consultants; TRSL's organizational chart; the *Certificate of Achievement for Excellence in Financial Reporting*; *the Public Pension Standards Achievement Award*; a summary of 2005 legislation; and a plan summary covering all the benefit provisions.

2. The **Financial Section** includes the independent auditor's report, management's discussion and analysis, basic financial statements, accompanying notes to the financial statements, required supplementary information, and supporting schedules.

3. The **Investment Section** contains a report on investment activity, the investment policy, a summary of the value of investment assets by type, a list of the largest assets held, net earnings on investments, investment performance measurements, annual rates of return, and a schedule of commissions paid to brokers.

4. The **Actuarial Section** consists of the actuary's certification letter, a summary of assumptions, an actuarial valuation balance sheet, other pertinent actuarial data, and principal provisions of the plan.

5. The **Statistical Section** displays trend information on selected data, various graphs, and a list of employing agencies that remit contributions to TRSL.

6. The **Alternative Retirement Plans Section** contains information on TRSL's various retirement structures: the Optional Retirement Plan (ORP), the Deferred Retirement Option Plan (DROP/LaDROP), the Initial Lump-Sum Benefit (ILSB/LaILSB), and the Excess Benefit Plan.

ORIGIN AND PURPOSE OF THE SYSTEM

TRSL is a defined benefit pension plan, established by the state legislature on August 1, 1936, to provide retirement and other benefits for Louisiana teachers. All invested funds, cash, and property are held in the name of TRSL for the sole benefit of the membership. A sixteen-member Board of Trustees (composed of ten active members, two retired members, and four ex-officio members) governs TRSL.

FIDUCIARY RESPONSIBILITY

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

CONTROLS

In accordance with the Board's and management's goals and policies, TRSL maintains a system of internal controls to reasonably assure that assets are properly safeguarded, resources are efficiently and economically employed, and financial information is reliable and accurate. To achieve these objectives, TRSL employs advanced computer technology, continuing education for staff, and numerous checks and balances within the control environment, which includes a fully staffed internal audit department. An operating budget for administrative expenses is prepared each year by the staff to address member and employer needs while keeping costs reasonable. The Board of Trustees must review and approve the annual budget and any changes during the year. In addition to the trustees' review and approval, the budget must be reviewed and approved by the Joint Legislative Committee on the Budget. An independent certified public accounting firm audits the financial statements to ensure that they conform to generally accepted accounting principles and performs an annual financial and compliance audit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) begins on page 28 and provides an overview and analysis of the System's basic financial statements. This letter of transmittal complements the MD&A and should be read in conjunction with it.

INVESTMENTS

TRSL is the state's largest public retirement system and is responsible for the prudent management of an investment portfolio with a market value of $12.5 billion. Diversification to reduce risk is evident in the allocation of investment assets. TRSL utilizes a wide range of investments to provide the diversification necessary to control risk—domestic and international stocks and bonds, real estate, private equity and mezzanine partnerships, and short-term investments. Diversification is fine-tuned even further by breaking down the previously mentioned categories by style (growth and value), size of company, industry, type of bond, etc. For fiscal year 2005, our investment policy asset mix provided a 10.9 percent return with 5- and 10- year averages of 3.6 percent and 9.1 percent, respectively. A more detailed exhibit of investment performance can be found on page 94. TRSL's investment policy can be found on pages 70-81.

FUNDING

The actuary determines the annual funding requirements needed to meet current and future benefit obligations. Actuarial contributions are based on normal cost and amortization of the unfunded accrued liability. Employers are required to pay the percentage of total payroll equal to the normal cost plus an amount sufficient to amortize the unfunded accrued liability as outlined in Louisiana Revised Statue 11:102 as it pertains to TRSL. The required contribution is converted to a percentage of total payroll.

The employer contribution rate established by the Public Retirement Systems' Actuarial Committee (PRSAC) was 15.5 percent for 2004-2005 and will be 15.9 percent for 2005-2006.

At June 30, 2005, the last valuation date, TRSL was 63.6 percent funded, compared to 62.2 percent at June 30, 2004, excluding the mineral revenue audit and settlement funds. This increase results from favorable investment market conditions. Net assets held in trust to pay pension benefits at June 30, 2005, totaled $12.7 billion, which is a 6.7 percent increase from $11.9 billion held in trust at June 30, 2004.

MAJOR INITIATIVES

Our efforts are first and foremost for the benefit of our members. Every department at TRSL works together to provide the high quality service that our members deserve. Key accomplishments are summarized below.

Cost efficiency earns national recognition
For the second consecutive year, TRSL participated in an independent national study of public pension administrators, conducted by Cost Effective Measurement, Inc. This study compares several areas, such as costs for service delivery, service levels, and complexity of plans among similar pension systems. We are pleased that our administrative cost of $68 per active member and annuitant is far below our peer average of $89 per active member and annuitant.

Technology enhances member data access
The Information Technology Department successfully completed two migration projects. The transition from the HP 3000 platform to the HP-UX platform was a major upgrade in TRSL's ongoing efforts to maintain the security and integrity of member data. Hewlett Packard published our successful migration story, titled "3000 Transitions--The Easy Way," in the March 2005 issue of their magazine. The article emphasized that most transition projects of this nature take about two years to complete. TRSL's transition project began in February 2004 and concluded just eight months later. The second significant migration was from a Novell network to an all Windows network environment. This migration puts all of TRSL's internal network components on a main stream platform and allows staff to more effectively process requests for information.

The Imaging Section of the Retirement Department completed a key project to electronically image member files. A total of 178,620 member files were scanned and indexed. Member data is now immediately accessible through TRSL's internal network, speeding response to member inquiries and creating a secure disaster recovery process. Over 90 percent of our retirement operations are now done through imaging workflow processes, and retirement processing backlogs have decreased by 27 percent.

Web services expanded
The Information Technology Department developed a benefit calculator that members can use to compare future benefits of the regular defined benefit plan with future benefits of the Optional Retirement Plan's (ORP) defined contribution plan. This calculator will help members make a more knowledgeable decision regarding TRSL or the ORP.

Our Retirement Education Department successfully implemented employer procedures training through web-based conferencing, thus reducing travel costs for employers and TRSL.

The Communications Department created a "press room" on TRSL's website with a media packet and an archive of press releases, making information more accessible to the public and the news media.

The Human Resources Department successfully implemented an employee self-service module to TRSL's Abra-HR information system. Now all employees can access payroll information via TRSL's internal intranet.

By the numbers
Our Audit Department conducted seven compliance audits of agencies with a total of 5,651 members and recovered $203,976 in employer and employee contributions and benefit overpayments owed to the system.

The Administrative Services Department ensured the proper handling and delivery of 154,948 retirement benefit checks to TRSL retirees. They also processed 1,389,630 pieces of outgoing mail to the TRSL membership.

The Accounting Department made more than 707,000 benefit payments totaling over $1.2 billion, including retiree benefit payments, DROP payments, and refunds of contributions. They also posted over 78,000 updates to member records in their efforts to ensure benefit accuracy.

Staff responds in a crisis
During the final preparation of this report, many of our members and employees were severely impacted by Hurricanes Katrina and Rita. During this time, we expanded our office hours to assist our membership impacted by the storm. Staff began redirecting benefit payments and counseling displaced active members regarding their retirement options.

For the future
Fulfilling our mission to serve our members guides all we do, including planning for and developing new services.

TRSL staff is developing online account access for members to securely view their account information via the Internet. This new service will provide an individual's service credit, payroll information, check history, beneficiary information, and a variety of other pertinent information.

"Project Form 6" is a multi-department project currently underway to enhance employer reporting procedures and processes used to certify members' employment history before retirement. The streamlined process will provide a time- and money-saving electronic service for employers and expedite the retirement process for members.

In the next 18 to 24 months, TRSL will be adding two new asset classes—core real estate and market-neutral hedge funds—as a result of an asset allocation study. Existing asset classes will also be restructured and consolidated to mitigate risk and enhance returns. Equity allocations to small- and mid-cap growth and value have already been restructured into a small/mid cap (SMID) mandate.

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to TRSL for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year the System achieved this prestigious award. To be awarded a *Certificate of Achievement*, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report that follows both generally accepted accounting principles and applicable legal requirements.

A *Certificate of Achievement* is valid for a period of only one year. We believe this current comprehensive annual financial report continues to meet the *Certificate of Achievement* program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

TRSL also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report for the fiscal year ended June 30, 2004. This is the third consecutive year that TRSL has received this award. This award recognizes excellence for readily understood financial reports that are less technical in nature, while providing interesting financial, actuarial and historical information.

In addition, TRSL received the *Public Pension Standards 2004 Award*. The Public Pension Coordinating Council presents this certificate to public employee retirement systems that achieve high professional standards in the areas of plan design and administration, benefits, actuarial valuations, financial reporting, investments, and disclosures to members. TRSL is proud to have received this award for the fifth time.

TRSL again received awards for contributions made by our staff to the community. The March of Dimes 2005 WalkAmerica Campaign recognized TRSL for our donation of $4,719. Over the past five years, TRSL has donated over $31,000 to the March of Dimes. TRSL staff also raised a record-breaking $10,587 in last year's United Way campaign.

ACKNOWLEDGMENTS

As always, we would like to thank the Board of Trustees for their support and dedication. The preparation of this report is made possible by the commitment and dedication of the entire TRSL staff.

Respectfully submitted,

Maureen H. Westgard
Director

Charlene T. Wilson
Chief Financial Officer

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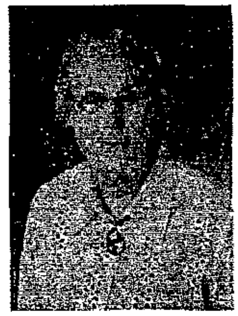
BOARD OF TRUSTEES

Sheryl R. Abshire
Board Chair
Lake Charles, Louisiana
7th District
Term expires 12/31/06

Sally F. Cox
Board Vice Chair
Shreveport, Louisiana
4th District
Term expires 12/31/07



Anne H. Baker
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/09

William C. Baker, Ed.D.
Baton Rouge, Louisiana
Retired Teachers
Term *expires* 12/31/06

Jerry J. Baudin, Ph.D.
Baton Rouge, Louisiana
Colleges & Universities
Term expires 12/31/06

Charles P. Bujol
Plaquemine, Louisiana
Superintendents
Term expires 12/31/06

Syble T. Jones
Alexandria, Louisiana
School Food Service Employees
Term expires 12/31/05

Lawrence J. Moody, Jr.
Harvey, Louisiana
1st District
Term expires 12/31/06

Eula M. Beckwith
New Orleans, Louisiana
2nd District
Term expires 12/31/07

Clyde F. Hamner
Houma, Louisiana
3rd District
Term expires 12/31/07

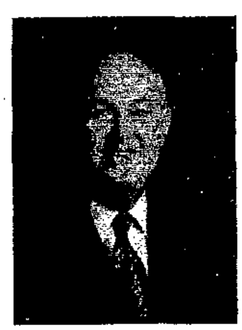
Irvin R. West, Jr.
LaPlace, Louisiana
5th District
Term expires 12/31/08

Joyce P. Haynes
Opelousas, Louisiana
6th District
Term expires 12/31/08

EX OFFICIO MEMBERS

Honorable Butch Gautreaux
Chairman, Senate Retirement Committee

Honorable John N. Kennedy
State Treasurer



Honorable Cecil J. Picard
State Superintendent of Education

Honorable Pete Schneider, III
Chairman, House Retirement Committee

ADMINISTRATIVE STAFF

Maureen H. Westgard
Director

Graig A. Luscombe
Assistant Director

Dana L. Vicknair
Assistant Director

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Chief Investment Officer

William T. Reeves, Jr.
General Counsel

Charlene T. Wilson
Accountant Administrator

Stuart Cagle, CPA
Audit Director

Douglas Smith
Information Systems Center Director

Linda Strawbridge
Retirement Benefits Administrator

Keith Kent
Administrative Manager

Debbie Cannon
Public Information Director

Doris Dumas
Education Field Manager

Trudy Berthelot
Human Resource Director

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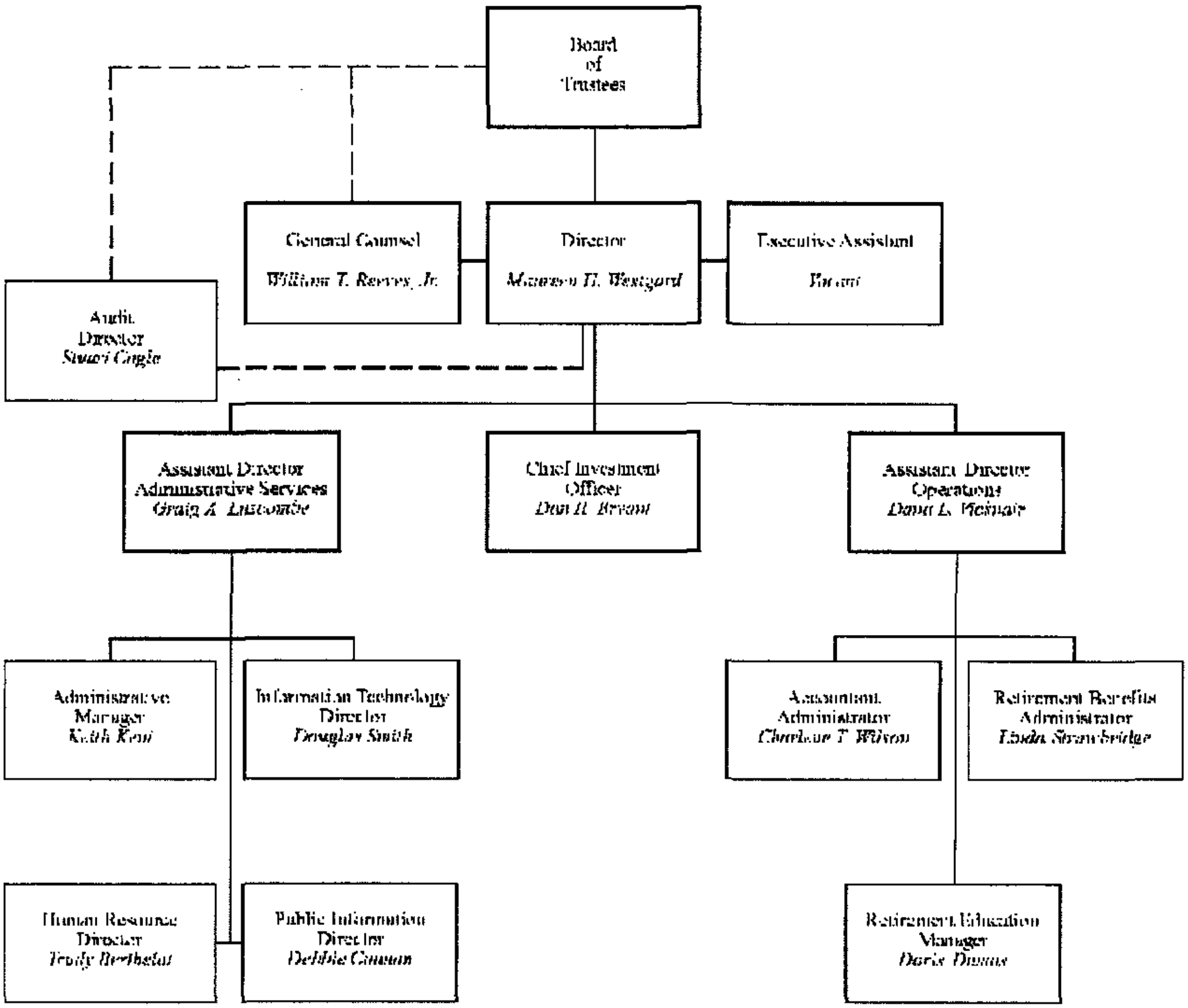
Portland, OR 97205

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2004 Award

Presented to

Teachers' Retirement System of Louisiana

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

SUMMARY 2005 LEGISLATION

The following is a brief synopsis of 2005 legislative action which affects members of Teachers' Retirement System of Louisiana.

2005 LEGISLATION AFFECTING STATE AND STATEWIDE PUBLIC RETIREMENT SYSTEMS

1. **Act 9 [Amends and reenacts R.S. 11:263, 264, 264.4, 264.7(A), 266(B) and (C), 267(B)(2) and (C), and 269; and enacts R.S. 11:264.5(C) and Subpart N of Part II of Chapter 4 of Subtitle I of Title 11 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 11:351 and 352; and repeals R.S. 11:267(B)(3) and (D)]**

   This Act provides relative to investments of the state and statewide retirement systems, fiduciary duty, including enforcement of fiduciary requirements, requires disclosure by investment consultants and money managers including penalties and reporting, and investments in certain sanctioned nations.

   (Effective May 27, 2005)

2. **Act 223 [Enacts R.S. 11:162(E), R.S. 17:1619.16, and R.S. 42:398 and 808(D); repeals R.S. 11:413(12)]**

   This Act provides relative to certain health care professionals employed by medical centers of the Louisiana State University Health Sciences Center, authorizes establishment of unclassified health care professional employee pools for such medical centers, and provides for benefits of employees in the pools.

   (Effective July 1, 2005)

3. **Act 427 [Amends and reenacts R.S. 11:266(B), (D), and (E)]**

   This Act provides for investments through Louisiana incorporated and domiciled broker-dealers; specifies that ten percent of all commissions of trades of domestic equity and fixed income investments shall be directed through broker-dealers incorporated, domiciled, or having their principal trading operations in Louisiana; requires the broker-dealers to enter into commission recapture agreements with the systems; and changes the date on which the pilot program ends.

   (Effective July 11, 2005)

4. **Act 455 [Amends and reenacts R.S. 11:701(33)(a)(ii) and (b)(ii) and to enact R.S. 11:411(6)]**

   This Act provides relative to membership for the director of the LSU Lab School in the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana; provides for membership eligibility and for definitions.

   (Effective July 11, 2005)

5. **Senate Resolution No 175**

   Requests the Senate Committee on Retirement to conduct a comprehensive investigation and study of the state retirement systems and directs such systems to provide certain reports to the committee.

PLAN SUMMARY

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

BENEFIT PROVISIONS

A. ELIGIBILITY REQUIREMENTS

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

Those employees who meet the legal definition of a "teacher" are eligible for membership. Louisiana Revised Statutes 11:701(33)(a) states:

"... any employee of a city or parish school board, parish or city superintendent, or assistant superintendent of public schools, president, vice president, dean, teacher, guidance counselor, or an unclassified employee at any state college or university or any vocational-technical school or institution or special school under the control of the State Board of Elementary and Secondary Education, or any educational institution supported by and under the control of the state or any parish school board, full-time unclassified employees of boards created by Article VIII of the Constitution of Louisiana who became employed on or after July 1, 1991, provided that such persons employed on and *after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State* Employees' Retirement System, the president and staff of the Louisiana Federation of Teachers who were members of the Teachers' Retirement System prior to such employment, the president or secretary and staff of the Louisiana Association of Educators. Notwithstanding the provisions of this Item or any other provision of law to the contrary, any non bargaining employee whose initial effective date of employment occurred on or before June 30, 2001, shall be eligible to irrevocably elect to terminate his membership in this system, provided such election to terminate membership is exercised on or before September 30, 2001. Any non-bargaining employee whose initial effective date of employment occurs on or after July 1, 2001, shall have the irrevocable option to not participate in this system, provided that such option to not participate must be made within sixty days after the effective date of his employment and any such employee who fails to exercise the option not to participate shall become a participating member of this system. For purposes of this Subitem, the phrase "non-bargaining employee" shall mean any employee of the Louisiana Association of Educators whose employment is not covered by a collective bargaining agreement. Notwithstanding any other provision of law to the contrary, any non-bargaining employee who retires from the Teachers' Retirement System and later is reemployed in a position covered by the provisions of this Chapter shall not have his retirement benefits reduced or suspended during such reemployment. Employees of the Teachers' Retirement System of Louisiana, provided that persons employed by the Teachers' Retirement System on and after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State Employees' Retirement System, the director and staff of the Associated Professional Educators of Louisiana, and the secretary and staff of the Louisiana High School Athletic Association. Nothwithstanding the provision of this Item or any other provision of law to the contrary, any director, secretary, staff member, or any other individual employed by the Louisiana High School Athletic Association on or after July 1, 2000, who does not have a valid Louisiana teacher's certificate shall not be required to participate in the system. Any person covered by a sub-item of this Item who has a valid Louisiana teacher's certificate shall be required to participate in the system provided the person satisfies all other eligibility criteria. For purposes hereof, staff personnel involved in the administration of a health and welfare program for the benefit of employees of a school board, which program is coordinated by the school board and a teacher association, and which staff personnel are so designated by the school board, shall be considered to be employees of the school board provided that such employees were previously members of this system. In all cases of doubt, the board of trustees shall determine whether any person is a teacher within the scope of the definition herein set forth."

B. RETIREMENT BENEFITS

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

PLAN SUMMARY (Continued)

TEACHERS' REGULAR PLAN

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

For persons who became members prior to July 1, 1999

Years Service	Minimum Age	Formula Percentage
5	60	2.0%
20	Any Age	2.0%
25	55	2.5%
30	Any Age	2.5%
20	65	2.5%

For persons who become members on or after July 1, 1999

Years Service	Minimum Age	Formula Percentage
5	60	2.5%
20	Any Age	2.5% Actuarially reduced
25	55	2.5%
30	Any Age	2.5%

TEACHERS' PLAN A

Years Service	Minimum Age	Formula Percentage
5	60	3%
25	55	3%
30	Any Age	3%

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

TEACHERS' PLAN B

Years Service	Minimum Age	Formula Percentage
5	60	2%
30	55	2%

C. DEFERRED RETIREMENT

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

D. DISABILITY BENEFITS

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

TEACHERS' REGULAR PLAN

(1) A member shall receive a retirement allowance upon retirement for disability. A factor of two and one-half percent shall be used in the computation of the disability benefit. The maximum disability benefit cannot exceed fifty percent of the average final compensation. However, the minimum disability benefit cannot be less than forty percent of the state minimum teaching salary or seventy-five percent of compensation, whichever is less.

PLAN SUMMARY (Continued)

(2) No unused accumulated sick or annual leave shall be used in the computation of disability allowance unless the member was eligible to receive a service retirement allowance at the time of disability retirement.

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

TEACHERS' PLAN A

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

TEACHERS' PLAN B

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

E. SURVIVOR BENEFIT

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

TAX SHELTERING OF CONTRIBUTIONS

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

OPTIONAL RETIREMENT PLAN

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

The Optional Retirement Plan is a defined contribution plan that provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the Optional Retirement Plan rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement.

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

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

DEFERRED RETIREMENT OPTION PLAN

On July 1, 1992, the Deferred Retirement Option Plan became effective. This plan, which is described on page 106 of this report, is another alternative plan of retirement. Withdrawals from the plan are subject to certain provisions of the Internal Revenue Code. Distributions from the plan are taxable to the recipient when received. No distributions can be made until the member terminates employment.

PLAN SUMMARY (Continued)

INITIAL LUMP SUM BENEFIT (ILSB)

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

EXCESS BENEFIT PLAN

On January 1, 2000, Teachers' Retirement System of Louisiana established an Excess Benefit Plan. This plan is an unfunded, non-qualified plan intended to be a qualified excess benefit arrangement. It is designed to pay excess benefits to those members who retired July 1, 1988 or later. The excess benefit is the portion of their TRSL benefit that exceeds the maximum benefit allowed under Section 415 of the Internal Revenue Code.

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FINANCIAL SECTION

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

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

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3003

September 9, 2005

Independent Auditor's Report

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

Members of the Board:

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

Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

a component unit of the State of Louisiana, as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years then ended, which collectively comprise the System's basic financial statements. These financial statements are the responsibility of the Teachers' Retirement System of Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit 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 Teachers' Retirement System of Louisiana as of June 30, 2005 and 2004, and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of the Teachers' Retirement System of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Teachers' Retirement System of Louisiana's basic financial statements. The accompanying financial information listed in the Table of Contents as Supporting Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Teachers' Retirement System of Louisiana. Such additional information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole. The introductory section and statistical tables have not ben subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yours truly,

Hawthorn, Waymouth & Carroll L.L.P.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of TRSL's financial performance. This narrative overview and analysis helps to interpret the key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- The net assets held in trust increased by $792 million, or 6.7 percent.
- The rate of return on the market value of the System's investments was 10.9 percent for 2005 compared to 18.2 percent in 2004.
- The System's funded ratio increased from 63.1 percent at June 30, 2004 to 64.6 percent as of June 30, 2005.
- The unfunded actuarial accrued liability decreased from $6.7 billion in 2004 to $6.6 billion in 2005.
- Total benefit payments increased from $1.1 billion in 2004 to $1.2 billion in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The System's basic financial statements include the following: (1) statements of plan net assets, (2) statements of changes in plan net assets and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

The statements of plan net assets report the pension funds assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2005, and June 30, 2004.

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

The notes to the financial statements provide additional information and insight that is essential to gaining a full understanding of the data provided in the statements.

- Note A provides a general description of TRSL, information regarding employer and membership participation, and descriptions of the various plans offered.
- Note B provides a summary of significant accounting policies and plan asset matters including the basis of accounting, estimates, methods used to value investments, property and equipment, budgetary accounting methods, accumulated leave, and reclassifications.
- Note C provides information regarding member and employer contribution requirements.
- Note D provides information regarding TRSL employee pension benefits.
- Note E describes the System's investments and includes information regarding bank balances, security collateralization, investment credit risk, interest rate risk , and foreign credit risk.
- Note F provides information regarding securities lending transactions.
- Note G describes the various types of derivative investments in which the System may invest.
- Note H provides information on contingent liabilities.
- Note I provides information on implementation of GASB Statement 44.
- Note J introduces the required supplementary information
- Note K provides information of a subsequent event.

Required supplementary information consists of two schedules and related notes concerning the funded status of the System.

Supporting schedules include information on budgetary expenses, administrative expenses, investment expenses, Board compensation, building maintenance expenses, and payments to non-investment related consultants.

TRSL FINANCIAL ANALYSIS

TRSL provides retirement benefits to all eligible teachers, administrative support staff and school food service personnel. Employee contributions, employer contributions, and earnings on investments fund these benefits. Total

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

net assets held in trust to pay pension benefits at June 30, 2005, is $12.7 billion, which is a 6.7 percent increase from the $11.9 billion held in trust at June 30, 2004.

CONDENSED COMPARATIVE STATEMENT OF PLAN NET ASSETS

	2005	2004	2003
Cash	$ 24,677,100	$ 30,677,716	$ 7,808,257
Receivables	222,670,447	191,297,088	307,062,509
Investments (fair value)	12,491,032,538	11,774,998,309	10,376,121,923
Securities lending collateral	1,742,710,715	1,938,170,626	3,536,684,192
Capital assets	4,677,169	4,923,034	4,999,004
Total assets	14,485,767,969	13,940,066,773	14,232,675,885
Accounts payable and other liabilities	57,144,665	108,499,255	175,314,083
Securities lending collateral	*1,742,710,715*	*1,938,170,626*	*3,536,684,192*
Total liabilities	1,799,855,380	2,046,669,881	3,711,998,275
Net Assets Held in Trust	$12,685,912,589	$11,893,396,892	$10,520,677,610

Changes in Plan Net Assets

Additions to TRSL's plan net assets were derived from member and employer contributions and investment income. Member contributions increased $5,620,050 (2.1 percent) while employer contributions increased $73,711,011 (16.6 percent). Since the employee contribution rate is established by law, the increase in member contributions is *attributable to normal salary increases received by active members as well as the purchase of permissible service* credit by active members due to the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001. The System's actuary and the Public Retirement Systems' Actuarial Committee (PRSAC) adjust employer contributions annually. The employer rate was increased to 15.5 percent for 2005. Employer contributions is attributable to the increase (1.8 percent) in the employer contribution rate from 2004 plus the normal salary increases received by active members, and the addition of employer contributions that now must be remitted for retirees who return to work. The System also experienced a net investment gain of $1,134,823,923 in 2005 compared to a net investment gain of $1,738,551,936 in 2004.

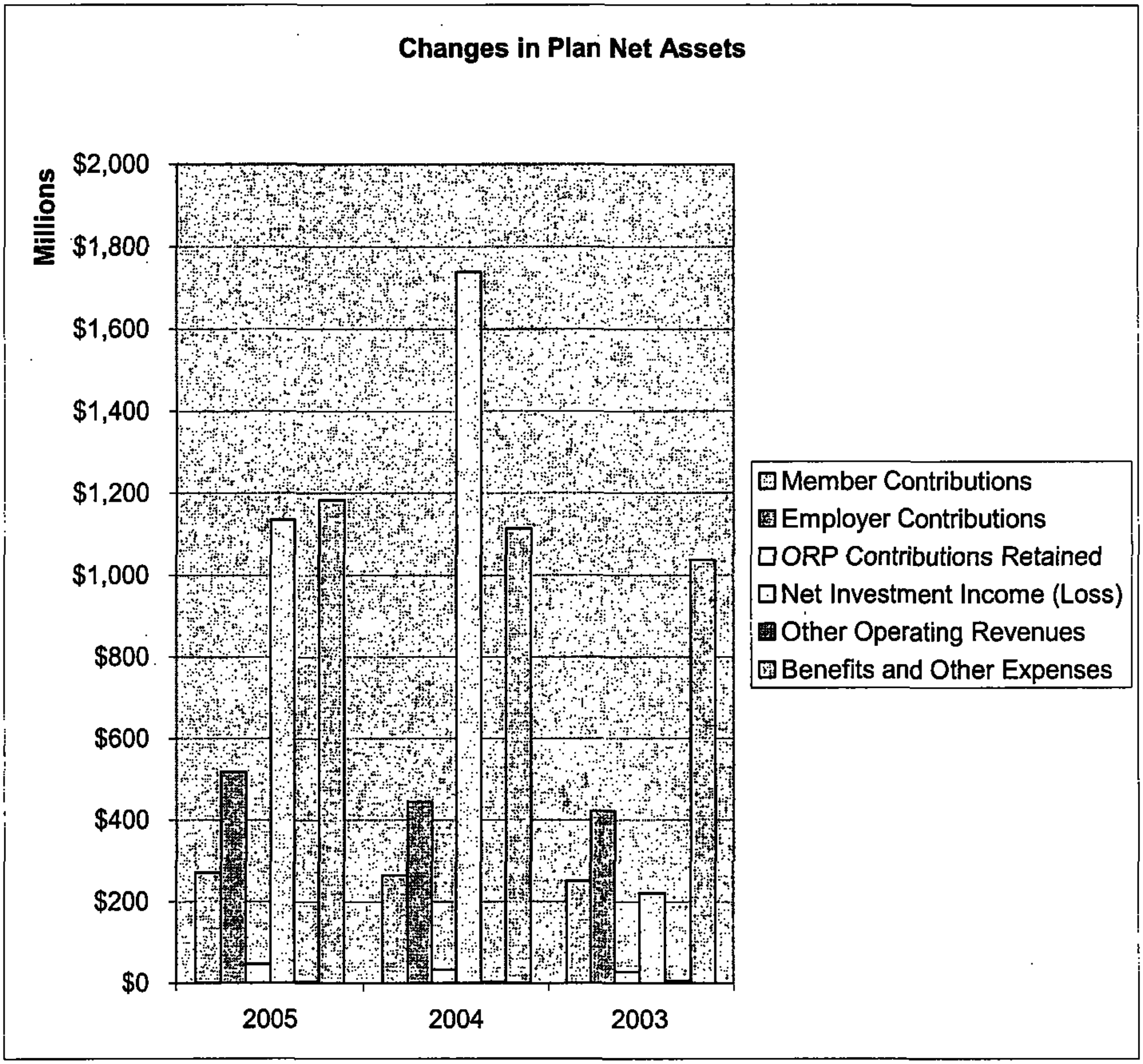
Deductions from plan net assets totaled $1,182,923,511 in fiscal year 2005, an increase of $69,525,174 or 6.2 percent, over fiscal year 2004. For 2005, the major increase is attributable to the increase in benefit payments, which increased by 6.0 percent. Approximately 1,625 retirees were added to the benefit payroll records. Refunds of *contributions increased by $3,649,553 or 13.6 percent over 2004. This increase is directly related to the increase in* the number of retirees returning to work. Retirees who return-to-work must contribute unsheltered employee contributions. They gain no additional service credit or benefits. When they terminate employment, they can request a refund of their unsheltered contributions. Since most retirees work nine months (during the school year), they are allowed to refund their contributions (which were made during their return-to-work employment) every summer. Administrative expenses increased by $1,392,083 or 12.9 percent over fiscal year 2004. Salaries of $6,795,782 were paid in 2005, resulting in a 14.5 percent increase over 2004. This is directly related to the filling of previously vacant budgeted positions. The system is 89.1 percent staffed, compared to 84.6 percent for fiscal year 2004. Related benefits of $1,795,518 were paid in 2005, which resulted in a 20.6 percent increase over fiscal year 2004. This increase is directly related to the employer portion of health insurance premiums.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CONDENSED COMPARATIVE STATEMENT OF CHANGES IN PLAN NET ASSETS

	2005	2004	2003
Additions			
Member contributions	$ 270,619,181	$ 264,999,131	$ 251,297,401
Employer contributions	517,815,361	444,104,350	421,838,213
ORP contributions retained	48,754,970	35,244,313	29,499,096
Other operating revenues	3,425,773	3,217,889	4,976,629
Total net investment income	1,134,823,923	1,738,551,936	221,365,576
Total additions	1,975,439,208	2,486,117,619	928,976,915
Deductions			
Benefit and refunds	1,170,268,708	1,102,103,488	1,025,614,573
Administrative expenses	12,178,533	10,786,450	10,688,003
Other operating expenses	476,270	508,399	490,780
Total deductions	1,182,923,511	1,113,398,337	1,036,793,356
Net increase (decrease)	792,515,697	1,372,719,282	(107,816,441)
Net assets beginning of year	11,893,396,892	10,520,677,610	10,628,494,051
Net assets end of year	$12,685,912,589	$11,893,396,892	$10,520,677,610

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)



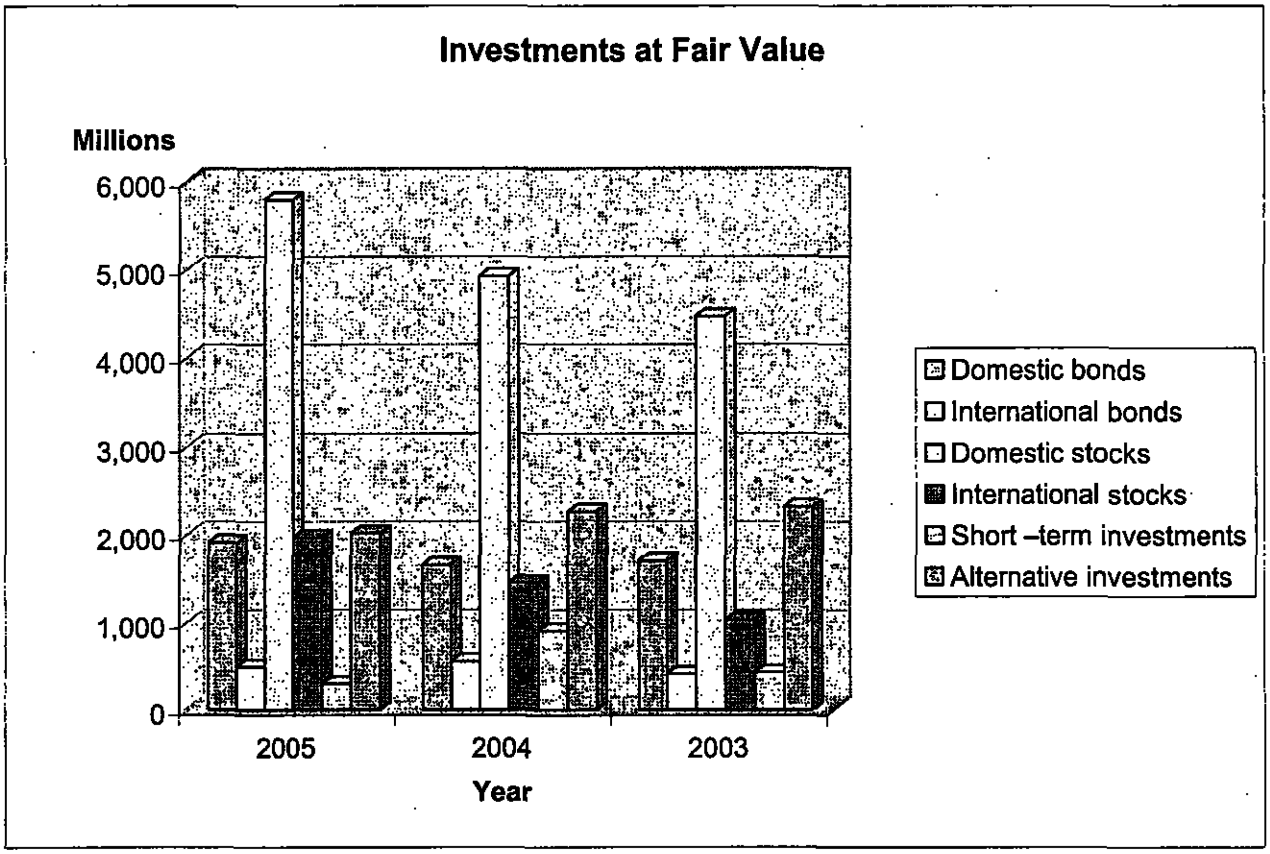
Investments

As the state's largest public retirement system, TRSL is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2005, amounted to $12.5 billion, compared to $11.8 billion at June 30, 2004, which is an increase of approximately 700 million or 5.9 percent. The System experienced a net gain on investments of 1.1 billion at June 30, 2005. Our market rate of return was 10.9 percent. This return ranks TRSL in the 29th percentile in the Independent Consultants' Cooperative Large Fund Universe, which exceeds the performance of 71 percent of other large public pension plans. A major contributor to the assets is alternative investments which are now returning funds to the system.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FAIR VALUE

	2005	2004	2003
Domestic bonds	$ 1,913,039,451	$ 1,659,559,992	$ 1,704,534,901
International bonds	497,213,792	560,651,839	416,432,668
Domestic stocks	5,796,790,444	4,926,745,546	4,468,939,880
International stocks	1,969,333,621	1,454,136,303	1,033,655,198
Short –term investments	296,950,031	910,719,505	434,080,034
Alternative investments	2,017,705,199	2,263,185,124	2,318,479,242
Total investments	$12,491,032,538	$11,774,998,309	$10,376,121,923



TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FUNDED STATUS

An actuarial valuation of assets and liabilities is performed annually. The System's funded ratio increased from 63.1 percent at June 30, 2004, to 64.6 percent as of June 30, 2005. The amount by which TRSL actuarial liabilities exceeded the actuarial assets was $6.6 billion at June 30, 2005, compared to $6.7 billion at June 30, 2004, thereby decreasing the System's unfunded accrued liability by $100 million. For the year ending June 30, 2005, the net realized actuarial rate of return was 9.87 percent, which was greater than the System's assumed actuarial rate of return of 8.25 percent. This resulted in a net investment experience gain of $178 million.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to Charlene T. Wilson, Chief Financial Officer, Teachers' Retirement System of Louisiana, P. O. Box 94123, Baton Rouge, Louisiana, 70804-9123.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2005 AND 2004

	2005	2004
Assets		
Cash and cash equivalents	$ 24,677,100	$ 30,677,716
Receivables		
Member contributions	48,912,587	48,885,390
Employer contributions	72,934,679	64,691,821
ORP contributions retained	3,375,808	2,319,164
Pending trades	52,151,909	33,712,000
Accrued interest and dividends	42,821,985	40,170,526
Other receivables	2,473,479	1,518,187
Total receivables	222,670,447	191,297,088
Investments, at fair value		
Domestic bonds	1,913,039,451	1,659,559,992
International bonds	497,213,792	560,651,839
Domestic common and preferred stocks	5,796,790,444	4,926,745,546
International common and preferred stocks	1,969,333,621	1,454,136,303
Domestic short-term investments	256,739,631	910,719,505
International short-term investments	40,210,400	0
Alternative investments	2,017,705,199	2,263,185,124
Total investments	12,491,032,538	11,774,998,309
Invested Securities Lending Collateral		
Collateral held under domestic securities lending program	1,508,767,585	1,593,822,121
Collateral held under international securities lending program	233,943,130	344,348,505
Total securities lending collateral	1,742,710,715	1,938,170,626
Building, at cost, net of accumulated depreciation of $2,153,592 and $2,022,124 respectively	2,995,632	3,127,099
Equipment, furniture and fixtures, at cost, net of accumulated depreciation of $2,458,175 and $2,392,783 respectively	823,147	937,545
Land	858,390	858,390
Total assets	14,485,767,969	13,940,066,773
Liabilities		
Accounts payable	9,240,444	7,096,770
Benefits payable	2,077,116	2,616,254
Refunds payable	5,385,301	4,875,048
Pending trades payable	39,836,267	92,991,945
Other liabilities	605,537	919,238
Total Accounts Payable and Other Liabilities	57,144,665	108,499,255
Securities Lending Collateral		
Obligations under domestic securities lending program	1,508,767,585	1,593,822,121
Obligations under international securities lending program	233,943,130	344,348,505
Total securities lending collateral	1,742,710,715	1,938,170,626
Total liabilities	1,799,855,380	2,046,669,881
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 56)	$12,685,912,589	$11,893,396,892

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Additions		
Contributions		
Member contributions	$ 270,619,181	$ 264,999,131
Employer contributions	517,815,361	444,104,350
Total contributions	788,434,542	709,103,481
ORP contributions retained	48,754,970	35,244,313
Investment income:		
From investment activities		
Net appreciation in fair value of domestic investments	663,699,379	1,164,647,179
Net appreciation in fair value of international investments	197,833,593	323,405,540
Domestic interest	111,850,200	110,597,008
International interest	29,898,190	23,800,877
Domestic dividends	84,579,303	64,865,361
International dividends	31,583,991	41,800,161
Alternative investments income	108,622,676	81,696,047
Commission rebate income	571,219	1,078,487
Total investment income	1,228,638,551	1,811,890,660
Investment activity expenses		
International investment expenses	(5,710,058)	(4,995,570)
Alternative investment expenses	(64,918,175)	(49,401,029)
Custodian fees	(760,908)	(786,062)
Performance consultant fees	(618,996)	(507,749)
Trade cost analysis fees	(10,000)	(40,000)
Advisor fees	(26,020,649)	(23,311,668)
Total investment expenses	(98,038,786)	(79,042,078)
Net income from investing activities	1,130,599,765	1,732,848,582
From securities lending activities		
Securities lending income	24,508,470	13,854,504
Securities lending expenses		
Fixed	(12,174,022)	(6,053,776)
Equity	(249,954)	(249,934)
International	(7,860,336)	(1,847,440)
Total securities lending activities expenses	(20,284,312)	(8,151,150)
Net income from securities lending activities	4,224,158	5,703,354
Total net investment income	1,134,823,923	1,738,551,936
Other operating revenues	3,425,773	3,217,889
Total additions	1,975,439,208	2,486,117,619
Deductions		
Retirement benefits	1,139,814,334	1,075,298,667
Refunds of contributions	30,454,374	26,804,821
Administrative expenses	12,178,533	10,786,450
Depreciation expense	476,270	508,399
Total deductions	1,182,923,511	1,113,398,337
Net increase	792,515,697	1,372,719,282
Net assets held in trust for pension benefits		
Beginning of year	11,893,396,892	10,520,677,610
End of year	$12,685,912,589	$11,893,396,892

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. MEMBERSHIP AND ADMINISTRATION

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

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

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

The operating budget of the System is subject to budgetary review and approval by the Legislature.

Annual sworn statements on all financial transactions and the actuarial valuation of the System must be furnished to the Legislature at least thirty days before the beginning of each regular session.

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

In May 2002, the Governmental Accounting Standards Board issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units* 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 or to impose specific financial burdens on the System. The System also determined whether there are organizations that are fiscally dependent on it. It was determined that there are no component units of the System.

At June 30, 2005, and 2004, the number of participating employers was:

	2005	2004
School Boards	68	68
Colleges and Universities	26	24
State Agencies	55	57
Charter Schools	7	6
Other	19	17
Total	175	172

Membership of this plan consisted of the following at June 30, 2005, and 2004, the dates of the latest actuarial valuations:

	2005	2004
Retirees and beneficiaries receiving benefits	54,525	52,900
Deferred Retirement Option Plan participants	4,375	3,409
Terminated vested employees entitled to but not yet receiving benefits	4,454	5,610
Terminated nonvested employees who have not withdrawn contributions	10,799	10,242
Current active employees:		
Vested	58,107	58,638
Nonvested	26,439	25,760
Post Deferred Retirement Option Plan participants	3,097	2,875
Total	161,796	159,434

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

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

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

TRSL Plan A - employees paid with school food service funds in which the parish has withdrawn from Social Security coverage.

TRSL Plan B - employees paid with school food service funds in which the parish has not withdrawn from Social Security coverage.

These three membership plans are considered one pension plan for financial reporting purposes. All assets accumulated for the payment of benefits may legally be used to pay benefits to any of the plan members or beneficiaries. Teachers' Retirement System of Louisiana provides retirement, disability, and survivor benefits. Plan members become vested after five years of credited service. Members applying for disability retirement must be in active service at the time of filing the application. The formula for annual maximum retirement benefits is 2 or 2.5 percent (Regular Plan), 1 or 3 percent (Plan A), or 2 percent (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive thirty-six months of salary. Benefits are paid monthly for life. If a member leaves covered employment prior to vesting or dies prior to establishing eligibility for survivor benefits, accumulated member contributions are refunded. For a more detailed description of plan benefits, refer to the Plan Summary on page 20 of this report.

In 1989, the state legislature established an Optional Retirement Plan (ORP) for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana. The ORP is a defined contribution pension plan which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan no later than March 1, 1990, and the public institutions of higher education to implement their Optional Retirement Plan on July 1, 1990. The 1995 Legislative Session amended the ORP to allow ORP participants who assume positions, other than as employees of a public institution of higher education, in positions covered by Teachers' Retirement System of Louisiana, to continue to participate in the ORP. The number of participating employers is currently 93. Current membership in the ORP is 19,541.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 7.9 percent of the 15.5 percent ORP employer contributions. The amount transferred to the carriers is the employer's portion of the normal cost contribution that has been determined by the Public Retirement Systems' Actuarial Committee to be 6.23 percent.

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

The Deferred Retirement Option Plan (DROP) was implemented on July 1, 1992 with the passage of Louisiana Revised Statutes 11:786 by the state legislature. When a member enters the DROP, his status changes from active member to retiree, even though he continues to work at his regular job and draws his regular salary. In the original DROP, participation in the program could not exceed two years; however, the DROP was modified on January 1, 1994, to allow for a three-year period of participation. During the DROP participation period, the retiree's retirement benefits are paid into a special account. The election is irrevocable once participation begins. For members eligible to enter the DROP prior to January 1, 2004, interest will be earned at a rate equal to the actuarial realized rate of return on the System's portfolio for that plan year as certified by the System actuary in his actuarial report, less one-half of one percent after participation ends. For members eligible to enter the DROP on or after January 1, 2004, interest will be earned at the liquid asset money market rate less one quarter of one percent administrative fee. At the time of retirement, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROP account.

Effective January 1, 1996, the state legislature authorized the Teachers' Retirement System of Louisiana to establish an Initial Lump Sum Benefit (ILSB) program. ILSB is available to members who have not participated in the DROP and who select the maximum benefit, option 2 benefit, option 3 benefit, or option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The ILSB program provides both a one-time single sum payment of up to 36 months of the maximum regular monthly retirement benefit and a reduced monthly retirement benefit for life. Interest credited and payments from the ILSB account are made in accordance with Louisiana Revised Statutes 11:789(A)(1).

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

Louisiana Revised Statutes 11:945 established the Excess Benefit Plan as a separate, unfunded, nonqualified plan under the provisions set forth in Louisiana Revised Statutes 11:946 and as a qualified governmental excess benefit arrangement, as defined in Section 415(m)(3) of the United States Internal Revenue Code.

Effective July 1, 1999, an excess benefit participant who is receiving a benefit from this System is entitled to a monthly benefit under this plan in an amount equal to the lesser of either the participant's unrestricted benefit as defined in Louisiana Revised Statutes 11:701, less the maximum benefit, or the amount by which the participant's monthly benefit from this System has been reduced by the limitations of Louisiana Revised Statutes 11:784.1. A benefit payable under this plan is paid in the form and at the time it would have been paid as a monthly pension except for the limitations under Louisiana Revised Statutes 11:784.1 and Section 415 of the United States Internal Revenue Code.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

1. BASIS OF ACCOUNTING

Teachers' Retirement System of Louisiana's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Member and employer contributions are recognized when due, pursuant to formal commitments as well as statutory or contractual requirements. Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis. State General Fund appropriations for supplemental benefits are recognized when drawn from the State Treasury. Administrative costs are funded through investment earnings and are subject to budgetary control by the Board of Trustees and the Joint Legislative Committee on the Budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Teachers' Retirement System of Louisiana has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The System has implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB Statement 34 primarily relates to presentation and disclosure requirements and had no monetary impact on the financial statements. Management's Discussion and Analysis has been included, as a result of the adoption.

2. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deduction from plan net assets during the reporting period. Actual results could differ from those estimates. The Retirement System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

3. METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is the market value on the last business day of the fiscal year. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be sold. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of estimated future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

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

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

4. PROPERTY AND EQUIPMENT

Land, building, equipment, and furniture are carried at historical cost. Depreciation for the building is computed using the straight-line method based upon a useful life of forty years. Depreciation for office equipment and furniture with a purchase price of at least $1,000 is computed using the straight-line method based upon a useful life of three to ten years. Items with a purchase price of less than $1,000 are expensed in the current year.

5. BUDGETARY ACCOUNTING

Self-generated revenues are budgeted for administrative expenses. State General Funds are appropriated for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 2005 and 2004 includes the original Board of Trustees approved budget and appropriated State General Funds, as well as subsequent amendments as follows:

2005	State General *Funds*	Self-Generated *Revenue*	*Total*
Original approved budget and appropriations	$1,752,134	$36,589,497	$38,341,631
Amendments:			
Salaries		(230,000)	(230,000)
Related Benefits		(650,000)	(650,000)
Professional Services		4,880,000	4,880,000
	$1,752,134	$40,589,497	$42,341,631

2004	State General Funds	Self-Generated Revenue	Total
Final Original approved budget and appropriations	$7,141,922	$38,810,413	$45,952,335

6. ACCUMULATED LEAVE

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

7. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

C. CONTRIBUTIONS

1. MEMBER CONTRIBUTIONS

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statutes 11:884(A)(1), and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 2005, and 2004.

Plan	% of Earned Compensation 2005	2004
TRSL Regular Plan	8.0%	8.0%
TRSL Plan A	9.1%	9.1%
TRSL Plan B	5.0%	5.0%

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

2. EMPLOYER CONTRIBUTIONS

Employer contribution rates are established under Louisiana Revised Statutes 11:885 by the Public Retirement Systems' Actuarial Committee. Rates for the years ended June 30, 2005, and 2004, are as follows:

Plan	% of Earned Compensation	
	2005	2004
TRSL Regular Plan	15.5%	13.8%
TRSL Plan A	15.5%	13.8%
TRSL Plan B	15.5%	13.8%

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

D. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA (TRSL) EMPLOYEE PENSION BENEFITS

1. COST SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PLAN

The Administration and staff at TRSL are required to participate in the pension plan if they are not already participating in the LASERS Pension Plan or LSERS pension plan. The Teachers' Retirement System of Louisiana (TRSL) is a cost sharing multiple-employer defined benefit plan administered by the Teachers' Retirement System of Louisiana. TRSL provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Title 11, Chapter 2, of the Louisiana Revised Statutes assigns the authority to establish and amend benefits provisions to the TRSL Board of Trustees. The financial statements and required supplementary information are contained on pages 56 through 58.

Funding Policy. Plan members participating in TRSL are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute at an actuarially determined rate. The TRSL rate for the 2004-2005 fiscal year is 15.5 percent. The contribution requirements of plan members and TRSL are established and may be amended by the TRSL Board of Trustees. The contributions paid by TRSL for its administration and staff to the pension plan for the years ending June 30, 2005 and 2004 were $444,518 and $389,445 respectively.

All full-time Teachers' Retirement System of Louisiana employees who do not participate in the Teachers' Retirement System of Louisiana (TRSL) participate in the Louisiana State Employees Retirement System (LASERS) or the Louisiana School Employees Retirement System (LSERS). The Louisiana School Employees Retirement System is a cost sharing multiple-employer defined benefit plan administered by the Louisiana School Employees Retirement System. LSERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to members and beneficiaries. The System was established and provided for within Title 11 of the Louisiana Revised Statutes. LSERS issues a publicly available financial analysis summary. That report can be obtained by writing to Louisiana School Employees Retirement System, P.O. Box 44516, Baton Rouge, Louisiana 70804, or by calling 1-800-526-3718.

Funding Policy. Plan Members participating in LSERS are required by state statute to contribute 7.50 percent of their gross salary to the Pension Plan to which TRSL adds 18.40 percent contributions as an employer's match. The contribution requirements of plan members and TRSL are established and may be amended by the LSERS' Board of Trustees. TRSL's Statutory and Actual contribution for the year ended June 30, 2005 is $5,818.15.

2. DEFINED BENEFIT PENSION PLAN

All full time Teachers' Retirement System of Louisiana employees who do not participate in the Teachers' Retirement System of Louisiana (TRSL) participate in the Louisiana State Employees Retirement System (LASERS) or Louisiana School Employees Retirement System (LSRS). LASERS is a single employer defined benefit pension plan administered by the state of Louisiana. LASERS provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Louisiana State Legislature. The System was established and provided for within Title 11 Chapter 401 of the Louisiana Revised Statutes (LRS). LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to Louisiana State Employees Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70904-4213, or by calling 1-800-256-3000.

Funding Policy. Plan members participating in LASERS are required by state statute to contribute 7.5 percent of their gross salary to the pension plan to which TRSL adds a 19.1 percent contribution as an employer's match. The contribution requirements of plan members and

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

TRSL are established and may be amended by the LASERS' Board of Trustees. TRSL's Statutory and Actual contributions for the years ending June 30, 2005 and 2004 were $597,971 and $434,351, respectively.

3. DEFINED CONTRIBUTION PLAN

Staff of Teachers' Retirement System of Louisiana who are members of Optional Retirement Plan (ORP) before becoming employees of TRSL must remain participants in ORP. The ORP is a defined contribution plan administered by the Teachers' Retirement System of Louisiana. The ORP was created by Louisiana Revised Statute 11:921 and implemented on July 1, 1990. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement. The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the participating employees to approved providers. Additional information about the ORP can be found on page 130.

Funding Policy. Plan members are required to contribute 8.0 percent of their annual covered salary and TRSL is required to contribute 15.5 percent of the participating member's covered salary. 7.9 percent of the employees contribution and 6.71 percent (normal cost) of the employer contributions are transferred to the member's chosen provider. The contributions paid by TRSL for participating TRSL employees for the years ending June 30, 2005 and 2004 were $6,625 and $5,116, respectively.

E. CASH, CASH EQUIVALENTS, AND INVESTMENTS

1. DEPOSIT AND RISK DISCLOSURES

The tables presented below include disclosures of custodial, interest rate, credit, and foreign currency risks in accordance with GASB 40 and are designed to inform financial statement users about investment risks that could affect the System's 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.

2. CASH AND CASH EQUIVALENTS

The System may invest in the following short-term investment vehicles in accordance with the guidelines and restrictions set forth by the Board of Trustees:

(1) U.S. Treasury bills, other issues of the U.S. government, issues of federal agencies, and government-sponsored enterprises with a maturity of one year or less.

(2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100% of the amount of their purchase agreement.

(3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10% of outstanding short-term obligations. The maximum maturity will be 90 days.

(4) Certificates of deposit limited to Louisiana banks, savings and loans, and credit unions provided that:

   (a) Maximum amount in any one bank will be limited to $1 million

   (b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury

   (c) Maximum amount limited to 5% of capitalization

   (d) Maximum maturity is 366 days

(5) Money market funds adhering to restrictions (1) through (4) above.

(6) Issues of commercial debt market with maturities of one year or less and having a rating of A or better. The obligations of any single issuer may not exceed 10% of the total outstanding short-term obligations of the System.

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

CUSTODIAL CREDIT RISK

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

The deposits at June 30, 2005, consisted of the following:

	Cash	Certificates of Deposit	Total
Deposits in bank accounts per statement of plan net assets	$14,430,287	$10,246,813	$24,677,100
Bank balances (category 3 only)			
a. Uninsured and uncollateralized	$4,460,766	$0	$4,460,766
Total bank balances (All categories including category 3 reported above)	$8,994,225	$0	$8,994,225

The deposits at June 30, 2004, consisted of the following:

	Cash	Certificates of Deposit	Total
Deposits in bank accounts per statement of plan net assets	$30,677,716	$0	$30,677,716
Bank balances (category 3 only)			
a. Uninsured and uncollateralized	$22,103,545	$0	$22,103,545
Total bank balances (All categories including category 3 reported above)	$30,619,790	$0	$30,619,790

3. INVESTMENTS

Louisiana Revised Statutes 11:263 authorized the Board of Trustees to invest under the "Prudent-Man" rule. The Prudent-Man Rule establishes a standard that a fiduciary shall exercise the judgment and care under the circumstances, then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.

In accordance with Louisiana Revised Statutes 11:267, the System may invest up to 65% of its total assets in equities provided that the System invests an amount equal to at least 10% of total stock in equity indexing. The index portfolio(s) shall be invested in indices that seek either to replicate or to enhance a particular index. The index portfolio(s) may be invested in a variety of equity capitalization ranges and could be invested in either domestic or international equity.

The System has no investments of any single organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of the System's net plan assets, nor does the System hold more than 5% of any corporation's stock. In addition, the Board of Trustees has adopted certain investment policies, objectives, rules and guidelines that are intended to protect the System's assets in real

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

terms such that assets are preserved to provide benefits to participants and their beneficiaries; achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System; and maximize the total rate of return on investments within prudent parameters of risk for a retirement system of similar size and type.

The Board of Trustees' desired investment objective is a long-term compound rate of return on the System's assets is the greater of:

(a) 3.9% above the CPI-U seasonly adjusted
(b) the actuarial rate (currently 8.25%)

During Fiscal Year 2005, the System's investments (including investments bought, sold, and held during the year) appreciated in value by $861,532,972 compared to appreciation of $1,488,052,719 in 2004.

	2005	2004
Increase/(decrease) in fair value of investments held at year end:	$143,238,758	$561,550,408
Realized gains/(losses) on investments including currency sold during the year:	718,294,214	926,502,311
Total	$861,532,972	$1,488,052,719

The following table presents the fair value of investments by type at June 30, 2005 and 2004, respectively:

Investments – Type	2005 Fair Value	2004 Fair Value
Bonds		
Domestic not on securities loan	$1,820,198,466	$1,125,737,871
International not on securities loan	304,362,920	403,221,476
Common and preferred stocks		
Domestic not on securities loan	4,380,863,844	3,824,171,679
Domestic on securities loan for securities collateral or letters of credit	46,442,392	73,737,867
International not on securities loan	1,928,241,364	1,267,218,161
Investments held by broker-dealers under securities loans with cash collateral		
Bonds		
Domestic	92,840,985	533,822,121
International	192,850,872	157,430,363
Common stocks		
Domestic	1,369,484,208	1,028,836,000
International	41,092,257	186,918,142
Domestic money market funds	256,739,631	910,719,505
International money market funds	40,210,400	0
Real estate investment	362,732,833	494,342,545
Mezzanine financing investments	297,148,668	335,701,043
Private equity investments	1,357,823,698	1,433,141,536
Total	$12,491,032,538	$11,774,998,309

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

CREDIT RISKS

The System expects the domestic and international securities investment managers to maintain diversified portfolios by sector and by issuer using the following guidelines:

A. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for domestic managers:

(1) All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.

(2) Corporate bonds, debentures, notes, asset-backed securities, and equipment trust certificates rated Baa3 or BBB- or higher (investment grade) by Moody's or Standard & Poor's (includes split-rated bonds).

(3) Mortgage securities will be limited to pass-throughs, collateralized mortgage obligations, adjustable rate mortgages, commercial mortgage-backed securities, and other mortgage securities deemed prudent by the investment manager. The use of interest-only strips and principal-only strips may not exceed 10% of the portfolio.

(4) Municipal bonds rated Baa3 or BBB- or higher may not exceed 20% of the market value of the bond portfolio.

(5) Positions in any one issuer of corporate or municipal securities are not to exceed 5% of the market value of the bond portfolio, measured at the time of purchase.

(6) Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.

(7) Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25% of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.

(8) Debt obligations of foreign governments, corporations, and supranationals issued outside of the U.S. (Eurobonds and non-U.S. dollar bonds) may be held by investment managers.

(9) High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard & Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC, or below shall not exceed 20% of the market value of the portfolio.

(10) High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).

(11) Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.

(12) Investment grade fixed income portfolios shall not invest in mortgage–backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.

(13) Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations, and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10% of the market value of the portfolio.

B. Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria for global fixed income managers:

Items (1) through (7) of the fixed income guidelines for domestic managers will apply with the following additional guidelines.

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

(1) The debt of countries, foreign and domestic agencies, foreign and domestic corporations, and supranational entities is acceptable for investment. The manager should consider the credit worthiness and the liquidity of a potential security before making an investment. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Portfolio weightings in countries represented in the Citibank World Government Bond Index, including cash, may range from 0% to 100% of the portfolio.

(3) Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40% of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within nonmajor and emerging markets.

(4) Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.

(5) Permitted hedge vehicles for currency exposure management are as follows:

(a) Forward Foreign Exchange Contracts
(b) Currency Futures Contracts
(c) Options on Currency Futures Contracts
(d) Options on Spot Currencies

(6) Net short foreign currency positions may not be taken in this portfolio.

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

(1) Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.

(2) No more than 5% of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.

(3) No more than 5% of the cost or market value of the System's equity portfolio (whichever is more) or 15% of the market value of each manager's portfolio may be invested in the common stock of any one corporation.

(4) No more than 20% of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.

(5) Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.

(6) Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50% and plus 100% of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).

(7) Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50% of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).

(8) Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50% of the weighted average market capitalization of the Russell 2500 Index.

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

D. Investments in common stock securities of Developed Markets (EAFE Countries and Canada), shall be high quality, readily marketable securities offering potential for above-average growth. Items (2), (4), and (5) of the Stock Guidelines for Domestic Managers will apply with the following additional guidelines.

(1) Investment managers may invest up to 20% of the market value of the portfolio in the emerging market countries contained in the IFC Investable Index, including up to 5% (of the 20% limit) in emerging market countries not contained in the IFC Investable Index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Investment managers may invest up to 10% of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.

(3) No single industry group shall constitute more than 25% of the portfolio's market value or its equivalent representation in the EAFE Index; whichever is more, without prior Board approval.

(4) No individual security shall constitute more than 10% of the portfolio's market value.

(5) Cash held by the manager may be in U.S. dollars or foreign currencies of the manager's choice.

(6) Residual currency exposures of the underlying international equity portfolio may be actively managed by the investment manager. If actively managed, the objectives of the foreign exchange exposure management, within the international equity portfolio, are to:

(a) Add value by increasing total returns and reducing volatility of returns through hedging and cross-hedging activities.
(b) Avoid currency losses in periods of an appreciating U.S. dollar.

(7) Permitted Equity Investments

(a) Equity managers are to confine investments to common stocks and securities that are directly convertible or exercisable into common stocks, including ADRs and GDRs.
(b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible.
(c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Additional instruments, such as swaps, or other derivatives, may be used if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above-stated hedge vehicles.
(d) International equity managers may invest up to 10% of the portfolio in Rule 144A securities.

(8) Permitted hedge vehicles for currency exposure management are as follows:

(a) Forward Foreign Exchange Contracts
(b) Currency Futures Contracts
(c) Options on Currency Futures Contracts
(d) Options on Spot Currencies

(9) Net short foreign currency positions may not be taken in this portfolio

Credit Risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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

The System's exposure to credit risk at June 30, 2005, was as follows:

Moody's Rating	Total	Domestic	International
Not Rated	$ 365,144,053	$ 274,953,490	$ 90,190,563
A1	44,096,367	43,985,032	111,335
A2	33,344,227	13,431,810	19,912,417
A3	35,460,684	35,054,017	406,667
AA1	11,051,365	7,840,066	3,211,299
AA2	25,599,644	5,449,688	20,149,956
AA3	54,920,092	51,918,232	3,001,860
AAA	483,206,360	199,887,531	283,318,829
AGY	599,673,167	599,673,167	0
B1	126,346,753	114,787,397	11,559,356
B2	158,095,047	136,680,164	21,414,883
B3	127,996,513	119,859,132	8,137,381
BA1	27,320,821	27,320,821	0
BA2	66,317,175	59,893,200	6,423,975
BA3	146,035,320	134,393,632	11,641,688
BAA1	27,960,107	8,855,760	19,104,347
BAA2	23,131,981	22,555,304	576,677
BAA3	21,319,407	16,006,639	5,312,768
CAA1	37,718,611	37,718,611	0
CAA2	9,388,613	9,388,613	0
CAA3	2,915,113	2,915,113	0
N/A	13,510,722	4,483,126	9,027,596
NR	56,225	56,225	0
P-1	4,922,125	4,922,125	0
UST	233,063,205	233,063,205	0
WR	28,609,577	4,686,982	23,922,595
Total credit risk debt securities	$2,707,203,274	$2,169,779,082	$537,424,192

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

The System's exposure to credit risk at June 30, 2004, was as follows:

Moody's Rating	Total	Domestic	International
Not Rated	$1,014,327,741	$969,086,083	$45,241,658
A1	13,791,639	13,684,220	107,419
A2	35,940,641	3,774,975	32,165,666
A3	22,673,159	22,499,230	173,929
AA1	26,992,544	3,392,030	23,600,514
AA2	32,532,365	5,189,295	27,343,070
AA3	11,939,593	11,939,593	0
AAA	445,517,213	73,477,475	372,039,738
AGY	568,098,160	568,098,160	0
B1	111,438,772	102,357,941	9,080,831
B2	197,810,091	193,369,529	4,440,562
B3	181,942,911	166,805,395	15,137,516
BA1	35,717,654	34,130,629	1,587,025
BA2	44,221,589	40,037,778	4,183,811
BA3	131,218,789	121,597,839	9,620,950
BAA1	23,498,014	10,571,739	12,926,275
BAA2	11,071,253	10,260,080	811,173
BAA3	13,331,273	12,661,470	669,803
CA	1,908,252	1,908,252	0
CAA1	42,183,486	42,183,486	0
CAA2	6,047,138	6,047,138	0
CAA3	2,017,000	2,017,000	0
N/A	9,888,139	8,688,172	1,199,967
NR	2,210,000	2,210,000	0
UST	132,643,657	132,643,657	0
VMIG1	1,511,250	1,511,250	0
WR	10,459,013	10,137,081	321,932
Total credit risk debt securities	$3,130,931,336	$2,570,279,497	$560,651,839

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

INTEREST RATE RISK

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As of June 30, 2005, the System had the following investments and maturities:

			Investment Maturities (in years)		
Investment Type	**Fair Value**		**1 - 5**	**5 - 10**	**More than 10**
U.S. Treasuries & Government Agencies	$676,616,833	**Less than 1**	$97,791,972	$22,063,315	$504,466,282
Collateralized Mortgage Obligations	107,464,742		13,296,510	13,077,792	81,090,440
Corporate Bonds	805,058,598	17,942,662	262,977,920	393,944,685	130,193,331
Foreign Corporate Bonds	105,488,521	2,133,750	30,867,764	71,624,619	862,388
Foreign Government Bonds	358,139,818	22,538,205	174,389,835	134,777,697	26,434,081
Foreign Treasuries	19,366,885	0	0	0	19,366,885
Other	635,067,877	302,545,037	70,944,896	66,832,389	194,745,555
TOTAL	$2,707,203,274	$397,454,918	$650,268,897	$702,320,497	$957,158,962

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

			Investment Maturities (in years)		
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**5 - 10**	**More than 10**
U S Treasury & Government Agency	$614,396,445	$49,637,987	$213,455,137	$26,998,452	$324,304,869
Collateralized Mortgage Obligations	101,439,901	0	13,616,407	22,955,584	64,867,910
Corporate Bonds	678,633,501	6,486,058	170,544,067	445,365,495	56,237,881
Foreign Corporate Bonds	63,490,237	321,931	15,954,501	43,408,061	3,805,744
Foreign Government Bonds	467,851,017	48,914,560	212,579,396	161,427,528	44,929,533
Foreign Treasuries	29,310,585	0	0	29,310,585	0
Other	1,175,809,650	912,545,717	31,730,347	155,670,763	75,862,823
TOTAL	$3,130,931,336	$1,017,906,253	$657,879,855	$885,136,468	$570,008,760

Teachers' Retirement System of Louisiana, as expressed in its Investment Policy Statement, expects its fixed income managers to approximate the portfolio's duration (a measure of a debt investment's exposure to fair value changes arising from changing interest rates) to its respective benchmarks, i.e. the Lehman Brothers Aggregate for domestic fixed income investments and CITI World Government Bond Index for international fixed income investments.

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

FOREIGN CURRENCY RISK

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The System's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2005, as follows:

Currency	Percent	Total	Bonds	Stocks	Short-Term Investments
Austrialian Dollar	2.88%	$61,876,074	$ 32,480,008	$29,396,066	
Brazil Real	0.12%	2,650,341		2,650,341	
British Pound Sterling	16.56%	356,379,892	29,801,094	326,578,798	
Canadian Dollar	3.05%	65,713,979	13,167,341	27,218,232	$25,328,406
Danish Krone	0.80%	17,298,910		17,298,910	
Euro Currency Unit	39.40%	847,974,058	228,548,864	619,425,194	
Hong Kong Dollar	3.08%	66,335,162		66,335,162	
Hungarian Forint	0.03%	713,908		713,908	
Israeli Shekel	0.02%	336,424		336,424	
Japanese Yen	18.27%	393,096,333	33,905,666	359,190,667	
Mexican New Peso	2.19%	47,061,352	40,777,419	6,283,933	
New Turkish Lira	0.02%	349,891		349,891	
New Zealand Dollar	0.50%	10,828,041	10,828,041		
Norwegian Krone	0.31%	6,717,321		6,717,321	
Philippines Peso	0.03%	628,592		628,592	
Polish Zloty	0.93%	19,912,417	19,912,417		
S African Coom Rand	0.09%	1,960,702		1,960,702	
Singapore Dollar	2.27%	48,799,883	15,797,600	33,002,283	
South Korean Won	1.26%	27,068,735		27,068,735	
Swedish Krona	1.06%	22,839,706		22,839,706	
Swiss Franc	6.22%	133,937,239		133,937,239	
Thailand Baht	0.91%	19,689,376		8,268,543	11,420,833
Total	100.00%	$2,152,168,336	$425,218,450	$1,690,200,647	$36,749,239

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

The System's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2004, as follows:

Currency	Percent	Total	Bonds	Stocks
Austrialian Dollar	1.54%	$27,684,224	$25,218,467	$2,465,757
British Pound Sterling	18.09%	325,195,804	62,301,253	262,894,551
Brazil Real	0.10%	1,756,430		1,756,430
Canadian Dollar	1.48%	26,670,445	14,760,069	11,910,376
Danish Krone	1.11%	20,042,310		20,042,310
Euro Currency Unit	35.66%	640,993,383	195,070,703	445,922,680
Hong Kong Dollar	2.23%	40,073,247		40,073,247
Indonesian Rupian	0.13%	2,392,988		2,392,988
Japanese Yen	18.67%	335,548,601	64,952,235	270,596,366
Malaysian Ringgit	0.14%	2,542,593		2,542,593
Mexican New Peso	0.91%	16,286,897	12,264,030	4,022,867
New Zealand Dollar	1.71%	30,743,729	30,743,729	
Norwegian Krone	1.72%	30,910,358	21,105,381	9,804,977
Polish Zloty	1.79%	32,165,666	32,165,666	
Singapore Dollar	1.67%	30,101,130		30,101,130
South Korean Won	0.76%	13,792,930		13,792,930
Swedish Krona	4.08%	73,312,731	39,492,146	33,820,585
Swiss Franc	7.57%	135,992,776		135,992,776
Thailand Baht	0.64%	11,420,833		11,420,833
Total	100.00%	$1,797,627,075	$498,073,679	$1,299,553,396

In addition to publicly traded equities, the System has entered into limited partnership agreements with several different strategies that invest in real estate properties, private equity, and mezzanine debt. By making these investments, Teachers' Retirement System of Louisiana is seeking to attain investment returns of 14 to 20 percent over a 10- to 12-year time frame. The total initial commitments as of June 30, 2005, were $4,685,000,000 versus $4,375,000,000 as of June 30, 2004. The total amounts called for funding as of June 30, 2005, were $3,746,900,000 versus $3,391,028,374 as of June 30, 2004. The remaining commitments that could be called as of June 30, 2005 were $938,100,000 versus $983,971,626 as of June 30, 2004. Total distributions received by the System from the limited partnerships were $2,143,500,000 as of June 30, 2005 and were $1,460,738,399 as of June 30, 2004.

F. SECURITIES LENDING TRANSACTIONS

State statutes and Board of Trustees policies permit the System to use the assets of the plan to enter into securities lending transactions-loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's domestic managers lend the plan's securities for cash collateral of 100 percent or other securities collateral of 102 percent. The System's global managers lend the plan's securities for cash collateral or other securities collateral of 105 percent. Securities on loan at year-end for cash collateral are presented as uncategorized in the preceding schedule of custodial credit risk. Securities lent for securities collateral are classified according to the category for the collateral. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

All securities loans can be terminated on demand by either the System or the borrower. The System cannot pledge or sell securities collateral unless the borrower defaults. The reinvestment of cash collateral is done on an overnight basis or to term. In instances where a loan is for term, the reinvestment of the cash is matched to the maturity of the loan. Such matching existed at year-end. When investing in repurchase agreements, the collateral received will be a minimum of 102 percent of the cash invested. The System had no repurchase agreements for the years ended June 30, 2005, and 2004, respectively.

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

G. DERIVATIVES

During fiscal years 2005 and 2004, the System invested in asset/liability based derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations (forms of mortgage-backed securities), options on futures, forward foreign exchange contracts, and futures. The System reviews market values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates.

1. INTEREST-ONLY STRIPS AND PRINCIPAL-ONLY STRIPS

Interest-only (IO) and principal-only (PO) strips are transactions that involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments of mortgages, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced, and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater, and the return on the initial investment would be higher than anticipated.

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

2. COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (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 that can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus, a decline in market value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

3. OPTION ON FUTURES

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

4. FORWARD FOREIGN EXCHANGE CONTRACTS

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

5. FUTURES

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

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

daily fluctuations in the value of the underlying security. Such variation margin is recorded as a realized gain or loss for financial statement purposes.

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

H. CONTINGENT LIABILITIES

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

I. IMPLEMENTATION OF GASB STATEMENT 44

In accordance with GASB 44, the statistical section is presented on pages 114 through 128.

J. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB 25, required supplementary information is presented on pages 56 through 59.

K. SUBSEQUENT EVENT

In August and September of 2005 Louisiana was struck by two major hurricanes causing extensive damage. The effect of the hurricanes on the future earnings of Teachers' Retirement System of Louisiana cannot be determined at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)[2] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/00	$ 11,368,692	$ 14,596,441	$ 3,227,749	77.9%	$ 2,563,634	125.9%
06/30/01	12,062,136	15,390,417	3,328,281	78.4%	2,582,831	128.9%
06/30/02	12,019,552	16,263,239	4,243,687	73.9%	2,777,667	152.8%
06/30/03	11,826,926	17,196,812	5,369,886	68.8%	2,977,885	180.3%
06/30/04	11,409,404	18,067,486	6,658,082	63.1%	3,017,087	220.7%
06/30/05	12,082,682	18,699,765	6,617,083	64.6%	3,132,169	211.3%

The total actuarial accrued liability determined using the Projected Unit Credit cost method increased by $632,278,513 from June 30, 2004, to June 30, 2005. There was a net experience gain of $230,622,183.

[1]The Actuarial Value of Assets for GASB reporting includes the Texaco Settlement Fund Assets in the Valuation Assets.
[2]UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes Texaco Settlement Fund Assets.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Employer Contributions	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2000	437,710,389	107.5%
2001	404,060,783	110.2%
2002	421,195,131	104.9%
2003	479,077,364	98.0%
2004	535,786,346	93.0%
2005	555,169,630	105.6%

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

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF TREND INFORMATION

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

Valuation date	June 30, 2005
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar closed
Remaining amortization period	30 years
Asset valuation method	4-year weighted market average
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	3.20% →9.00%
Cost-of-living adjustments	None

*Includes inflation at 3%

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

SUPPORTING SCHEDULES

SCHEDULES OF BUDGETARY EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005			2004		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Appropriated:						
State general fund	$ 1,752,134	$ 1,742,915	$ (9,219)	$ 7,141,922	$ 1,077,288	$ (6,064,634)
Self-generated	40,589,497	39,829,992	(759,505)	38,810,413	35,864,358	(2,946,055)
Total revenues	42,341,631	41,572,907	(768,724)	45,952,335	36,941,646	(9,010,689)
Expenses:						
Salaries	8,915,552	8,847,801	67,751	7,823,725	7,664,805	158,920
Travel expenses	306,850	208,902	97,948	306,850	197,581	109,269
Operating services	2,529,777	2,316,190	213,587	3,237,432	2,135,438	1,101,994
Supplies	192,886	127,868	65,018	200,994	165,765	35,229
Office acquisitions	17,025	6,922	10,103	20,546	16,079	4,467
Professional services	820,000	619,801	200,199	832,450	553,166	279,284
Custodian fees	765,000	760,908	4,092	1,500,000	786,062	713,938
Performance consultant fees	649,000	618,996	30,004	709,000	507,749	201,251
Trade cost analysis fees	25,000	10,000	15,000	40,000	40,000	0
Advisor fees	26,025,134	26,020,649	4,485	23,503,640	23,311,668	191,972
Other charges - state general fund	1,752,134	1,742,915	9,219	7,141,922	1,077,288	6,064,634
Other charges - self-generated	26,200	19,616	6,584	46,200	22,320	23,880
Interagency transfers	60,984	31,433	29,551	85,709	31,296	54,413
Total expenses	42,085,542	41,332,001	753,541	45,448,468	36,509,217	8,939,251
Capital outlays	256,089	240,906	15,183	503,867	432,429	71,438
Total expenses and capital outlays	42,341,631	41,572,907	768,724	45,952,335	36,941,646	9,010,689
Excess of revenues over expenses and capital outlays	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

NOTE: Custodian, performance consultant, trade cost analysis and advisor fees are listed on the Schedule of Investment Expenses. All other expenses, with the exception of Other Charges-State General Fund, are listed on the Schedule of Administrative Expenses.

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Salaries:		
Salaries - regular	$ 6,795,782	$ 5,935,893
Salaries - overtime	97,172	90,272
Salaries - termination	26,423	41,233
Other compensation - wages: temporary	31,571	38,023
Other compensation - student labor	80,410	48,478
Other compensation – compensation of board members	20,925	21,750
Related benefits	1,795,518	1,489,156
Total salaries	**8,847,801**	**7,664,805**
Travel expenses	**208,902**	**197,581**
Operating services:		
Advertising	3,058	15,911
Printing	169,040	177,105
Insurance	73,038	41,763
Maintenance - equipment	368,632	403,909
Rentals - building	415,100	469,221
Rentals - equipment	217,064	186,756
Rentals - off-site storage	118,602	77,418
Dues and subscriptions	71,692	47,138
Telephone	175,287	164,692
Postage	547,393	397,477
Bank service charges	116,241	110,236
Mail services	35,100	28,337
Miscellaneous	5,943	15,475
Total operating services	**2,316,190**	**2,135,438**
Supplies	**127,868**	**165,765**
Office Acquisitions	**6,922**	**16,079**
Professional services:		
Accounting and auditing	60,775	32,600
Management and consulting	128,781	191,346
Graphic Web Design	21,620	27,332
Cost Effective Management	30,000	25,000
Legal	56,365	50,336
Medical	31,945	20,153
Professional training	10,695	33,210
Professional Election Expense	42,652	11,305
Actuarial	153,382	95,804
Disaster testing	41,413	31,908
Professional Travel	2,544	2,246
Investigative services	34,782	29,327
Design/annual report	603	0
Deaf interpreter services	4,244	2,599
Total professional services	**619,801**	**553,166**
Other charges:		
Educational expense	19,094	17,855
System condolence fund	203	166
Recruitment expense	298	3,174
Education supplies	21	1,125
Total other charges	**19,616**	**22,320**
Interagency transfers:		
Secretary of State - microfilm	7,063	11,015
Department of Civil Service	22,798	19,413
Office of Information Service	1,144	234
Bureau of Vital Statistics	428	634
Total interagency transfers	**31,433**	**31,296**
Total administrative expenses	**$12,178,533**	**$10,786,450**

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Investment activities expenses:		
International investment expenses	$ 5,710,058	$ 4,995,570
Alternative investments expense*	64,918,175	49,401,029
Global custodian fees	760,908	786,062
Performance consultant fees	618,996	507,749
Trade cost Analysis fees	10,000	40,000
Advisor fees	26,020,649	23,311,668
Total investment activities expenses	$98,038,786	$79,042,078
Securities lending activities expenses:		
Fixed	$11,423,434	$ 5,203,940
Agents	750,588	849,836
Equity	249,954	249,934
International	7,860,336	1,847,440
Total securities lending activities expenses	$20,284,312	$ 8,151,150

* TRSL's Alternative Investment Expenses include management fees charged by the general partners. Some investors treat these management fees as a part of the cost of the investment, while others treat management fees as an expense. The industry accepts both methods thereby making the comparison of alternative investment expenses among investors impossible.

SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
BOARD OF TRUSTEES	NUMBER OF MEETINGS	AMOUNT	NUMBER OF MEETINGS	AMOUNT
Sheryl R. Abshire	22	$ 1,650	24	$ 1,800
Anne H. Baker	26	1,950	29	2,175
William C. Baker, Ed.D.	25	1,875	24	1,800
Jerry J. Baudin, Ph.D.	25	1,875	29	2,175
Eula Beckwith	22	1,650	24	1,800
Charles P. Bujol	26	1,950	21	1,575
Sarah F. Cox	26	1,950	29	2,175
Clyde F. Hamner	14	1,050	17	1,275
Joyce Haynes	22	1,650	24	1,800
Syble T. Jones, RD, LDN	26	1,950	24	1,800
Lawrence J. Moody, Jr.	25	1,875	27	2,025
Sheryl Sherlock, replaced by Irvin West	9	675	18	1,350
Irvin West replaced Sheryl Sherlock	11	825	0	0
Total compensation		$20,925		$21,750

SCHEDULES OF BUILDING MAINTENANCE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Building maintenance expenses:		
Property management services	$ 11,700	$ 11,700
Payroll expenses	66,488	60,293
Heating and air	37,889	37,527
Landscape maintenance	21,826	22,668
Elevator maintenance	2,061	2,041
Water and sewerage	5,131	5,793
Utilities	125,154	122,263
Telephone	4,731	3,626
Insurance	10,126	8,215
Pest control	559	601
Janitorial services	33,467	34,000
Waste systems	2,270	2,053
Fire protection	985	1,546
General repairs	21,050	36,361
Plumbing expenses	977	679
Electrical expenses	16,685	5,589
Window washing	1,934	1,525
Miscellaneous operating services	8,795	5,430
Security system	10,135	10,716
Janitorial supplies	534	454
Architect/engineering services/legal	13,355	14,276
Total building maintenance expenses	$395,852	$387,356

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

SCHEDULES OF PAYMENTS TO NON-INVESTMENT RELATED CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
Accounting and auditing consultants	$ 60,775	$ 32,600
Auditor		
Hawthorn, Waymouth & Carroll, L.L.P.		
Management and consulting	168,156	254,983
Computer Consultants		
Speedware USA, Inc.		
Modiphy, Inc.		
Voice Retrival		
Cost Effective Measurements		
Sage Corporation		
Gabriel Roeder & Smith		
Mellon Global Securities Services		
Postlewaite & Netterville		
Legal	152,840	75,456
Legal Consultant		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Avant & Falcon		
Investigative Services		
Pension Benefit Information		
Other		
Medical	31,945	20,153
Medical Examiners		
Richard Burroughs, M.D.		
Anthony Ioppolo, M.D.		
W.J. Laughlin, M.D.		
Herbert K. Plauche, M.D.		
H. Guy Riche', Jr., M.D.		
Lawrence D. Wade, M.D.		
Other		
Professional Training	10,695	33,210
Computer Training		
Element K		
Hewlett Packard		
Actuarial	144,264	95,804
Actuary		
Hall Actuarial Associates		
Total	$568,675	$512,206

A summary schedule of commissions paid to brokers is shown on pages 96 through 97.

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INVESTMENT SECTION

TRSL

Teachers' Retirement System of Louisiana

www.trsl.org
225.925.6446
Post Office Box 94123
Baton Rouge LA 70804-9123

September 30, 2005

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

The Teachers' Retirement System of Louisiana (System) completed the fiscal year ended June 30, 2005 with a 10.9% return on total assets. This one-year return ranks in the 29th percentile in the Independent Consultants' Cooperative Large Fund Universe, ahead of 71% of other public pension plans. Over the same period, alterative investments (real estate, private equity and mezzanine debt) had a return of 20.2% while publicly traded assets (stocks and bonds) had a return of 9.0%. Total fund results over the past five- and ten-year periods are 3.6% and 9.1%, which rank in the 63rd and 49th percentile, respectively. For the past ten years, the System's return of 9.1% exceeded the actuarial rate of 8.25% by 0.85% per year. This return is 2.8% higher than its inflationary benchmark (CPI + 3.9%). The performance results were calculated using the guidelines approved by the Chartered Financial Analyst Institute.

The alternative investment portfolio consists of opportunistic real estate, private equity, and mezzanine debt that further diversifies the total portfolio. The benchmark for this portfolio is the S&P 500 Index plus 4%. The alternative investment portfolio has generated excellent returns of 20.2%, 5.5%, and 6.8% for the past one, five, and seven years. The portfolio exceeded the benchmark by 9.9%, 3.9% and 0.5% for the last one, five and seven years.

The System's equity portfolio consists of domestic and international securities. The domestic equity portfolio had returns of 8.2%, 2.3% and 11.3% for the past one, five, and ten years, which exceeded the S&P 500 Index by 1.9%, 4.6% and 1.3%, respectively. The portfolio continues to be well diversified across value and growth styles and across large-, mid-, and small-capitalization stocks. The international portfolio exceeded the MSCI EAFE Index by 2.1% over ten years but lagged by 1.7% and 0.8% for the past one and five years.

The System's fixed income portfolio has two components, domestic and global bonds. The domestic portfolio consists of investment grade bonds, mortgaged-backed, and high yield securities. The portfolio has generated returns of 7.9%, 6.6% and 6.4% over the past one, five, and ten years. The portfolio exceeded the

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Lehman Brothers Aggregate Index by 1.1% for the past year and lagged the index by 0.8% and 0.5% for five and ten years. The global portfolio has performed well, with returns of 9.6%, 10.8%, and 7.1% that exceeded the Citigroup World Government Bond Index by 2.0%, 2.9%, and 1.6% for the past one, five, and ten years, respectively.

In summary, a total fund return of 10.9% was very good in a difficult investment environment. Total assets in trust grew by $792 million, from $11.9 billion to $12.7 billion, while paying out $351 million more in benefits than the System received in contributions.

Sincerely,

Dan H. Bryant

Dan H. Bryant
Chief Investment Officer

DHB/bsr

INVESTMENT POLICY

STATEMENT OF OBJECTIVES

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

The Board's investment objectives are to:

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

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

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

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

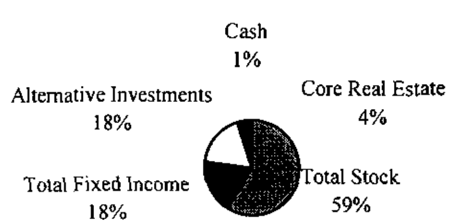
The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI-U seasonally adjusted or the actuarial rate (currently 8.25), which ever is higher. The System's Board of Trustees (the "Board") realizes that market performance varies and that this return objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for investment managers are set forth in the Control Procedures section of this document.

ASSET ALLOCATION GUIDELINES

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

ASSET CATEGORY	MINIMUM	TARGET	MAXIMUM
Domestic Stock***	33%	39%	45%
International Stock	16%	20%	24%
Total Stock	49%	59%*	65%
Investment Grade Bonds (Core & Mortgages)	4%	6%	10%
Global Bonds	4%	6%	8%
High Yield	4%	6%	8%
Total Fixed Income	12%	18%	24%
Core Real Estate	2%	4%	6%
Mezzanine Debt	0%	2%	4%
Opportunistic Real Estate	3%	5%	7%
Private Equity	6%	10%	14%
Equity Market Neutral Funds	0%	1%	3%
Total Alternative (Illiquid)**	9%	18%	24%
Cash and Equivalents	0%	1%	5%
Total	N/A	100%	N/A

Asset Allocation Guidelines



INVESTMENT POLICY (Continued)

* Includes a 10 percent allocation to indexed equities as mandated by the Legislature (La.R.S. 11:267).

** To determine the asset allocation for this asset category, only the actual amount invested, is applicable. However in no case shall total alternative investment exceed the maximum allowed at the time the investment is made without Board approval.

*** The allocation objective of the U.S. Stock composite is the Russell 3000 Index, which can be segregated into the following style targets and ranges:

EQUITY STYLE	MINIMUM	TARGET	MAXIMUM
Large Cap Growth	26%	30%	34%
Large Cap Value	26%	30%	34%
Mid Cap Growth	7%	10%	13%
Mid Cap Value	7%	10%	13%
Small Cap Growth	7%	10%	13%
Small Cap Value	7%	10%	13%

Note: This asset allocation was adopted March 1, 2005. It is anticipated that it will take 18 to 24 months to implement the new policy. In the interim, we may be temporarily outside our policy ranges.

The asset allocation ranges established by this investment policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence from this allocation should be of a short-term nature. The Director is responsible for ensuring that any such divergence is as brief as possible.

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

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

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

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

PORTFOLIO GUIDELINES

FIXED INCOME GUIDELINES FOR DOMESTIC MANAGERS

Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria:

(1) All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.

(2) Corporate bonds, debentures, notes, asset-backed securities, and equipment trust certificates rated Baa3 or BBB- or higher (investment grade) by Moody's or Standard & Poor's (includes split-rated bonds).

(3) Mortgage securities will be limited to: pass-throughs, collateralized mortgage obligations, adjustable rate mortgages, commercial mortgage-backed securities, and other mortgage securities deemed prudent by the investment manager. The use of interest-only strips and principal-only strips may not exceed 10 percent of the portfolio.

(4) Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.

(5) Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase.

INVESTMENT POLICY (Continued)

(6) Holdings of individual issues are to be of sufficient size to accommodate easy liquidation.

(7) Private placements (including Rule 144As) may be held, provided that holdings do not exceed 25 percent of the market value of the bond portfolio. High-yield portfolios and Mezzanine Limited Partnerships are excluded from this restriction.

(8) Debt obligations of foreign governments, corporations, and supranationals issued outside the U.S. (Eurobonds and Non U.S. Dollar Bonds) may be held by investment managers.

(9) High yield portfolios are to be invested in debt securities (including convertibles) rated from Ba1 to Caa (Moody's rating) or BB+ to CCC (Standard & Poor's rating) and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated Caa, CCC or below shall not exceed 20 percent of the market value of the portfolio.

(10) High yield portfolios are subject to the criteria in paragraphs (5) and (6) with bond rating modified according to paragraph (9).

(11) Investment grade fixed income portfolios are to be invested in fixed income securities pursuant to paragraphs (1), (2), (3), (4), (5) and (6) above, except that all securities, at the time of purchase, shall be investment grade. If a security is downgraded below investment grade, the investment manager will work to seek the best resolution over time to such downgrade.

(12) Investment grade fixed income portfolios shall not invest in mortgage-backed inverse floaters, interest-only, principal-only strips or highly volatile less liquid tranches.

(13) Investment grade fixed income portfolios may invest in debt obligations of foreign governments, corporations and supranationals issued in the United States and are dollar denominated (Yankee) securities. Aggregate weighting of these securities shall be limited to 10 percent of the market value of the portfolio.

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

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

(1) The debt of countries, foreign and domestic agencies, foreign and domestic corporations, and supranational entities are acceptable for investment. The manager should consider the creditworthiness and the liquidity of a potential security before making an investment. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Portfolio weightings in countries represented in the Citibank World Government Bond Index, including cash, may range from 0 percent to 100 percent of the portfolio.

(3) Portfolio weightings in countries not represented in the Citibank World Government Bond Index, including cash, may not, in aggregate, exceed 40 percent of the portfolio market value without Board approval. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets.

(4) Quality ratings for corporate debt shall be consistent with those stated in item (2) of the Fixed Income Guidelines for Domestic Managers.

(5) Permitted hedge vehicles for currency exposure management.

   (a) Forward Foreign Exchange Contracts
   (b) Currency Futures Contracts
   (c) Options on Currency Futures Contracts
   (d) Options on Spot Currencies

(6) Net short foreign currency positions may not be taken in this portfolio.

INVESTMENT POLICY (Continued)

STOCK GUIDELINES FOR DOMESTIC MANAGER(S)

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

(1) Stocks must be listed or traded on a national securities exchange, including the NASDAQ. ADR securities may be traded over the counter. U.S. stocks must be registered with the Securities and Exchange Commission. The use of derivatives (such as Exchange Traded Funds (ETFs), options, warrants, and futures to establish unleveraged long positions in equity markets) is permissible.

(2) No more than 5 percent of the total outstanding shares of common stock for any one corporation may be held in the System's equity portfolio.

(3) No more than 5 percent of the cost or market value of the System's equity portfolio (whichever is more) or 15 percent of the market value of each manager's portfolio may be invested in the common stock of any one corporation.

(4) No more than 20 percent of stock valued at market of the System's equity portfolio may be held in any one industry category as defined by the custodian.

(5) Convertible securities and covered-option writing, if any, shall be considered as part of the equity portfolio.

(6) Equity managers (growth or value) hired for the small cap investment category are expected to maintain a weighted average market capitalization of the portfolio within minus 50 percent and plus 100 percent of the weighted average market capitalization of the Russell 2000 Index (growth or value, respectively).

(7) Equity managers (growth or value) hired for the mid cap investment category are expected to maintain a weighted average market capitalization of the portfolio within plus or minus 50 percent of the weighted average market capitalization of the Russell Mid Cap Index (growth or value, respectively).

(8) Equity managers hired in the small/mid (SMID) cap investment category are expected to maintain a weighted average market capitalization of the portfolios within plus or minus 50 percent of the weighted average market capitalization of the Russell 2500 Index.

STOCK GUIDELINES FOR APPROVED INTERNATIONAL EQUITY MANAGER(S)

Common stock securities of Developed Markets (EAFE Countries and Canada), shall be high quality, readily marketable securities offering potential for above-average growth. Items (2), (4) and (5) of the Stock Guidelines for Domestic Managers will apply with the following additional guidelines:

(1) Investment managers may invest up to 20 percent of the market value of the portfolio in emerging market countries contained in the IFC Investable Index, including up to 5 percent (of the 20 percent limit) in emerging market countries not contained in the IFC Investable Index. Managers should consider liquidity and marketability of issues, particularly within non-major and emerging markets, and should also be sensitive to the weight of individual economic sectors of the market within the portfolio. The manager should also review whether the custodian has a subcustodian within a particular country before considering an investment.

(2) Investment managers may invest up to 10 percent of the portfolio's market value in domestic equity securities. This flexibility should be viewed by the manager as an opportunistic or defensive mechanism rather than a normal position.

(3) No single industry group shall constitute more than 25 percent of the portfolio's market value or its equivalent representation in the EAFE Index, whichever is more, without prior Board approval.

(4) No individual security shall constitute more than 10 percent of the portfolio's market value.

(5) Cash held by the manager may be in U.S. dollars or foreign currencies of the managers' choice.

(6) Residual currency exposures of the underlying international equity portfolio may be actively managed by the investment manager. If actively managed, the objectives of the foreign exchange exposure management, within the international equity portfolio, are to:

INVESTMENT POLICY (Continued)

(a) Add value by increasing total returns and reducing volatility of returns through hedging and cross-hedging activities.

(b) Avoid currency losses in periods of an appreciating U.S. dollar.

(7) Permitted Equity Investments.

(a) Equity managers are to confine investments to common stocks and securities that are directly convertible or exercisable into common stocks, including ADR's and GDR's.

(b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible.

(c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Additional instruments, such as swaps, or other derivatives, may be used if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above-stated hedge vehicles.

(d) International equity managers may invest up to 10 percent of the portfolio in Rule 144A securities.

(8) Permitted hedge vehicles for currency exposure management.

(a) Forward Foreign Exchange Contracts
(b) Currency Futures Contracts
(c) Options on Currency Futures Contracts
(d) Options on Spot Currencies

(9) Net short foreign currency positions may not be taken in this portfolio.

MANAGER CASH GUIDELINES

The System expects manager cash position to be kept to a minimum and adhere to the following:

(1) Equity manager's cash shall not constitute more than 5 percent of the market value of the manager's portfolio without prior Board approval.

(2) The manager's cash will be swept daily into a STIF account by the custodian.

(3) STIF deposit accounts at foreign subcustodian banks are allowed only for the global and international managers.

RESTRICTED INVESTMENTS

Categories of investments that are not eligible include:

(1) Use of margin or leverage (except limited partnerships).

(2) Short sales of securities.

(3) Investments in commodities or commodity contracts.

(4) Direct loans or extending lines of credit to any interested party.

(5) Letter stock.

(6) Unregistered securities (except 144A securities and limited partnerships).

With Board approval, global managers may use financial-futures contracts and options thereon, currency-forward contracts and options thereon, and options on physical securities and currencies. Also for these managers, initial and variation margin on financial futures and related options are allowed.

INVESTMENT POLICY (Continued)

DIVERSIFICATION

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

VOLATILITY

Consistent with the desire for adequate diversification, it is expected that the volatility of the System's total portfolio will be similar to that of the market. It is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of a commitment-weighted composite of market indices (e.g., Russell 3000 Index for stocks and Lehman Brothers Aggregate Bond Index for bonds, etc).

LIQUIDITY NEEDS

It is expected that contributions will exceed benefit payments for the foreseeable future. Therefore, staff will maintain an allocation to cash to meet benefit payments. External managers should maintain cash levels that are within their investment guidelines (See Manager Cash Guidelines)

PROXY VOTING

It shall be the policy of the System to allow the investment manager to vote all proxies. Nevertheless, each investment manager is required to advise the Board on any issues that should require special consideration. Staff will report to the Board annually summarizing the proxies that were voted by the investment managers.

EXECUTION OF SECURITIES TRADES

The System expects the purchase and sale of securities to be directed through brokerage firms offering the best price and execution. Small-cap, international, fixed income, and index investment managers are not required to use the System's internal trading desk. However, they are expected to place orders through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to, or below, the lowest non-Louisiana brokerage firm.

Small-cap, international, fixed income, and index investment managers may not place trade orders through their own firm, or through affiliated or subsidiary companies with related ownership, in whole or part, to the investment manager without prior written approval. If and when such approval is granted, all trades shall comply with the best price and execution expectations. These trades must be identified in the manager's monthly trading report for review by TRSL.

Large-and mid-cap investment advisors place trade orders through the System's internal trading desk. This desk is charged with effectively executing trades using a pool of brokers that can provide the wide range of services required by the System. The internal trading desk is also charged with managing minority broker, Louisiana broker, and recapture broker programs.

Act 778 mandates that TRSL direct 10 percent of trades (equity and fixed income) to brokers that are incorporated in Louisiana. Another 10 percent must be directed to brokers that have an office in Louisiana but are incorporated outside Louisiana.

ALTERNATIVE INVESTMENT GUIDELINES

Included in the Investment Policy of the System dated October 6, 2003 is the Alternative Investment Guidelines (the "Guidelines") (REV. 8/7/01). The Guidelines indicate that the Board may consider the following investment vehicles.

(a) Value-add/Opportunistic Real Estate
(b) Private Equity
(c) Mezzanine Debt Financing
(d) Options
(e) Derivatives (Futures, Swaps, etc.)
(f) Equity Market Neutral Funds

The Guidelines provide further that the Board may adopt additional objectives, rules and guidelines for these investment vehicles, all of

INVESTMENT POLICY (Continued)

which become a part of the Guidelines upon approval of the Board. The following document sets fort enhanced guidelines that provide a general framework for selecting, building, and managing the System's investment in Equity Market Neutral Funds, Private Equity (including Mezzanine) and Value-add/Opportunistic Real Estate, which are referred to herein as "Alternative Investments". The only exception to this document will be the policy approved by the Board relating to Act 788 of 2003, which will govern investments in venture capital, emerging businesses, and money managers in Louisiana. Should the Board determine that investments in Options and/or Derivatives are appropriate for the System, a separate set of enhanced guidelines would be adopted for those types of investments as well.

The System shall diversify its interests in alternative investments by investing in various classes, geographic regions, and vintage years.

The System will whenever possible, obtain a seat on the advisory board of each investment. Staff and/or Board members review investments at limited partnership annual meetings. Staff and/or Board members attend Advisory Committee meetings and/or annual meetings.

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

I. OBJECTIVES

1. Return

On a relative basis, the return objective for Alternative Investments is 400 bps over the S&P 500 Index net of fees, expenses and carried interest. On a absolute basis, the return is assumed to be 14 to 20 percent.

The Board understands that, for a given partnership, return can only be reliably measured over the life of the partnership (typically 10+ years). Private equity funds are not typically marked to market and the valuation methodology used by one general partner may differ from the valuation methodology used by another. In addition, the IRR performance in the first few years of a partnership's life is routinely negative due to the J-curve effect. During this period, partnerships are actively making investments and drawing management fees, which results in negative capital account balances.

2. Risk

The Board understands that Alternative Investments are illiquid and will have a long term holding period. When used with publicly traded assets, the asset class helps diversification and reduces risk at the total fund level. Nonetheless, the Board expects that the Consultant will take all appropriate measures to reduce risks that are not adequately compensated for by expected return. Such measures include, but are not necessarily limited to, diversification (as detailed in Section (II below), due diligence and governance activities.

II. INVESTMENT GUIDELINES

1. Eligible Investments

The System will invest primarily in limited partnership interests of pooled vehicles covering the broad spectrum of private investments, including:

- Private equity funds, including corporate finance/buyout and venture capital,
- Private debt funds, including mezzanine and distressed debt funds,
- Co-investments – direct investments made alongside a partnership,
- Secondary purchases – purchases of existing partnership interest or pool of partnership interests from an investor,
- Real estate equity funds, including value-add/opportunistic,
- Equity market neutral fund strategies and
- Other investments that are deemed appropriate within the System's risk profile.

2. Commitment Size

The maximum investment in any single partnership shall be the lesser of $100,000,000 or one percent of the System's total assets.

INVESTMENT POLICY (Continued)

3. Limitation on Percent of Partnership's Total Commitment

The System's commitment to any given partnership shall not exceed 10 percent of that partnership's total commitments with the exception of the policy for investments in venture capital, emerging businesses, and money managers in Louisiana.

4. Diversification

The System should diversify the sources of risk in the portfolio. Specifically:

i) Partnerships

- No more than 10 percent of the System's total allocation to Alternative Investments ("Total Allocation") at the time of making the commitment may be committed to partnerships managed by the same management team or company.
- In the event actual investment in a given industry or property type across all partnerships exceed 20 percent of invested capital, the System shall attempt to reduce this exposure through future commitments.
- The geographic distribution of actual investments shall be monitored and the System shall avoid the excessive exposure to the economic conditions of any one locale.
- The System shall diversify the portfolio across vintage years when possible.

ii) Sub-Asset Classes

- Assets committed to venture capital shall be diversified across the stages of venture capital (e.g. early-stage, mid-stage, and late-stage).
- Assets committed to corporate finance/buyouts shall be diversified by target company size (e.g. large, medium, small).
- Assets committed to real estate shall be diversified by risk profile (e.g. core plus, value-added, and opportunistic).
- No more than 40 percent of Total Allocation at the time of commitment may be committed to secondary investments.
- No more than 5 percent of Total Allocation at the time of commitment may be invested in co-investments.
- No more than 5 percent of Total Allocation at the time of commitment may be invested in equity market neutral funds.

In addition to the Diversification criteria listed above, the System's staff and Consultant will adopt optimal sub-asset allocation targets, which will be periodically updated to reflect general changes in the economy.

The current optimal sub-asset class allocation ranges and targets for the System's Alternative Investments are:

Sub-Asset Class	Range	Long-Term Target
Private Equity	40-80%	55%
Private Debt	0-20%	10%
Real Estate	20-40%	30%
Co-Investments	0-5%	0%
Equity Market Neutral	0-10%	5%

5. Prohibited Transactions

The System shall not make direct investments in any company or property. These investments will be done through a commingled partnership, in which the System is an existing limited partner.

6. Advisory Board

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

7. Illiquidity

By its nature, Alternative Investments are not designed to meet any short-term liquidity needs of the System, The Board should assume that the investments in this asset class are illiquid until the partnerships, at their discretion, sell investments and distribute proceeds.

INVESTMENT POLICY (Continued)

8. Distribution

The Consultant is not responsible for investing or disposing of distributions from partnerships.

II. REVIEW OF INVESTMENT GUIDELINES

The Consultant will notify the System, via the Chief Investment Officer and Director, if the Guidelines would impede the System's investment performance. In this regard the Consultant may consider the guidelines and other relevant information adopted by its other clients that invest in Alternative Investments. The Consultant also will review the guidelines annually with the Chief Investment Officer and Director, and recommend any changes deemed beneficial to the System's program. In addition, the Consultant will prepare an annual Strategic Plan for the System's Alternative Investments to take advantage of changing market conditions.

Louisiana Venture Capital, Emerging Businesses, and Money Managers

As required by Act 788 of 2003, the Board has approved the establishment of a program for investing in venture capital, emerging businesses, and money managers focused on Louisiana (the "Program"). The Program is intended to enhance economic development in Louisiana by stimulating job creation and capital formation through investments in Louisiana businesses, as well as result in a market rate of return for the System. These potential investments should have several provisions that differ from the current System private equity program. The provisions are listed below under "Louisiana Venture Capital and Emerging Businesses" and "Louisiana Money Managers".

In selecting investments for the Program, the Board will seek attractive business opportunities that are expected to result in the greatest increase in employment and economic growth in the state of Louisiana. In addition to these goals, the Program is intended to produce significant capital gains for the System and additional diversification of the plan's assets. The Board will seek to accomplish these goals by investing in private equity partnerships that invest in Louisiana companies and by co-investing with these partnerships or other qualified investors directly in Louisiana companies. The Program should include companies suffering a so-called capital gap, which means they cannot get conventional sources of funding.

The Board recognizes that portfolio risk may be higher and diversification may be lower in the Program when compared to the System's other investments, due to the relatively small size of the Louisiana economy and the industry concentrations within the state. Nevertheless, the returns earned on Program investments are expected to exceed public market returns and equal or exceed returns on similar investments that are available outside the Program.

Louisiana Venture Capital and Emerging Businesses

This part of the Program is intended to produce significant capital gains for TRSL and additional diversification of the plan's assets. An additional goal of the program is to promote economic development in Louisiana. These goals will be accomplished through investments in private equity partnerships and co-investments with these partnerships or other qualified investors directly in Louisiana companies. It is recognized that portfolio risk will be higher and diversification will be lower in this Program due to the small size and inherent characteristics of the Louisiana economy.

As with the current System private equity program, commitments to Louisiana partnerships should be staged over time. The level of annual commitments will fluctuate as Louisiana opportunities arise.

In regard to co-investments and direct investments, the System will only invest in Louisiana companies that receive or have received equity investments from other qualified investors. Qualified investors are Louisiana private equity funds, current System private equity program funds, or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging, or expanding businesses. The System will structure co-investments and direct investments at its discretion with the advice of its private equity consultants. In making co-investments and direct investments, the System will have the same objectives as those for investments in private equity funds: obtaining a reasonable, risk-adjusted rate of return.

Program Requirements

The Board will seek investments in funds that are committed to investing, or that help secure investing by others, in businesses that have their principal place of business in Louisiana and that hold promise for attracting additional capital from national sources for investment in the state. The Program will be governed by the Prudent-Investor Rule.

INVESTMENT POLICY (Continued)

1. Investments may be made in funds that:
   a. Accept investments from qualified investors only; and
   b. Maintain an active office in Louisiana staffed by at least one full-time manager who is a Louisiana resident and who has at least three years of professional experience in assessing the growth prospects of businesses or evaluating business plans.

2. Co-investments and direct investments may be made in Louisiana entities that:
   a. Receive equity investments from other qualified investors; and
   b. Have their principal office and a majority of their full-time employees located in Louisiana or, if a limited partnership, have its principal place of business and the majority of its assets located in Louisiana. This includes a company that has agreed to relocate to Louisiana from another state.

3. The Program is subject to the following limitations:
   a. Each investment by the System may not represent more that 51percent of the total investment capital in a Louisiana business, provided that nothing in this policy prohibits the ownership of more than 51 percent of the total investment capital in a Louisiana business if the additional ownership interest:

      - Is due to foreclosure or other action by the System pursuant to agreements with the business or other investors in that business; and
      - Is necessary in the good-faith judgment of the Board to protect the investment.

   b. No more than 10 percent of the total Program may be invested in any one Louisiana business;
   c. If the investment exceeds $1 million in Louisiana money managers increase their opportunity to manage assets for TRSL.

<u>Louisiana Money Managers</u>

TRSL will continue its practice of allowing maximum participation in money manager searches by giving more managers the opportunity to compete. Increased participation by Louisiana money managers increases their opportunity to manage assets for TRSL.

<u>Program Requirements</u>

To allow maximum participation TRSL will reduce the minimum requirements to allow more managers to compete. This can be accomplished without any negative impact to the manager search process.

1. The assets under management requirement will be reduced to allow newer and smaller firms to participate. This parameter will be determined by staff and consultant and be consistent with the size and style of the mandate.
2. The five-year performance record requirement has been reduced to three years. The track record can be for an individual that developed the performance record while at another firm.

<u>Glossary of Terms</u>

Co-Investment – An investment made in a Louisiana company in addition to the investment in that company by a private equity fund in which the System is an advisor.

Direct Investment – An investment made in a Louisiana business that for the purposes of this Program has also received investments from other qualified investors.

Emerging Business – A start-up business or an established business that seeks capital to grow the business an/or expand its product lines.

Qualified Investor – May be Louisiana private equity funds, current System private equity program funds or other qualified entities that have demonstrated abilities and relationships in making investments in new, emerging or expanding businesses.

Venture Capital – An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

INVESTMENT POLICY (Continued)

SECURITIES LENDING GUIDELINES

The System may engage in the lending of securities subject to the following guidelines:

(1) Collateral on loans is set at a minimum 102 percent of the market value of the security plus accrued interest.

(2) Collateral on loans of international securities is set at a minimum 105 percent of the market value of the security plus accrued interest.

(3) Securities of the System are not released until the custodian bank receives payment for the book-entry withdrawal of the loaned security.

(4) Funds from the lending of securities accrue to the System's account and not to investment manager's since they would not be involved in the process.

(5) The System's Investment Department may engage in the lending of all applicable securities.

INTERNAL CASH AND CASH EQUIVALENTS GUIDELINES

Cash and cash equivalents include daily cash balances above day-to-day needs and funds set aside for portfolio strategy reasons. Short-term securities managed by the System's Investment Department are subject to the approval of the director in accordance with the guidelines and restrictions set forth by the Board.

Short-term investments may be invested in:

(1) U.S. Treasury bills, other issues of the U.S. government, issues of federal agencies, and government-sponsored enterprises with a maturity of one year or less.

(2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100 percent of the amount of their purchase agreement.

(3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10 percent of outstanding short-term obligations. The maximum maturity will be 90 days.

(4) Certificates of deposit limited to Louisiana banks, savings and loans, and credit unions provided that:

   (a) Maximum amount in any one bank will be limited to $1 million.

   (b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury.

   (c) Maximum amount limited to 5 percent of capitalization.

   (d) Maximum maturity is 366 days.

(5) Money market funds adhering to restrictions (1) through (4) above.

(6) Issues of commercial debt market with maturities of one year or less and having a rating of A or better. The obligations of any single issuer may not exceed 10 percent of the total outstanding short-term obligations of the System.

CONTROL PROCEDURES

REVIEW OF LIABILITIES

All major liability assumptions regarding number of Plan participants, payroll, benefit levels, and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the System's assumptions and actual experience.

INVESTMENT POLICY (Continued)

REVIEW OF INVESTMENT OBJECTIVES

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the Investment Policy.

REVIEW OF INVESTMENT MANAGERS

The Board will require each investment manager to report monthly in a manner agreed upon by the Board, staff, consultant, and manager.

The Board will meet at least annually, and preferably more frequently, with its investment managers and consultants. Additionally, with or without the investment managers, the Board will review investment results at least quarterly.

These reviews will focus on:

(1) Manager adherence to the policy guidelines.

(2) A comparison of manager results versus appropriate financial indices.

(3) A comparison of manager results using similar policies (in terms of commitment to equity, style, diversification, volatility, etc.).

(4) The opportunities available in both equity and debt markets.

(5) Material changes in the manager organizations, such as investment philosophy, personnel changes, acquisitions, or losses of major accounts, etc.

The managers will be responsible for advising the Board of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results that are consistent with the System's investment policy. A long-term average annual return of 3.9 percent above inflation as measured by the CPI-U seasonally adjusted or the actuarial rate (currently 8.25 percent), which ever is higher is reasonable in light of the policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Board recognizes that this real-return objective may not be meaningful during some periods. To ensure that investment opportunities available over a specific period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. The Board expects the total fund to perform in the top third of a universe of total funds having similar size and investment policies. To stay abreast of what other state and local plans are achieving, the System's performance will also be compared to the results of other public plans. Each manager is expected to perform in the top half of his or her respective equity manager or fixed income manager universe and in the top quartile of his or her investment manager style universe. Additionally, each manager will be compared/evaluated versus their specific style benchmarks. This performance should be achieved over rolling three-year periods or over the length of each manager's contract, whichever comes first. Short-term results will also be monitored. For purposes of this evaluation, universes maintained by the System's consultant, will be used.

INVESTMENT SUMMARY
AS OF JUNE 30, 2005 AND 2004

	JUNE 30, 2005		JUNE 30, 2004	
	FAIR VALUE	% TOTAL FAIR VALUE	FAIR VALUE	% TOTAL FAIR VALUE
Domestic bonds:				
U S Treasury & Government Agency securities	$ 676,616,833	5.417%	$ 614,396,445	5.218%
Corporate bonds	805,058,598	6.445%	678,633,501	5.763%
Miscellaneous bonds	431,364,020	3.453%	366,530,046	3.113%
Total domestic bonds	1,913,039,451	15.315%	1, 659,559,992	14.094%
International bonds	497,213,792	3.981%	560,651,839	4.761%
Domestic stocks:*				
Common	5,792,730,189	46.375%	4,922,448,687	41.804%
Preferred	4,060,255	0.033%	4,296,859	0.037%
Total domestic stocks	5,796,790,444	46.408%	4,926,745,546	41.841%
International stocks*				
Common	1,951,295,177	15.622%	1,431,270,464	12.156%
Preferred	18,038,444	0.144%	22,865,839	0.194%
Total international stocks	1,969,333,621	15.766%	1,454,136,303	12.350%
Domestic short-term investments	256,739,631	2.055%	910,719,505	7.734%
International short-term investments	40,210,400	0.322%	0	0
Alternative investments:				
Private equity investments	1,357,823,698	10.870%	1,433,141,536	12.171%
Real estate investments	362,732,833	2.904%	494,342,545	4.198%
Mezzanine financing investments	297,148,668	2.379%	335,701,043	2.851%
Total alternative investments	2,017,705,199	16.153%	2,263,185,124	19.220%
Total investments	$12,491,032,538	100.000%	$11,774,998,309	100.000%

* The index portfolio at June 30, 2005 is $829.6 million which is 10.7% of total equity which has a market value of $7.77 billion.

LIST OF LARGEST ASSETS HELD
AT JUNE 30, 2005

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES				
U S TREASURY BONDS	5.37	02/15/2031	$44,700,000	$52,767,008
U S TREASURY BONDS	6.25	05/15/2030	33,000,000	43,004,278
FEDERAL HOME LN BKS # TR 00294	4.00	04/25/2007	27,290,000	27,287,661
FEDERAL NATL MTG ASSN 00476	4.00	05/23/2007	26,210,000	26,172,997
U S TREASURY BONDS	5.25	02/15/2029	22,000,000	25,172,839
FEDERAL HOME LN BKS CONS BD	1.52	07/14/2005	15,500,000	15,485,740
FHLMC MULTICLASS MTG	6.50	07/15/2028	14,196,728	14,794,553
FNMA POOL #0735378	4.50	10/01/2019	13,596,527	13,539,691
FNMA POOL #0826115	3.03	07/01/2035	13,140,508	12,945,700
FHLMC MULTICLASS MTG	4.00	09/15/2018	13,404,792	12,702,917
GNMA POOL #0620951	4.50	09/15/2033	12,451,974	12,312,989
FEDERAL NATL MTG ASSN DEBS	2.37	12/15/2005	11,000,000	10,940,050
FHLMC POOL #B1-4038	4.50	05/01/2019	10,274,852	10,235,219
FEDERAL NATL MTG ASSN MTN	1.60	07/08/2005	10,000,000	9,994,900
FEDERAL HOME LN BKS # TR 00086	3.33	03/30/2007	10,000,000	9,989,000
FEDERAL AGRIC MTG CORP MTN	3.64	04/20/2007	9,850,000	9,845,075
FEDERAL AGRIC MTG CORP MTN	3.34	03/30/2007	9,850,000	9,837,195
FHLMC MULTICLASS CTFS 2682 XK	3.00	01/15/2021	10,000,000	9,806,300
U S TREASURY BONDS	12.00	08/15/2013	7,550,000	9,390,539
FHLMC MULTICLASS CTFS 2545 BM	4.50	11/15/2028	9,418,693	9,373,766
FNMA POOL #0743506	4.09	10/01/2033	9,447,829	9,172,330
FEDERAL NATL MTG ASSN MTN	2.37	12/08/2005	8,950,000	8,892,004
U S TREAS STRIP GENERIC TINT	0.00	08/15/2014	12,625,000	8,745,211
FNMA POOL #0724399	5.50	08/01/2033	8,439,280	8,607,137
GNMA II POOL #0080934	4.50	06/20/2034	8,412,774	8,412,774

LIST OF LARGEST ASSETS HELD(Continued)
AT JUNE 30, 2005

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE) (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
CORPORATE BONDS				
DEERE JOHN CAP MTN # TR 00327	3.44	04/16/2007	$10,600,000	$10,600,000
LANDESBANK BADEN MTN #SR00020	3.38	03/30/2007	10,000,000	9,979,000
GENERAL ELEC CO NT	3.70	10/24/2005	9,500,000	9,501,425
CANAL BARGE INC US GOVT GTD BD	5.87	11/14/2026	8,600,000	9,458,624
ALTER BARGE LINE INC SF BD	6.00	03/01/2026	8,572,000	9,397,055
REINAUER MARITIME CO LLC US	5.87	11/30/2026	8,355,000	9,153,905
NEXTEL COMMUNICATIONS INC SR	29.48	08/01/2015	6,365,000	6,874,200
TRIADS HOSPITALS INC	21.00	11/15/2013	6,610,000	6,791,775
SINCLAIR BROADCAST GROUP INC	24.00	03/15/2012	6,110,000	6,262,750
HEWLETT PACKARD CO GLOBAL NT	5.75	12/15/2006	6,000,000	6,137,219
MCI INC NT 2007	20.70	05/01/2007	5,460,000	5,535,075
LA QUINTA PPTYS INC SR NT	26.61	03/15/2011	4,895,000	5,292,719
MORGAN STANLEY DW MTN #TR00394	3.44	11/24/2006	5,000,000	5,006,250
AMERICAN EXPRESS MTN #TR00474	3.50	07/19/2007	5,000,000	5,005,450
GOLDMAN SACHS GRP	3.77	06/28/2010	5,000,000	5,003,900
BEAR STEARNS COS INC MTN 00646	3.35	02/08/2008	5,000,000	5,000,000
SLM CORP MTN #TR 011080	3.73	01/25/2008	5,000,000	4,998,400
AMERICAN HONDA FIN MTN #00493	3.33	05/12/2008	5,000,000	4,997,650
CITIGROUP INC GLOBAL SR NT	3.26	05/02/2008	5,000,000	4,997,650
HSBC FIN CORP MTN # TR 00007	3.48	05/10/2010	5,000,000	4,997,650
CABLEVISION SYS CORP SR NT	32.00	04/15/2012	5,075,000	4,973,500
PRIVATE EXPT FDG CORP SER R	4.97	08/15/2013	4,700,000	4,956,150
TEXAS GENCO LLC 144A	27.48	12/15/2014	4,670,000	4,915,175
AMERICAN GEN FIN MTN #TR00370	5.75	03/15/2007	4,695,000	4,808,299
ENTERGY LA INC 1ST MTG BD SER	5.09	11/01/2014	4,775,000	4,771,228

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST DOMESTIC BOND HOLDINGS (BY FAIR VALUE) (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
MISCELLANEOUS BONDS				
FNMA GTD REMIC P/T 04-75 GB	4.50	11/25/2030	$12,322,485	$11,875,795
FNMA GTD REMIC P/T TR 04-19 AB	4.00	10/25/2017	8,348,750	8,249,567
WELLS FARGO MTG BKD 04-I 1A1	3.38	07/25/2034	8,047,873	8,076,765
MASTR ASSET SEC 03-6 CL 2A1	5.50	07/25/2033	7,997,254	8,029,483
SPECIALTY UNDERWRITING 05-BC2	3.68	12/25/2035	6,000,000	6,002,820
GRACECHURCH CARD FDG NO 8 A1	3.35	06/15/2010	6,000,000	5,999,460
PECO ENERGY TRANS TR 2000A A3	7.62	03/01/2010	5,000,000	5,579,650
FNMA GTD REMIC P/T 04-29 L	4.00	09/25/2017	5,552,912	5,498,660
PP&L TRANSITION BD 99-1 BD A-8	7.15	06/25/2009	5,000,000	5,410,750
ILLINOIS PWR SPL 98-1 CL A7	5.65	12/25/2010	5,000,000	5,213,800
SAXON ASSET SECS TR 2005-2 A2B	3.62	09/25/2035	5,100,000	5,098,776
FIRST USA CR CARD 1997-4 CL A	3.61	02/17/2010	5,000,000	5,019,950
MASTER ASSET SECS 03-7 1-A-1	5.50	09/25/2033	4,901,748	4,930,864
ACCREDITED MTG LN TR 05-2 A-2A	3.56	07/25/2035	4,907,231	4,903,501
DOT HEADQUARTERS II 2004 A-2	5.59	12/07/2021	4,886,000	4,899,583
CREDIT SUISSE FIRST BOSTON	6.50	03/25/2032	4,695,288	4,893,100
SMALL BUS ADMIN GTD DEV 05-20	4.57	06/01/2025	4,750,000	4,757,363
GNMA GTD REMIC P/T 04-50 C	5.31	08/16/2030	4,500,000	4,691,385
MASSACHUSETTS RRB 05-1 A-3	4.13	09/15/2013	4,650,000	4,648,884
BURLINGTON NORTHN TR 2001-1	6.72	07/15/2022	3,964,382	4,523,994
PARK PL SECS INC 05-WHQ1 A-3A	3.57	03/25/2035	4,523,578	4,521,633
GNMA GTD REMIC P/T 05-2 B	4.11	03/16/2019	4,608,298	4,510,832
PG&E ENERGY RECOVERY 05-1 A-3	4.14	09/25/2012	4,500,000	4,505,625
CWABS INC 2005-2 ASSET CL 2A2	3.59	08/25/2035	4,500,000	4,499,910
DAVITA INC SR SUB NT 144A	21.75	03/15/2015	4,305,000	4,423,388

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST INTERNATIONAL BOND HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
FRANCE	FRANCE (GOVT OF)	4.00	10/25/2014	$24,520,000	$31,866,996
GERMANY	GERMANY (FED REP)	2.50	09/22/2006	22,980,000	27,987,661
GERMANY	GERMANY (FEDERAL REPUBLIC)	2.25	12/15/2006	22,240,000	27,019,093
FRANCE	FRANCE GOVT OF BDS EUR1	3.75	01/12/2007	19,250,000	23,922,595
POLAND	POLAND (GOVT OF) BDS PLN	5.00	10/24/2013	64,955,000	19,912,417
UNITED KINGDOM	TREASURY	9.50	09/07/2015	10,300,000	19,366,885
GERMANY	GERMANY FED REP BDS	4.75	07/04/2008	13,030,000	16,934,215
SINGAPORE	SINGAPORE (GOVT OF) BDS SGD	4.37	10/15/2005	26,470,000	15,797,600
FRANCE	FRANCE GOVT OAT	5.25	04/25/2008	11,270,000	14,776,480
FRANCE	FRANCE (GOVT OF)	3.50	01/12/2009	11,310,000	14,260,688
MEXICO	MEXICO (UTD MEX ST) BDS	9.00	12/20/2012	151,900,000	13,850,850
GERMANY	GERMANY FED REP BDS	4.50	07/04/2009	10,380,000	13,584,437
CANADA	GOVERNMENT OF CANADA	6.00	06/01/2011	14,190,000	13,167,341
GERMANY	GERMANY FED REP BDS	3.75	01/04/2009	10,000,000	12,705,772
AUSTRALIA	NEW SOUTH WALES TREASURY CORP	7.00	12/01/2010	14,850,000	12,179,688
MEXICO	MEXICO UTD MEX ST	8.00	12/19/2013	130,300,000	11,113,767
UNITED KINGDOM	HBOS TREASURY SERVICES PLC	0.25	06/30/2006	1,180,000,000	10,670,156
UNITED KINGDOM	UK TREASURY	8.00	12/07/2015	4,400,000	10,434,210
AUSTRALIA	NEW STH WALES TSY	6.00	05/01/2012	13,055,000	10,304,440
AUSTRALIA	QUEENSLAND TREASURY CORP	8.00	09/14/2007	12,430,000	9,995,880
GERMANY	BUNDESREPUBLIK DEUTSCHLAND	5.25	07/04/2010	6,890,000	9,404,904
MEXICO	MEXICO (UTD MEX ST) BDS	9.50	12/18/2014	97,030,000	9,027,596
GERMANY	GERMANY FED REP BDS	4.00	07/04/2009	6,540,000	8,408,545
GERMANY	GERMANY (FED REP) BDS	3.50	10/10/2008	6,290,000	7,919,588
GERMANY	GERMANY (FED REP) BDS	3.25	07/04/2015	6,120,000	7,483,270

A complete list of portfolio holdings is available upon request.

LIST OF INVESTMENTS (Continued)
AT JUNE 30, 2005

LARGEST DOMESTIC COMMON STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
ISHARES TR RUSSELL 1000 VALUE	1,850,000.000	$123,284,000
ISHARES TR RUSSELL 1000 GROWTH	2,550,000.000	122,400,000
MICROSOFT CORP COM	3,308,565.000	82,184,755
GENERAL ELEC CO COM	1,808,407.000	62,661,303
CITIGROUP INC COM	1,329,890.000	61,480,815
EXXON MOBIL CORP	987,789.000	56,768,234
INTEL CORP	2,079,744.000	54,114,939
JOHNSON & JOHNSON COM	803,231.000	52,210,015
CISCO SYS INC COM	2,704,128.000	51,594,762
DELL INC COM	1,177,271.000	46,455,114
FREDDIE MAC CORP COM	660,977.000	43,115,530
UNITED HEALTH GROUP INC COM	811,702.500	42,322,168
BANK OF AMERICA CORP	903,775.000	41,221,178
PFIZER INC COM STK USD0.05	1,476,133.000	40,711,748
CLEAR CHANNEL COMMUNICATIONS	1,238,244.000	38,298,887
FIRST DATA CORP COM	935,482.000	37,550,247
JPMORGAN CHASE & CO COM	1,025,392.000	36,216,845
WAL MART STORES INC COM	711,398.000	34,289,384
CHEVRON CORPORATION COM	591,765.000	33,091,499
LOWES COS INC COM	536,492.000	31,234,564
PROCTER & GAMBLE CO COM	584,557.000	30,835,382
AMERICAN EXPRESS CO COM	568,115.000	30,240,761
HEWLETT PACKARD CO COM	1,268,271.000	29,817,051
WELLS FARGO & CO NEW COM	483,037.000	29,745,418
PEPSICO INC COM	514,934.000	27,770,391

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST INTERNATIONAL COMMON STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	SHARES	FAIR VALUE
LUXEMBOURG	WORLD INVEST EMERGING MKT FD	1,531,823.437	$31,800,799
SWITZERLAND	UBS AG CHF0.80 (REGD)	393,105.000	30,684,958
SWITZERLAND	ROCHE HLDG AG GENUSSCHEINE NPV	221,033.000	27,984,976
PANAMA	CARNIVAL CORP PAIRED CTF 1 COM	504,500.000	27,520,475
NETHERLANDS	ING GROEP N.V. CVA EUR0.24	891,054.000	25,210,493
NETHERLANDS	ROYAL DUTCH PETE CO EUR.56	352,600.000	23,051,260
SWITZERLAND	NOVARTIS AG CHF0.50 (REGD)	458,398.000	21,844,663
UNITED KINGDOM	GLAXOSMITHKLINE ORD GBP0.25	892,793.000	21,619,875
FRANCE	TOTAL SA EUR10	91,395.000	21,498,781
HONG KONG	CHINA MOBILE (HK) HKD0.10	5,623,600.000	20,943,900
UNITED KINGDOM	SHELL TRANS & TRDG ORD 25P REG	2,062,000.000	20,060,213
BELGIUM	FORTIS GROUP NPV	708,545.000	19,669,354
ITALY	ENI EUR1	742,414.000	19,153,503
JAPAN	HONDA MOTOR CO NPV	379,000.000	18,708,870
SWITZERLAND	NESTLE SA CHF1	70,663.000	18,091,846
UNITED KINGDOM	BARCLAYS ORD GBP0.25	1,796,640.000	17,889,252
JAPAN	ORIX CORP Y50	118,900.000	17,854,850
UNITED KINGDOM	VODAFONE GROUP PLC ORD USD0.10	6,801,300.000	16,579,747
FRANCE	VIVENDI UNIVERSAL EUR5.5	524,543.000	16,549,090
BERMUDA	ACCENTURE LTD BERMUDA CL A	706,100.000	16,007,287
NETHERLANDS	ASML HLDG NV EUR0.02	1,012,728.000	15,963,290
JAPAN	SEGA SAMMY HLDGS INC NPV	257,268.000	15,787,585
GERMANY	E.ON AG NPV	176,000.000	15,699,322
FRANCE	SANOFI-AVENTIS EUR2	184,053.000	15,129,734
JAPAN	CREDIT SAISON CO Y50	451,300.000	15,028,400

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST DOMESTIC PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

DESCRIPTION	SHARES	FAIR VALUE
CROWN CASTLE INTL CORP PFD	40,000.000	$1,920,000
GENERAL MTRS CORP DEB SR	50,000.000	1,216,000
SMURFIT STONE CONTAINER CORP	38,980.000	903,167
ZIFF DAVIS HLDGS INC PFD SER	23.900	16,491
PTV INC PFD 10%	2,297.000	4,594
ERMIS MARITIME HOLDINGS LTD	11,754.000	1
WEIRTON STL CORP PFD SER C	4,500.000	1
ZIFF DAVIS SER A PFD	40,000.000	1
PACIFIC & ATLANTIC (HOLDINGS)	3,013.938	0

LARGEST INTERNATIONAL PREFERRED STOCK HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	SHARES	FAIR VALUE
GERMANY	PROSIEBENSATI MEDIA AG NPV	375,257.000	$6,464,759
SOUTH KOREA	SAMSUNG ELECTRS CO CO PRF	14,910.000	4,897,867
BRAZIL	TELESP CELULAR PARTICIPACOES	730,195.000	3,117,933
BRAZIL	PETROLEO BRASILEIRO SA	34,200.000	1,553,953
GERMANY	FRESENIUS AG NON VTG PRF NPV	8,700.000	997,969
BRAZIL	USINAS SID MINAIS GERAIS	44,300.000	714,728
CANADA	SHAW COMMUNICATIONS INC	10,490.000	264,453
BRAZIL	TELE NORTE LESTE PARTICIPACOES	1,053.000	17,532
BRAZIL	BANCO ITAU HLDG FINANCEIRA SA	100.000	9,250

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST DOMESTIC SHORT-TERM INVESTMENT HOLDINGS (BY FAIR VALUE)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DREYFUS CASH MANAGEMENT PLUS			$53,941,815	$53,941,815
EB SMAM SHORT TERM INV FUND	0.03	12/31/2099	46,528,696	46,528,696
FEDERATED PRIME OBLIGATION FUND			38,051,000	38,051,000
BSDT-LATE MONEY DEPOSIT ACCT	1.75	12/31/2049	30,880,067	30,880,067
U S TREASURY BILL	0.00	12/08/2005	26,570,000	26,162,556
U S TREASURY BILL	0.00	11/17/2005	16,830,000	16,572,763
ERASMUS CAP CORP DISC	0.00	07/21/2005	8,000,000	7,979,120
CHARTA CORP DISC	0.00	07/25/2005	8,000,000	7,974,800
MANE FUNDING CORP DISC	0.00	08/10/2005	5,951,000	5,903,094
BHP BILLITON FIN DISC	0.00	07/11/2005	5,000,000	4,987,789
METLIFE FDG INC DISC	0.00	09/09/2005	5,000,000	4,922,125
ATLANTIS ONE FDG DISC	0.00	08/09/2005	4,235,000	4,176,769
FAIRWAY FIN CORP DISC	0.00	08/01/2005	3,811,000	3,796,594
DANSKE CORP SER A DISC	0.00	08/03/2005	3,000,000	2,988,157
DREYFUS CASH MANAGEMENT PLUS - LA DROP			1,874,286	1,874,286

LARGEST INTERNATIONAL SHORT-TERM INVESTMENT HOLDINGS (BY FAIR VALUE)

COUNTRY	DESCRIPTION	MATURITY DATE	PAR VALUE	FAIR VALUE
CANADA	GOVERNMENT OF CANADA	01/26/2006	$31,990,000	$25,328,406
UNITED KINGDOM	DEPFA-BK EUR PLC DISC	08/08/2005	5,820,000	5,774,168
AUSTRALIA	ST GEORGE BANK DISC	09/14/2005	5,000,000	4,920,375
IRELAND	PICAROS FDG & LLC DISC	08/18/2005	4,250,000	4,187,451

A complete list of portfolio holdings is available upon request.

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST ALTERNATIVE INVESTMENT HOLDINGS (BY FAIR VALUE)

DESCRIPTION	FAIR VALUE
PRIVATE EQUITY INVESTMENTS	
APOLLO INVESTMENT FUND IV, L.P.	$167,267,000
HICKS, MUSE, TATE & FURST EQUITY FUND V, L.P.	162,502,293
WARBURG, PINCUS EQUITY PARTNERS, L.P.	131,322,177
DLJ MERCHANT BANKING PARTNERS III L.P.	123,479,456
DOUGHTY HANSON & CO III, L.P.	99,415,496
CARLYLE PARTNERS III L.P.	99,383,696
APOLLO INVESTMENT FUND V, L.P.	78,036,000
HICKS, MUSE, TATE & FURST EQUITY FUND IV, L.P.	57,752,092
HEARTLAND INDUSTRIAL PARTNERS, L.P.	55,934,793
WARBURG PINCUS INTERNATIONAL PARTNERS, L.P.	54,054,582
HICKS, MUSE, TATE & FURST EQUITY FUND III, L.P.	53,039,173
BEAR STEARNS MERCHANT BANKING PARTNERS II, L.P.	47,623,866
COMPASS PARTNERS EUROPEAN EQUITY FUND, L.P.	38,086,988
APOLLO INVESTMENT FUND III, L.P.	27,773,000
DEUTSCHE EUROPEAN PARTNERS IV, L.P.	27,722,933
SPECIAL PRIVATE EQUITY FUND	24,803,500
HORSLEY BRIDGE VII, L.P.	24,684,729
BRERA CAPITAL PARTNERS, L.P.	24,471,528
PHAROS CAPITAL PARTNERS, L.P.	21,283,867
SECOND CINVEN FUND US, L.P.	20,987,429
CREDIT SUISSE FIRST BOSTON EQUITY PARTNERS, L.P.	17,272,594
LOUISIANA FUND I	593,018
CARLYLE PARTNERS IV, L.P.	333,488
REAL ESTATE INVESTMENT TRUST	
STARWOOD GLOBAL OPPORTUNITY FUND VI	$67,770,928
WESTBROOK REAL ESTATE FUND IV, L.P.	53,381,679
DLJ REAL ESTATE CAPITAL PARTNERS II, L.P.	52,768,291
ING REALTY PARTNERS II, L.P.	42,987,865
OLYMPUS REAL ESTATE FUND II, L.P.	36,635,673
OLYMPUS REAL ESTATE FUND III, L.P.	30,546,005
WESTBROOK REAL ESTATE FUND III, L.P.	29,252,876
DOUGHTY HANSON & CO EUROPEAN REAL ESTATE, L.P.	28,654,271
ING REALTY PARTNERS HOLDINGS, L.P.	12,971,013
OLYMPUS CO-INVESTMENT (APARTMENT REIT)	6,549,725
WESTBROOK PARTNERS CO-INVESTMENT (SUNSTONE HOTEL)	1,214,507

LIST OF LARGEST ASSETS HELD (Continued)
AT JUNE 30, 2005

LARGEST ALTERNATIVE INVESTMENT HOLDINGS (BY FAIR VALUE)

DESCRIPTION	FAIR VALUE
MEZZANINE FINANCING INVESTMENTS	
PRUDENTIAL CAPITAL PARTNERS, L.P.	$52,632,753
TCW/CRESCENT MEZZANINE PARTNERS III, L.P.	40,669,668
BLACKSTONE MEZZANINE PARTNERS LP	35,790,965
STARWOOD OPPORTUNITY FUND IV, L.P.	32,698,702
PENINSULA FUND III, L.P.	30,724,952
1818 MEZZANINE FUND L.P.	29,907,152
GLEACHER MEZZANINE FUND II, L.P.	27,041,884
AUDAX MEZZANINE FUND, L.P.	22,872,547
DLJ REAL ESTATE MEZZANINE CAPITAL PARTNERS, L.P.	16,769,178
DLJ INVESTMENT PARTNERS II, L.P.	8,040,867

A complete list of portfolio holdings is available upon request.

NET EARNINGS ON INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005		2004	
Earnings on investments:				
Net appreciation (depreciation) in domestic investments:				
Bonds	$ 28,286,228		$ (48,522,423)	
Short term investments	(506,231)		0	
Common and preferred stocks	158,894,198		448,031,181	
Alternative investments	(33,886,802)	$152,787,393	(31,519,670)	$367,989,088
Net appreciation (depreciation) in international investments:				
Bonds	(27,669,706)		(24,925,777)	
Common and preferred stocks	18,121,071	(9,548,635)	218,487,097	193,561,320
Domestic interest income:				
Bonds	103,095,870		105,331,648	
Certificates of deposits	20,371		0	
Short-term investments	8,733,959	111,850,200	5,265,360	110,597,008
International interest income:				
Bonds	29,582,370		23,613,259	
Short-term investments	315,820	29,898,190	187,618	23,800,877
Domestic common and preferred dividends		84,579,303		64,865,361
International common and preferred dividends		31,583,991		41,800,161
Securities lending income:				
Fixed	12,335,992		6,308,527	
Equity	2,131,360		3,181,837	
International	10,041,118	24,508,470	4,364,140	13,854,504
Gain (loss) on sale of domestic securities, net:				
Bonds	10,260,203		14,498,788	
Common and preferred stocks	196,686,207		464,067,500	
Short-term investments	303,965,576	510,911,986	318,091,803	796,658,091
Gain (loss) on sale of international securities, net:				
Bonds	6,522,469		3,873,347	
Short-term investments	2,171		35	
Common and preferred stocks	76,586,267	83,110,907	32,097,638	35,971,020
Gain (loss) on international exchange transactions, net		124,271,321		93,873,200
Alternative investments		108,622,676		81,696,047
Commission rebate income		571,219		1,078,487
Gross earnings		1,253,147,021		1,825,745,164
Charges against earnings:				
Securities lending expenses:				
Fixed	11,423,434		5,203,940	
Agents	750,588		849,836	
Equity	249,954		249,934	
International	7,860,336	20,284,312	1,847,440	8,151,150
International tax expense		5,710,058		4,995,570
Alternative investments expense		64,918,175		49,401,029
Custodian fees		760,908		786,062
Performance consultant fees		618,996		507,749
Trade cost analysis fees		10,000		40,000
Advisor fees		26,020,649		23,311,668
Total charges		118,323,098		87,193,228
Net income on investments		$1,134,823,923		$1,738,551,936

INVESTMENT PERFORMANCE MEASUREMENTS[1]

	Rate of Return	Rank[2]
Comparative Rates of Return on Total Fund - Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	10.9%	29
Comparison indices:		
Median Large Fund Return	9.8%	50
Comparative Rates of Return on Domestic Equities - Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	8.2%	51
Comparison indices:		
Median Equity Only Large Fund Return	8.3%	50
Standard and Poor's 500 Index	6.3%	67
Comparative Rates of Return on Domestic Bonds - Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	7.9%	32
Comparison indices:		
Median Bond only Public Fund Return	7.2%	50
Lehman Brothers Aggregate Bond Index	6.8%	65
Comparative Rates of Return on International Equities – Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	12.0%	78
Comparison indices:		
Median International Equity Only Return	15.2%	50
E.A.F.E. Index (after tax)	13.7%	64
Comparative Rates of Return on Global Bonds – Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	9.6%	20
Comparison indices:		
Median Global Bond Only Return	8.3%	50
Citigroup World Government Bond Index	7.6%	79
Comparative Rates of Return on Alternative Investments – Year Ended June 30, 2005		
Teachers' Retirement System of Louisiana	20.2%	N/A
Comparison indices:		
Median	N/A	N/A
S&P 500 Index plus 4%	10.3%	N/A

The performance for the past five years as compared to other public plans in the universe of Plans maintained by R.V. Kuhns & Associates, Inc. is as follows:

Three-year period ending June 30, 2005	10.4%	44
Five-year period ending June 30, 2005	3.6%	63
Ten-year period ending June 30, 2005	9.1%	49

[1] Investment return calculations were prepared using a time-weighted return in accordance with the Performance Presentation Standards of the CFA Institute).

[2] The Independent consultants' cooperative Large Fund Universe consists of 245 pension plans with assets greater than $1 billion.

[3] The Independent consultants' Cooperative does not provide a universe for alternative investments.

RATES OF RETURN[1]

	ANNUAL YEARS ENDING JUNE 30					ANNUALIZED	
	2001	2002	2003	2004	2005	3 YRS.	5 YRS
TOTAL FUND							
Teachers' Retirement System of Louisiana	(4.1%)	(7.6%)	2.7%	18.2%	10.9%	10.4%	3.6%
Median Large Fund Return[2]	(4.7%)	(5.6%)	4.0%	16.2%	9.8%	9.7%	3.6%
Inflation (CPI)	3.1%	1.0%	2.2%	3.3%	2.5%	2.6%	2.4%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	1.4%	(14.2%)	(2.7%)	22.1%	8.2%	8.7%	2.3%
Median Equity Large Fund Return[2]	(12.9%)	(16.9%)	(0.1%)	23.4%	8.3%	10.3%	0.5%
Standard & Poor's 500 Index	(14.8%)	(18.0%)	0.3%	19.1%	6.3%	8.3%	(2.4%)
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	5.6%	4.3%	11.3%	4.1%	7.9%	7.7%	6.6%
Median Bond Large Fund Return[2]	11.2%	8.1%	11.9%	1.3%	7.2%	6.7%	7.8%
Lehman Brothers Aggregate Index	11.2%	8.6%	10.4%	0.3%	6.8%	5.8%	7.4%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	(24.6%)	(9.7%)	(5.6%)	29.9%	12.0%	11.2%	(1.3%)
Median International Equity Return[2]	(20.9%)	(8.0%)	(6.0%)	31.7%	15.2%	13.3%	3.0%
E.A.F.E. Index (after tax)	(23.5%)	(9.5%)	(6.5%)	32.4%	13.7%	12.1%	3.0%
GLOBAL BONDS							
Teachers' Retirement System of Louisiana	(3.5%)	19.1%	20.6%	10.0%	9.6%	13.3%	10.8%
Median Global Bond Only Return[2]	1.5%	12.0%	16.7%	6.1%	8.3%	10.7%	8.2%
Citigroup World Government Bond Index	(7.4%)	15.7%	17.9%	5.7%	7.6%	9.8%	7.9%
ALTERNATIVE INVESTMENTS							
Teachers' Retirement System of Louisiana	(6.8%)	(7.0%)	5.0%	19.6%	20.2%	14.7%	5.5%
Median Global Bond Only Return[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
S & P 500 Index Plus 4%	(10.8%)	(14.0%)	4.3%	23.1%	10.3%	12.3%	1.6%

[1] Investment return calculations were prepared using a time-weighted return in accordance with the Performance Presentation Standards of The CFA Institute.)

[2]The Independent Consultants' Cooperative Large Fund Universe consists of 245 pension plans with assets greater than $1 billion.

[3]The Independent Consultants' Cooperative does not provide a universe for alternative investments.

SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED JUNE 30, 2005

	SHARES TRADED	COMMISSION DOLLAR AMOUNT	COMMISSION PER SHARE
Domestic			
Louisiana Incorporated Brokers	30,416,485	$1,388,786	$0.046
Cullen Investment Group			
Dorsey & Company, Inc.			
FBT Investments			
Francis Financial (Minority)			
Hibernia Southcoast			
Johnson Rice			
Sisk Investments			
Sisung Securities			
Louisiana Domiciled Brokers	46,109,273	1,699,803	0.037
A. G. Edwards & Sons			
Jefferies & Company			
Legg Mason			
Merrill Lynch			
Morgan Keegan			
Morgan Stanley			
Smith Barney			
UBS Financial			
Wachovia Securities			
Williams Capital (Minority)			
Minority Brokers	10,412,962	484,636	0.047
GRW			
Jackson Partners			
Magna Securities			
Pacific American			
Out-of State Brokers	42,700,269	1,722,038	0.040
Abel Noser			
Cantor Fitzgerald			
Citation*			
Concord			
Dain Rauscher Pierce			
A.G. Edwards & Sons			
First Southwest			
Jefferies & Company			
Raymond James			
External Managers	86,660,161	2,952,801	0.034
Recapture Brokers	12,420,767	514,657	
Donaldson & Company			
Lynch Jones & Ryan			
State Street Brokerage			
Rebate to Teachers' Retirement System of Louisiana		(308,306)	
Net Recapture Brokers		206,351	0.017
Total Domestic	228,719,917	$ 8,454,415	0.037

*Includes $123,247 in soft dollar commission for Citation to pay for Bloomberg Services.

SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS (continued)
FOR THE YEAR ENDED JUNE 30, 2005

	SHARES TRADED	COMMISSION DOLLAR AMOUNT	COMMISSION PER SHARE
International*			
Louisiana Incorporated Brokers	1,063,496	$ 31,237	$0.029
Lugano Group			
Louisiana Domiciled Brokers	28,063,181	475,649	$0.017
Merrill Lynch			
Morgan Stanley			
Smith Barney			
UBS Financial			
External Managers	311,283,056	4,065,651	0.013
Subtotal International	340,409,733	4,572,537	0.013
Rebate to Teachers' Retirement System of Louisiana		(200,496)	
Total International*	340,409,733	$ 4,372,041	0.013
Total Domestic and International	**$569,129,650**	**$12,826,456**	$0.023

* The cost of trading international stocks is measured as a percent of the value of the stock traded. Most international stock values are low when measured in U.S. dollars. Therefore, the cost to trade such stocks is less than the cost to trade domestic stocks.

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ACTUARIAL SECTION

SJ Actuarial Associates
Shelley R Johnson
M.A.A.A., A.S.A., A.C.A

18645 Antebellum Court
Prairieville, La. 70769
(225) 272-7339

September 2[illegible], 2005

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

Ladies and Gentlemen:

Pursuant to your request, I have completed the annual valuation of the Teachers' Retirement System of Louisiana as of June 30, 2005. The valuation was prepared on the basis of the data submitted by the Retirement System, the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

Notable changes in recent prior legislative sessions include the following Acts: Act 1031 of 1992 established the Experience Account which provides for the pre funding of retiree COLA's by accumulating 50% of the excess investment income. The Texaco Settlement Fund was established July 1, 1995 to dedicate allocated assets to reduce the initial unfunded actuarial liability established by Act 81. Act 921 of 1997 eliminates the current twenty year retirement for new members hired after July 1, 1999. Act 1172 of 2001 increases the permissible retiree COLA formula to 3%, provides a minimum one time COLA to retirees equal to $200 per month, not to exceed a benefit of $1000 per month. Survivors and beneficiaries minimum benefit is increased to $600 and $300 per month.

Act 588 of 2004 made significant changes to prospective funding. The outstanding balances of changes in liabilities from 1993 - 2000 were re-amortized as a level dollar amount to 2029. The amortization period for changes in liabilities beginning with 2001 were extended to a thirty year period from the date of occurrence. A minimum Employer rate of 15.5% and employer credit account were established for excess contributions. The negative Experience Account Balance was removed from the valuation assets. The Experience Account was reset to zero.

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

a) fully fund all current normal costs determined in accordance with the prescribed statutory funding method; and

b) liquidate the unfunded liability as of June 30, 1988 over a forty year period with subsequent changes in unfunded liabilities amortized over period(s) specified by statute.

The results of the current valuation indicate that the employer contribution rate payable for the fiscal year commencing July 1, 2005 was determined to be 15.2% of payroll. The current year's employer's rate is unchanged from the prior employer's rate of 15.2%. The current contribution rate, together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

SJ Actuarial Associates

Board of Trustees
TEACHERS' RETIREMENT SYSTEM
September 28, 2005

The methodology for determining the actuarial value of assets approved by the Board of Trustees is consistent with the prior plan year. The current method values all assets on a basis which reflects a four-year moving weighted average of the relationship between market value and cost value. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending June 30, 2005 was $12,171,901,856. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of $89,229,521, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of $[illegible] and the side-fund assets from the Texaco Settlement Fund of $195,560,290 yields assets for funding purposes of $11,887,121,392.

In performing the June 30, 2005 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Teachers' Retirement System of Louisiana. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents or compared with data for the same participant utilized in prior valuations. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the June 30, 2005 actuarial valuation and supporting statistical schedules of this certification, which have been reformatted and comprises all the schedules of the Actuarial Section in the annual Financial Statement, have been prepared in accordance with the actuarial methods specified in Louisiana Revised Statutes Title 11 Section 22(13) and assumptions which are appropriate for the purposes of this valuation. The funding method prescribed is the Projected Unit Credit Cost Method. The actuarial assumptions and methods used for funding purposes comply and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. The same actuarial assumptions and methods were employed in the development of the Trend Data Schedule, the Schedule of Funding Progress and the Schedule of Employer Contributions which were prepared for the Financial Section of this report. The System is required to conduct an experience study every five years. The most recent study covers the five year observation period of 1997-2001.

I certify to the best of my knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principals and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents my best estimate of the funding requirement to achieve the Retirement System's Funding Objective.

Respectfully submitted,

Shelley R. Johnson, FCA,MAAA,ASA
Consulting Actuary

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

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SUMMARY OF ASSUMPTIONS

The following assumptions were adopted by the Board of Trustees of the Teachers' Retirement System of Louisiana (TRSL) based on the 1997-2001 actuarial experience study with supplemental revision in 1990 and other Board action.

I. General Actuarial Method

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

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

Act 257 of 1992 further amended the amortization schedule to reflect a 4.5% payment increase over the remaining amortization period.

Act 588 of 2004 re-amortized changes in liabilities occurring from 1993 thru 2000 as a level dollar payment to 2029. Amortization periods for changes in liabilities beginning with 2001 were extended to a thirty-year period from the date of occurrence. Amortization periods for changes in liabilities beginning with 2004 are extended to a thirty-year period from the date of occurrence, paid as a level dollar amount.
Employer contribution requirements for normal costs and amortization of the unfunded accrued liabilities are determined as a percentage of payroll. Discrepancy between dollars generated by percentage of payroll versus the required dollar amount are treated as a short-fall credit/(debit) and applied to the following year's contribution requirement.

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

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

II. Economic Assumptions

Investment Return: 8.25 percent per annum, compounded annually.

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

Regular Teachers - range	**3.20% - 7.80%**
School Lunch - range	**2.50% - 6.50%**
University – range	**3.50% - 9.00%**

	Teachers	School Lunch A	School Lunch B	UNIVERSITY
Duration 1 yr.	**7.80%**	**7.80%**	**6.50%**	**9.00%**
5 yr.	**6.80%**	**6.50%**	**6.00%**	**6.50%**
10 yr.	**6.50%**	**4.00%**	**5.20%**	**6.20%**
15 yr.	**5.80%**	**6.00%**	**4.00%**	**6.20%**
20 yr.	**5.50%**	**4.50%**	**3.20%**	**5.50%**
25 yr.	**5.20%**	**4.00%**	**3.20%**	**5.50%**
30 yr.	**3.80%**	**3.20%**	**2.50%**	**4.50%**

The active member population is assumed to remain constant.

SUMMARY OF ASSUMPTIONS (Continued)

III. Decrement Assumptions

Mortality Assumption: Pre-retirement deaths and post-retirement life expectancies are projected in accordance with the experience of the 1983 Sex Distinct Graduated Group Annuity Mortality Table, with female ages set at attained age plus one.

Disability Assumption: Rates of total and permanent disability were projected by age in accordance with the 1997-2001 disability experience of the Retirement System. Rates were projected separately for School Lunch Employees. Mortality after disability are based on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

	Teachers	School Lunch A	School Lunch B	UNIVERSITY
Age 25	.01%	.00%	.00%	.01%
30	.03%	.00%	.00%	.01%
35	.06%	.01%	.05%	.01%
40	.10%	.01%	.13%	.05%
45	.18%	.70%	.40%	.10%
50	.24%	2.00%	.80%	.05%
55	.47%	2.00%	3.00%	2.00%

Termination Assumptions: Voluntary withdrawal rates are derived from the 1997-2001 termination experience study.

	Teachers	School Lunch A	School Lunch B	UNIVERSITY
Age 25	7.0%	0.0%	16.0%	14.0%
30	8.0%	1.0%	9.0%	12.0%
35	6.0%	1.0%	4.0%	14.0%
40	3.0%	1.0%	4.0%	9.0%
45	2.0%	1.0%	3.0%	4.0%
50	2.0%	1.0%	2.0%	2.0%

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

Retirement/DROP Assumptions: Retirement rates were projected based upon the 1997-2001experience study. Rates illustrated below are retirement rates and the probability of DROP participation, respectively.

	Teachers		School Lunch A		School Lunch B		UNIVERSITY	
Age 50 yr.	3%	0%	1%	0%	0%	0%	3%	0%
51 yr.	3%	5%	1%	0%	0%	0%	3%	5%
52 yr.	3%	15%	3%	0%	0%	0%	4%	10%
53 yr.	5%	15%	3%	0%	0%	50%	5%	10%
54 yr.	10%	35%	3%	0%	0%	50%	9%	10%
Age 55 yr.	23%	55%	10%	10%	50%	12%	15%	20%
56 yr.	23%	10%	10%	37%	33%	12%	18%	5%
57 yr.	40%	10%	15%	15%	33%	12%	24%	5%
58 yr.	40%	10%	20%	15%	33%	12%	34%	5%
59 yr.	26%	15%	35%	25%	33%	12%	20%	6%
Age 60 yr.	26%	20%	35%	52%	33%	2%	20%	9%
61 yr.	26%	7%	30%	52%	33%	2%	20%	2%
62 yr.	33%	5%	40%	25%	55%	2%	20%	2%
63 yr.	33%	5%	50%	15%	55%	2%	20%	2%
64 yr.	33%	5%	50%	15%	40%	2%	20%	2%
Age 65 yr.	33%	5%	40%	15%	40%	2%	30%	2%
66 yr.	40%	5%	40%	15%	40%	2%	30%	2%
67 yr.	40%	5%	32%	15%	40%	2%	30%	2%
68 yr.	36%	5%	32%	15%	40%	2%	30%	2%
69 yr.	36%	5%	32%	15%	25%	2%	30%	5%
70 yr.	36%	5%	32%	15%	25%	2%	30%	2%

ACTUARIAL VALUATION BALANCE SHEET
AS OF JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
PRESENT ASSETS CREDITABLE TO:		
Members' Savings Account	$ 2,003,732,146	$ 1,915,354,785
Annuity Reserve Account	10,078,949,536	9,494,050,074
TOTAL PRESENT ASSETS	12,082,681,682	11,409,404,859
PRESENT VALUE OF PROSPECTIVE CONTRIBUTIONS PAYABLE TO:		
Members' Savings Account	2,297,255,166	2,231,836,130
Annuity Reserve Account		
Normal	2,024,130,370	1,920,316,284
Accrued Liability	7,588,534,085	7,526,049,191
TOTAL PROSPECTIVE CONTRIBUTIONS	11,909,919,621	11,678,201,605
TOTAL ASSETS	$23,992,601,303	$23,087,606,464
LIABILITIES		
PRESENT VALUE OF PROSPECTIVE BENEFITS PAYABLE ON ACCOUNT OF:		
Current Retiree Members	$ 12,051,528,584	$ 11,080,431,103
Current Active Members	11,655,316,520	11,416,695,358
Deferred Vested & Reciprocal Members	285,756,199	590,480,003
TOTAL LIABILITIES	$23,922,601,303	$23,087,606,464

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

SUMMARY OF UNFUNDED ACTUARIAL LIABILITIES/SALARY TEST

(Dollar Amounts in Millions)

VALUATION DATE	(1) ACTIVE MEMBER CONTRIBUTION	(2) RETIREES TERM. VESTED INACTIVE	(3) ACTIVE MEMBERS EMPLOYER FIN. PORTION	ACTUARIAL VALUATION ASSETS	PORTION OF ACTUARIAL ACCRUED LIABILITIES COVERED BY ASSETS		
					(1)	(2)	(3)
1996	$1,495.4	$5,917.2	$ 3,820.2	7,056.6	100%	94%	0%
1997	1,572.6	6,408.6	4,095.4	7,752.6	100%	97%	0%
1997	1,641.6	7,218.8	4,324.6	9,071.7	100%	100%	5%
1999	1,684.3	7,929.4	4,299.5	10,092.1	100%	100%	11%
2000	1,714.8	8,659.1	4,222.5	11,368.7	100%	100%	41%
2001	1,764.2	9,063.2	4,216.8	12,062.1	100%	100%	29%
2002	1,774.2	9,958.0	4,531.0	12,019.5	100%	100%	2%
2003	1,770.1	10,776.8	4,626.4	11,826.9	100%	93%	0%
2004	1,915.4	11,670.9	4,630.4	11,409.4	100%	83%	0%
2005	2,003.7	12,337.2	4,358.8	12,082.7	100%	82%	0%

SUMMARY OF ACTUARIAL AND UNFUNDED ACTUARIAL LIABILITIES

(Dollar Amounts in Millions)

VALUATION DATE	ACTUARIAL ACCRUED LIABILITIES	ACTUARIAL VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED AAL	ACTIVE MEMBER PAYROLL	UNFUNDED AAL AS A % OF ACTIVE PAYROLL
1996	$11,232.8	$ 7,056.6	62.8	$ 4,176.1	$ 2,254.3	185.3%
1997	12,077.6	7,752.6	64.2	4,325.1	2,337.5	185.0%
1998	13,185.2	9,071.7	68.8	4,113.4	2,485.1	165.5%
1999	13,913.4	10,092.1	72.5	3,821.3	2,569.5	148.7%
2000	14,596.4	11,368.7	77.9	3,227.7	2,563.6	125.9%
2001	15,390.4	12,062.1	78.4	3,328.3	2,582.8	128.9%
2002	16,263.2	12,019.5	73.9	4,243.7	2,777.7	152.8%
2003	17,196.8	11,826.9	68.8	5,369.9	2,977.9	180.3%
2004	18,067.5	11,406.4	63.1	6,658.1	3,017.1	220.7%
2005	18,669.8	12,082.7	64.6	6,617.1	3,132.2	211.3%

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

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(in thousands of dollars)

	FISCAL YEAR ENDED			
	2005	2004	2003	2002
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	$6,836,079	$5,531,918	$4,517,175	$3,618,734
Interest on Unfunded Liability	563,977	456,383	372,667	298,545
Investment Experience (gains) decreases UAL	(178,459)	(166,404)	1,598,190	1,639,264
Plan Experience (gains) decreases UAL	(141,393)	125,636	452,172	5,169
Employer Amortization Payments (payments) decreases UAL	(325,744)	(319,558)	(258,894)	(204,299)
Employer Contribution Variance (excess contributions) decreases UAL	(31,047)	29,662	9,704	(20,606)
Experience Account Allocation (allocations) decreases UAL	89,230	1,178,442	(799,095)	(819,632)
Other – Miscellaneous gains and Losses from transfers or Acts of the Legislature	0	0	(360,001)	0
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	$6,812,643	$6,836,079	$5,531,918	$4,517,175

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

AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

JUNE 30, 2005

DATE 6/30	DESCRIPTION	AMORTIZATION METHOD	AMORTIZATION PERIOD	INITIAL LIABILITY	YEARS REMAIN	REMAINING BALANCE	MID-YEAR PAYMENT
2003	Initial Liability	I	26	$6,285,061,957	24	$6,529,365,748	$412,192,668
1993	Change in Liability	L	25	(838,057,486)	24	(827,005,747)	(77,075,133)
1994	Change in Liability	L	25	(285,027,105)	24	(281,268,359)	(26,213,598)
1995	Change in Liability	L	25	(11,255,751)	24	(11,107,318)	(1,035,178)
1996	Change in Liability	L	25	(227,335,061)	24	(224,337,119)	(20,907,731)
1997	Change in Liability	L	25	72,828,575	24	71,868,161	6,697,956
1998	Change in Liability	L	25	(312,542,081)	24	(308,420,486)	(28,744,117)
1999	Change in Liability	L	25	(361,354,605)	24	(356,589,303)	(33,233,346)
2000	Change in Liability	L	25	(672,461,184)	24	(663,593,218)	(61,845,442)
2001	Change in Liability	I	27	59,149,207	26	60,416,488	3,628,387
2002	Change in Liability	I	28	859,751,039	27	879,290,522	51,615,575
2003	Change in Liability	I	29	2,115,958,339	28	2,166,597,412	124,471,519
2004	Change in Liability	L	30	27,253,793	29	27,024,019	2,381,906
2005	Change in Liability	L	30	(230,622,183)	30	(230,622,183)	(20,155,736)
		TOTAL OUTSTANDING BALANCE				6,831,618,617	$ 331,777,730
		EMPLOYER'S CREDIT BALANCE					
2000	Contribution Variance	L	5	(41,310,389)	1	(9,620,986)	(10,009,988)
2001	Contribution Variance	L	5	(20,606,578)	2	(9,232,587)	(4,993,213)
2002	Contribution Variance	L	5	9,730,820	3	6,293,792	2,357,891
2003	Contribution Variance	L	5	29,662,467	4	24,631,448	7,187,561
2004	Contribution Variance	L	5	(31,046,965)	5	(31,046,965)	(7,523,041)
		TOTAL EMPLOYER'S CREDIT BALANCE				(18,975,295)	$ (12,980,790)
		TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY				$6,812,643,322	

Effictive July 1,1992, Amortization Periods changed in accordance with Act 257.

Includes Act 588 of the 2004 Legislative Session

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

MEMBERSHIP DATA

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

	2005		2004	
ACTIVE MEMBERS	**CENSUS**	**AVERAGE SALARIES**	**CENSUS**	**AVERAGE SALARIES**
Regular Teachers	76,299	$33,921	76,100	$33,127
University Members	5,984	51,767	5,873	50,190
School Lunch A	428	19,721	537	19,201
School Lunch B	1,835	14,145	1,888	13,900
Post DROP	3,097	46,734	2,875	44,022
TOTAL	87,643	$35,109	87,273	$34,132
Males (%)	17.2%		17.1%	
Females (%)	82.8%		82.9%	

Valuations' salaries were $3,132,169,323 for 2005 and $3,017,086,702 for 2004.

INACTIVE MEMBERS	**2005 CENSUS**	**2004 CENSUS**
Due Refunds	10,799	10,242
Vested & Reciprocals	*4,454	*5,610

	2005		2004	
ANNUITANTS AND SURVIVORS	**CENSUS**	**AVERAGE ANNUAL ANNUITIES**	**CENSUS**	**AVERAGE ANNUAL ANNUITIES**
Retirees	46,035	$20,083	44,690	$19,669
Disabilities	3,836	10,321	3,797	10,313
Survivors	4,654	14,906	4,413	14,389
DROP	4,375	28,996	3,409	28,346
TOTAL	58,900	$19,700	56,309	$19,149

*Includes members pending retirement status. Pending retirement status is defined as those members who have filed applications for retirement, and are in the process of having their benefits calculated, however no benefits have been calculated or disbursed. As of June 30, 2005, 3,105 members are in pended retirement status compared to 2,215 at June 30, 2004.

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

HISTORICAL MEMBERSHIP DATA

HISTORY OF ACTIVE MEMBERSHIP DATA FOR LAST 10 YEARS

YEAR ENDED 6/30	NUMBER OF ACTIVE MEMBERS	PERCENTAGE CHANGE IN MEMBERSHIP	ANNUAL ACTIVE MEMBER PAYROLL	PERCENTAGE CHANGE IN PAYROLL
1996	84,849	0.21%	$2,254,304	2.5%
1997	86,401	1.83%	2,337,574	3.7%
1998	87,193	.92%	2,485,058	1.1%
1999	87,129	(0.07%)	2,569,480	3.4%
2000	87,361	0.27%	2,563,634	(0.2%)
2001	86,829	(1.14%)	2,582,830	0.7%
2002	87,356	1.01%	2,777,667	10.0%
2003	87,646	1.00%	2,977,885	4.8%
2004	87,273	(.43%)	3,017,087	1.3%
2005	87,643	0.42%	3,132,169	3.8%

HISTORY OF ANNUITANTS AND SURVIVOR ANNUITANT MEMBERSHIP FOR LAST 10 YEARS

YEAR ENDING	TOTAL MEMBERS		MEMBERS ADDED		MEMBERS REMOVED		AVERAGE	ANNUAL	% CHANGE IN
6/30	No.	AMOUNT	No.	AMOUNT	No.	AMOUNT	ANNUITY	ANNUITY	ANNUITY
1996	39,302	$ 559,883	2,678	$47,629	1,328	$18,602	14,245	$559,883	5.5%
1997	40,676	588,928	2,925	68,583	1,551	9,538	14,478	588,928	5.2%
1998	42,445	651,822	3,404	71,066	1,635	8,172	15,356	651,822	10.7%
1999	43,955	697,376	3,601	63,788	1,551	18,234	16,166	697,376	7.0%
2000	45,668	744,801	3,344	59,887	1,631	12,462	16,309	744,801	6.8%
2001	47,404	802,202	3,424	64,705	1,688	7,304	16,923	802,202	7.7%
2002	49,053	873,678	3,480	82,817	1,831	11,341	17,811	873,678	8.9%
2003	50,903	924,735	3,455	75,679	1,605	24,622	18,166	924,735	5.8%
2004	52,900	981,646	3,226	73,642	1,229	16,731	18,556	981,646	6.2%
2005	54,525	1,031,768	3,208	73,649	1,583	24,606	18,923	1,031,786	5.1%

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

PRINCIPLE PROVISIONS OF THE PLAN

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

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

Administration

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of sixteen members; one elected member from each of the nine congressional districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, two elected retired members, and three ex officio members. Elected members serve staggered four terms. The Treasurer, Chairman of the House Retirement Committee, Chairman of the State Retirement Committee and State Superintendent of Public Education serve as ex officio members.

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

Member Contributions

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

REGULAR PLAN	PLAN A	PLAN B
8.0%	9.1%	5.0%

Member contributions have been tax-deferred for federal income tax purposes since January 1, 1990. Therefore, contributions after the effective date are not considered as income for federal income tax purposes until withdrawn through refund or through payment of benefits.

Employer Contributions

All participating employers, regardless of plan participation, contribute a percentage of their total gross payroll to the System. The employer percentage is actuarially determined and is sufficient to pay annual accruals plus an amortization charge which liquidates the System's unfunded liability as required by law. The rate is determined annually and recommended by the Public Employees' Retirement System's Actuarial Committee to the State Legislature.

Termination

A member who terminates covered employment, regardless of plan membership, may request a refund of the member's contributions without interest. Upon re-employment, a member may reinstate the credit forfeited through termination of previous membership by repaying the refunded contributions plus interest. A member who terminates covered employment with 10 years of service may, in lieu of a refund of contributions, elect to receive a monthly annuity upon attainment of age 60.

Retirement Benefits

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

Normal Retirement

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

Note: Members hired after June 30, 1999 may retire with a 2.5 percent annual accrual rate at age 60 with 10 years of service or at any age with 20 years of service actuarially reduced.

Plan A - A member may retire with a 3.0 percent annual accrual rate at age 55 with 25 years of service, age 60 with 10 years of service or 30 years of service, regardless of age.

PRINCIPLE PROVISIONS OF THE PLAN (Continued)

Plan B - A member may retire with a 2.0 percent annual accrual rate at age 55 with 30 years of service, or age 60 with 10 years of service. Benefits are reduced by 3 percent for each year under age 62 at retirement unless the member has 25 years of creditable service.

Benefit Formula

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

Payment Options

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

Deferred Retirement Option Program (DROP)

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

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

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

Disability Retirement Benefits

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

Regular Plan - An eligible member shall be entitled to a pension equal to 2.5 percent of average compensation; however, in no event shall the disability benefit be less than the lesser of (a) 40 percent of the state minimum salary for a beginning teacher with a bachelor's degree, or (b) 75 percent of average compensation.

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

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

Survivor Benefits

A surviving spouse with minor children of an active member with 5 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) $300 per month, or (b) 50 percent of the member's benefit calculated at the 2.5 percent accrual rate for all creditable service.

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

A surviving spouse without minor children of an active member with 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) $300 per month, or (b) 50 percent of the member's benefit calculated at the 2.5 percent accrual rate for all creditable service.

Post-Retirement Increases

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

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STATISTICAL SECTION

STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2005 THROUGH JUNE 30, 1996

	2005	2004	2003	2002	2001
Asset					
Cash and cash equivalents	$ 24,677,100	$ 30,677,716	$ 7,808,257	$ 38,505,718	$ 34,067,604
Receivables					
Member contributions	48,912,587	48,885,390	47,231,216	52,108,891	47,661,308
Employer contributions	72,934,679	64,691,821	57,746,203	54,589,415	51,136,424
ORP contributions retained	3,375,808	2,319,164	2,040,857	1,773,663	1,918,443
Pending trades	52,151,909	33,712,000	157,176,524	147,253,370	230,779,724
Accrued interest and dividends	42,821,985	40,170,526	41,423,260	47,177,102	49,568,799
Other receivables	2,473,479	1,518,187	1,444,449	1,168,914	1,513,198
Total receivables	222,670,447	191,297,088	307,062,509	304,071,355	382,577,896
Investments, at fair value					
Domestic bonds	1,913,039,451	1,659,559,992	1,704,534,901	1,902,126,260	1,675,616,284
International bonds	497,213,792	560,651,839	416,432,668	472,011,350	620,253,212
Domestic common and preferred stocks	5,796,790,444	4,926,745,546	4,468,939,880	4,586,782,472	5,304,131,380
International common and preferred stocks	1,969,333,621	1,454,136,303	1,033,655,198	1,075,238,305	1,349,446,396
International futures and options	0	0	0	0	0
Domestic short-term investments	256,739,631	910,719,505	434,080,034	470,234,146	470,686,508
International short-term investments	40,210,400	0	0	0	0
Alternative investments	2,017,705,199	2,263,185,124	2,318,479,242	2,003,507,564	2,286,753,704
Total investments	12,491,032,538	11,774,998,309	10,376,121,923	10,509,900,097	11,706,887,484
Invested securities lending collateral					
Collateral held under domestic securities lending program	1,508,767,585	1,593,822,121	3,064,894,429	2,938,825,140	2,819,398,141
Collateral held under international securities lending program	233,943,130	344,348,505	471,789,763	188,926,541	431,905,885
Total securities lending collateral	1,742,710,715	1,938,170,626	3,536,684,192	3,127,751,681	3,251,304,026
Building, at cost, net of accumulated depreciation	2,995,632	3,127,099	3,240,290	3,291,565	3,255,087
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	823,147	937,545	900,324	937,121	1,149,829
Land	858,390	858,390	858,390	889,816	889,816
Total assets	14,485,767,969	13,940,066,773	14,232,675,885	13,985,347,353	15,380,131,742
Liabilities					
Accounts payable	9,240,444	7,096,770	6,214,751	7,089,866	9,288,515
Benefits payable	2,077,116	2,616,254	3,067,010	2,067,335	2,040,453
Refunds payable	5,385,301	4,875,048	4,730,334	4,191,545	3,953,477
Pending trades payable	39,836,267	92,991,945	160,488,115	214,835,778	257,744,890
Other liabilities	605,537	919,238	813,873	917,097	829,785
Total accounts payable and other liabilities	57,144,665	108,499,255	175,314,083	229,101,621	273,857,120
Securities lending collateral					
Obligations under domestic securities lending program	1,508,767,585	1,593,822,121	3,064,894,429	2,938,825,140	2,819,398,141
Obligations under international securities lending program	233,943,130	344,348,505	471,789,763	188,926,541	431,905,885
Total securities lending collateral	1,742,710,715	1,938,170,626	3,536,684,192	3,127,751,681	3,251,304,026
Total liabilities	1,799,855,380	2,046,669,881	3,711,998,275	3,356,853,302	3,525,161,146
Net assets held in trust for pension benefits	$12,685,912,589	$11,893,396,892	$10,520,677,610	$10,628,494,051	$11,854,970,596

STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 2005 THROUGH JUNE 30, 1996 (Continued)

	2000	1999	1998	1997	1996
Assets					
Cash and cash equivalents	$ 76,563,877	$ 26,814,445	$ 10,664,180	$ 6,617,033	$ 51,263,773
Receivables					
Member contributions	44,975,206	38,523,001	36,450,281	32,479,877	30,974,104
Employer contributions	58,860,987	68,730,284	67,099,754	60,218,996	57,441,035
ORP contributions retained	2,017,245	2,016,327	1,804,612	1,612,197	1,389,562
Pending trades	116,274,494	77,063,815	116,912,814	111,894,953	186,948,931
Accrued interest and dividends	65,091,918	66,200,600	69,519,425	58,319,693	51,400,085
Other receivables	1,957,455	1,543,783	969,344	802,211	627,386
Total receivables	289,177,305	254,077,810	292,756,230	265,327,927	328,781,103
Investments, at fair value					
Domestic bonds	1,443,147,839	1,656,281,321	1,621,609,160	1,850,086,735	1,545,432,187
International bonds	1,062,108,327	1,119,040,286	1,062,873,639	918,424,528	969,855,763
Domestic common and preferred stocks	5,530,165,003	5,351,480,155	5,202,408,728	4,306,158,097	3,772,940,701
International common and preferred stocks	2,015,682,285	1,465,452,007	1,422,747,827	889,165,563	714,854,526
International futures and options	0	0	0	0	63,886
Domestic short-term investments	525,024,201	444,791,846	900,788,443	353,673,294	437,061,022
International short-term investments	49,466,390	78,369,738	9,434,521	9,677,622	58,680,699
Alternative investments	1,850,828,055	1,083,650,711	601,550,022	344,491,091	60,297,483
Total investments	12,476,422,100	11,199,066,064	10,821,412,340	8,671,676,930	7,559,186,267
Invested securities lending collateral					
Collateral held under domestic securities lending program	490,061,426	600,370,800	227,003,113	754,870,525	805,506,450
Collateral held under international securities lending program	803,922,551	784,220,679	817,311,989	336,003,178	192,799,665
Total securities lending collateral	1,293,983,977	1,384,591,479	1,044,315,102	1,090,873,703	998,306,115
Building, at cost, net of accumulated depreciation	3,365,190	3,484,736	3,573,741	3,684,228	3,751,164
Equipment, furniture and fixtures, at cost, net of accumulated depreciation	904,520	752,034	717,477	769,162	603,515
Land	889,816	889,816	889,816	890,741	890,741
Total assets	14,141,306,785	12,869,676,384	12,174,328,886	10,039,839,724	8,942,782,678
Liabilities					
Accounts payable	12,551,351	9,891,518	13,294,573	7,840,545	5,090,278
Benefits payable	1,610,336	1,301,052	617,725	1,385,653	2,190,300
Refunds payable	3,615,639	3,180,968	2,949,271	2,577,753	2,213,158
Pending trades payable	140,694,287	164,053,534	664,727,380	62,025,176	256,959,163
Other liabilities	836,756	689,189	507,775	536,371	458,942
Total accounts payable and other liabilities	159,308,369	179,116,261	682,096,724	74,365,498	266,911,841
Securities lending collateral					
Obligations under domestic securities lending program	490,061,426	600,370,800	227,003,113	754,870,525	805,506,450
Obligations under international securities lending program	803,922,551	784,220,679	817,311,989	336,003,178	192,799,665
Total securities lending collateral	1,293,983,977	1,384,591,479	1,044,315,102	1,090,873,703	998,306,115
Total liabilities	1,453,292,346	1,563,707,740	1,726,411,826	1,165,239,201	1,265,217,956
Net assets held in trust for pension benefits	$12,688,014,439	$11,305,968,644	$10,447,917,060	$8,874,600,523	$7,677,564,722

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 THROUGH JUNE 30, 1996

	2005	2004	2003	2002	2001
Additions					
Contributions					
Member contributions	$ 270,619,181	$ 264,999,131	$ 251,297,401	$ 246,119,537	$ 226,754.298
Employer contributions	517,815,361	444,104,350	421,838,213	400,478,248	401,243,346
Total contributions	788,434,542	709,103,481	673,135,614	646,597,785	627,997,644
ORP contributions retained	48,754,970	35,244,313	29,499,096	27,196,232	27,869,220
Mineral revenue audit and settlement receipts	0	0	0	0	0
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	663,699,379	1,164,647,179	(9,358,002)	(1,141,008,157)	(284,368,048)
Net appreciation (depreciation) in fair value of international investments	197,833,593	323,405,540	(3,830,620)	(146,482,391)	(637,986,221)
Domestic interest	111,850,200	110,597,008	120,174,045	141,728,180	152,499,662
International interest	29,898,190	23,800,877	30,745,264	32,004,011	49,391,412
Domestic dividends	84,579,303	64,865,361	59,353,555	64,226,682	65,715,460
International dividends	31,583,991	41,800,161	28,041,533	23,023,499	28,808,467
Alternative investments income	108,622,676	81,696,047	44,050,485	137,200,613	73,591,989
Miscellaneous foreign income	0	0	0	0	109
Commission rebate income	571,219	1,078,487	1,026,354	1,649,282	1,954,976
Total investment income	1,228,638,551	1,811,890,660	270,202,614	(887,658,281)	(550,392,194)
Investment activity expenses:					
Domestic investment expenses	0	0	0	0	0
International investment expenses	(5,710,058)	(4,995,570)	(2,530,171)	(2,618,482)	(3,092,036)
Alternative investment expenses	(64,918,175)	(49,401,029)	(31,682,592)	(41,418,046)	(21,519,745)
Custodian fees	(760,908)	(786,062)	(800,000)	(800,000)	(800,000)
Performance consultant fees	(618,996)	(507,749)	(279,786)	(252,000)	(250,000)
Trade cost analysis fees	(10,000)	(40,000)	(40,000)	(40,000)	0
Advisor fees	(26,020,649)	(23,311,668)	(19,283,122)	(22,812,775)	(26,103,079)
Total investment expenses	(98,038,786)	(79,042,078)	(54,615,671)	(67,941,303)	(51,764,860)
Net income from investing activities	1,130,599,765	1,732,848,582	215,586,943	(955,599,584)	(602,157,054)
From securities lending activities					
Securities lending income	24,508,470	13,854,504	16,602,783	20,960,004	50,709,086
Securities lending expenses:					
Fixed	(12,174,022)	(6,053,776)	(9,749,608)	(11,104,163)	(15,769,655)
Equity	(249,954)	(249,934)	(249,933)	(249,706)	(249,246)
International	(7,860,336)	(1,847,440)	(824,609)	(2,677,010)	(27,847,838)
Total securities lending activities expenses	(20,284,312)	(8,151,150)	(10,824,150)	(14,030,879)	(43,866,739)
Net income from securities lending activities	4,224,158	5,703,354	5,778,633	6,929,125	6,842,347
Total net investment income (loss)	1,134,823,923	1,738,551,936	221,365,576	(948,670,459)	(595,314,707)
Other operating revenues	3,425,773	3,217,889	4,976,629	1,787,499	988,233
Total additions	1,975,439,208	2,486,117,619	928,976,915	(273,088,943)	61,540,390
Deductions					
Retirement benefits	1,139,814,334	1,075,298,667	1,003,327,453	920,593,341	858,979,906
Refunds of contributions	30,454,374	26,804,821	22,287,120	23,432,296	26,948,712
Administrative Expenses	12,178,533	10,786,450	10,688,003	8,886,231	8,220,487
Depreciation expense	476,270	508,399	490,780	475,734	435,128
Total deductions	1,182,923,511	1,113,398,337	1,036,793,356	953,387,602	894,584,233
Net increase (decrease)	792,515,697	1,372,719,282	(107,816,441)	(1,226,476,545)	(833,043,843)
Net assets held in trust for pension benefits					
Beginning of year	11,893,396,892	10,520,677,610	10,628,494,051	11,854,970,596	12,688,014,439
End of year	$12,685,912,589	$11,893,396,892	$10,520,677,610	$10,628,494,051	$11,854,970,596

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 THROUGH JUNE 30, 1996 (Continued)

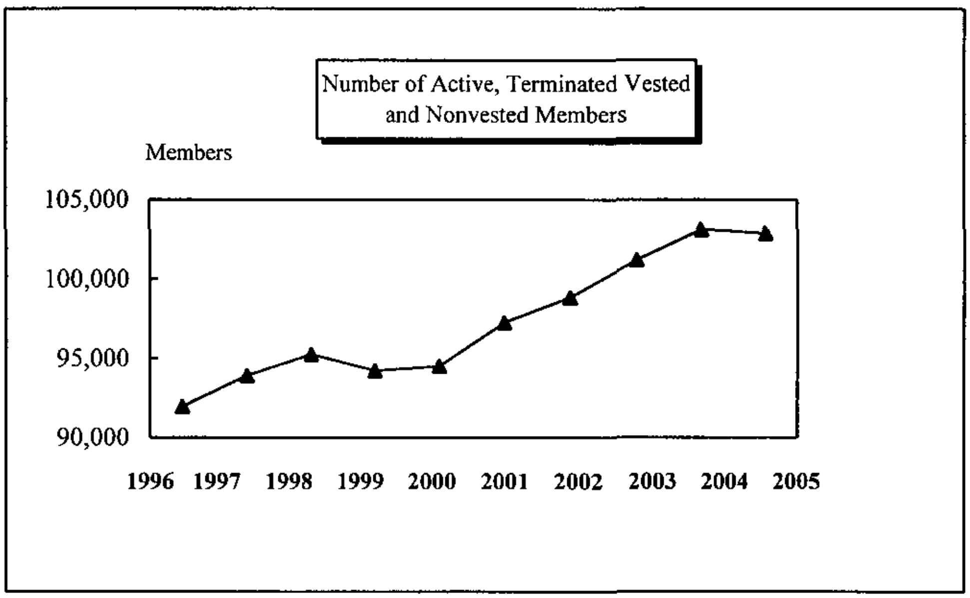
	2000	1999	1998	1997	1996
Additions					
Contributions					
Member contributions	$ 224,684,434	$ 216,102,491	$ 208,275,106	$ 191,704,402	$ 182,144.749
Employer contributions	423,690,949	442,793,009	422,452,766	387,153,226	372,728,942
Total contributions	648,375,383	658,895,500	630,727,872	578,857,628	554,873,691
ORP contributions retained	29,274,452	30,017,065	27,318,857	24,551,761	21,197,751
Mineral revenue audit and settlement receipts	0	0	0	0	29,175,475
Investment income:					
From investment activities					
Net appreciation (depreciation) in fair value of domestic investments	778,721,458	601,181,137	1,295,107,488	899,348,424	661,811,332
Net appreciation (depreciation) in fair value of international investments	422,921,458	35,257,940	44,441,461	91,069,068	59,911,388
Domestic interest	141,621,871	139,410,346	140,765,294	131,068,805	124,089,207
International interest	78,593,438	80,464,211	62,244,912	73,527,954	76,678,263
Domestic dividends	60,573,874	58,274,331	55,091,419	49,788,906	49,126,524
International dividends	25,019,498	23,424,136	23,044,305	15,282,750	12,265,397
Alternative investments income	45,886,076	16,052,573	9,372,504	3,062,379	57,915,219
Miscellaneous foreign income	0	0	55,265	0	366,757
Commission rebate income	1,555,065	1,812,934	1,141,811	938,711	1,119,316
Total investment income	1,554,892,738	955,877,608	1,631,264,459	1,264,086,997	1,043,283,403
Investment activity expenses:					
Domestic investment expenses	0	0	(6,692,589)	(4,801,974)	**
International investment expenses	(8,035,266)	(6,268,112)	(2,336,368)	(1,552,121)	**
Alternative investment expenses	(2,417,575)	(1,896,400)	0	0	
Custodian fees	(800,000)	(697,344)	(1,293,672)	(1,707,790)	**
Performance consultant fees	(182,001)	(175,500)	0	0	
Trade cost analysis fees	0	0	0	0	
Advisor fees	(24,803,085)	(20,167,356)	(19,719,262)	(16,690,092)	**
Total investment expenses	(36,237,927)	(29,204,712)	(30,041,891)	(24,751,977)	(72,648,935)
Net income from investing activities	1,518,654,811	926,672,896	1,601,222,568	1,239,335,020	970,634,468
From securities lending activities					
Securities lending income	59,961,994	59,035,769	75,302,913	68,457,484	***
Securities lending expenses:					
Fixed	(14,838,553)	(14,357,718)	(32,416,970)	(41,285,338)	***
Equity	(249,436)	(197,298)	(373,580)	(396,343)	***
International	(39,123,376)	(39,214,613)	(36,993,442)	(21,818,959)	***
Total securities lending activities expenses	(54,211,365)	(53,769,629)	(69,783,992)	(63,500,640)	
Net income from securities lending activities	5,750,629	5,266,140	5,518,921	4,956,844	0
Total net investment income (loss)	1,524,405,440	93,139,036	1,606,741,489	1,244,291,864	970,634,468
Other operating revenues	1,365,976	811,363	741,679	924,648	965,697
Total additions	2,203,421,251	1,621,662,964	2,265,529,897	1,848,625,901	1,576,847,082
Deductions					
Retirement benefits	791,183,546	735,328,349	664,147,264	624,736,789	597,840,991
Refunds of contributions	22,458,244	21,238,599	21,360,841	20,869,261	18,536,343
Administrative Expenses	7,369,407	6,613,935	6,173,891	5,565,516	5,208,861
Depreciation expense	364,259	430,497	531,364	418,534	391,098
Total deductions	821,375,456	763,611,380	692,213,360	651,590,100	621,977,293
Net increase (decrease)	1,382,045,795	858,051,584	1,573,316,537	1,197,035,801	954,869,789
Net assets held in trust for pension benefits					
Beginning of year	11,305,968,644	10,447,917,060	8,874,600,523	7,677,564,722	6,722,694,933
End of year	$12,688,014,439	$11,305,968,644	$10,447,917,060	$8,874,600,523	$7,677,564,722

** Investment expenses were not categorized until 1997

*** Securities lending expenses were not categorized until 1997

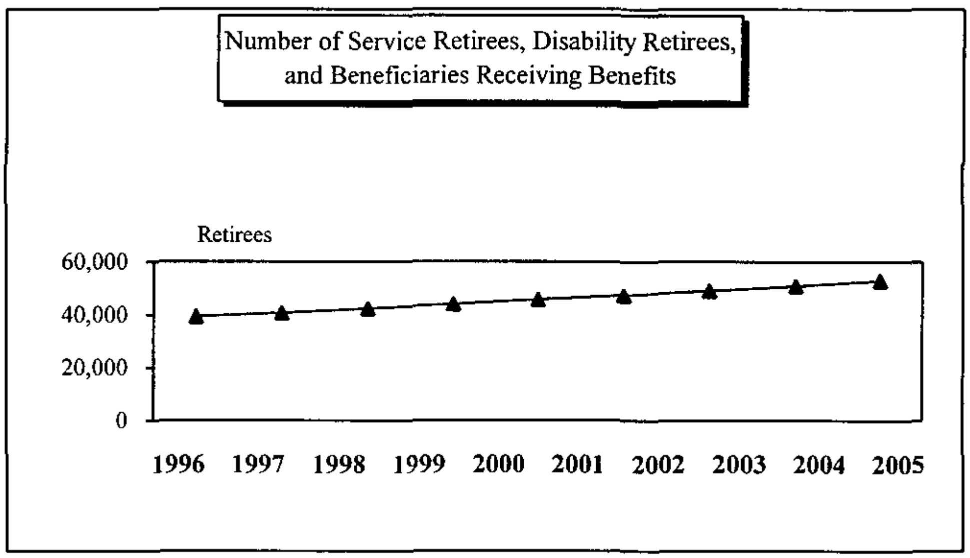
NUMBER OF ACTIVE, TERMINATED VESTED AND NONVESTED MEMBERS

Fiscal Year	Members	% Increase Each Year
1995-1996	91,970	
1996-1997	93,927	2.1%
1997-1998	94,651	0.8%
1998-1999	94,219	(0.5%)
1999-2000	94,504	0.3%
2000-2001	97,293	3.0%
2001-2002	98,861	1.6%
2002-2003	101,218	2.4%
2003-2004	103,125	1.9%
2004-2005	102,896	(2.2%)



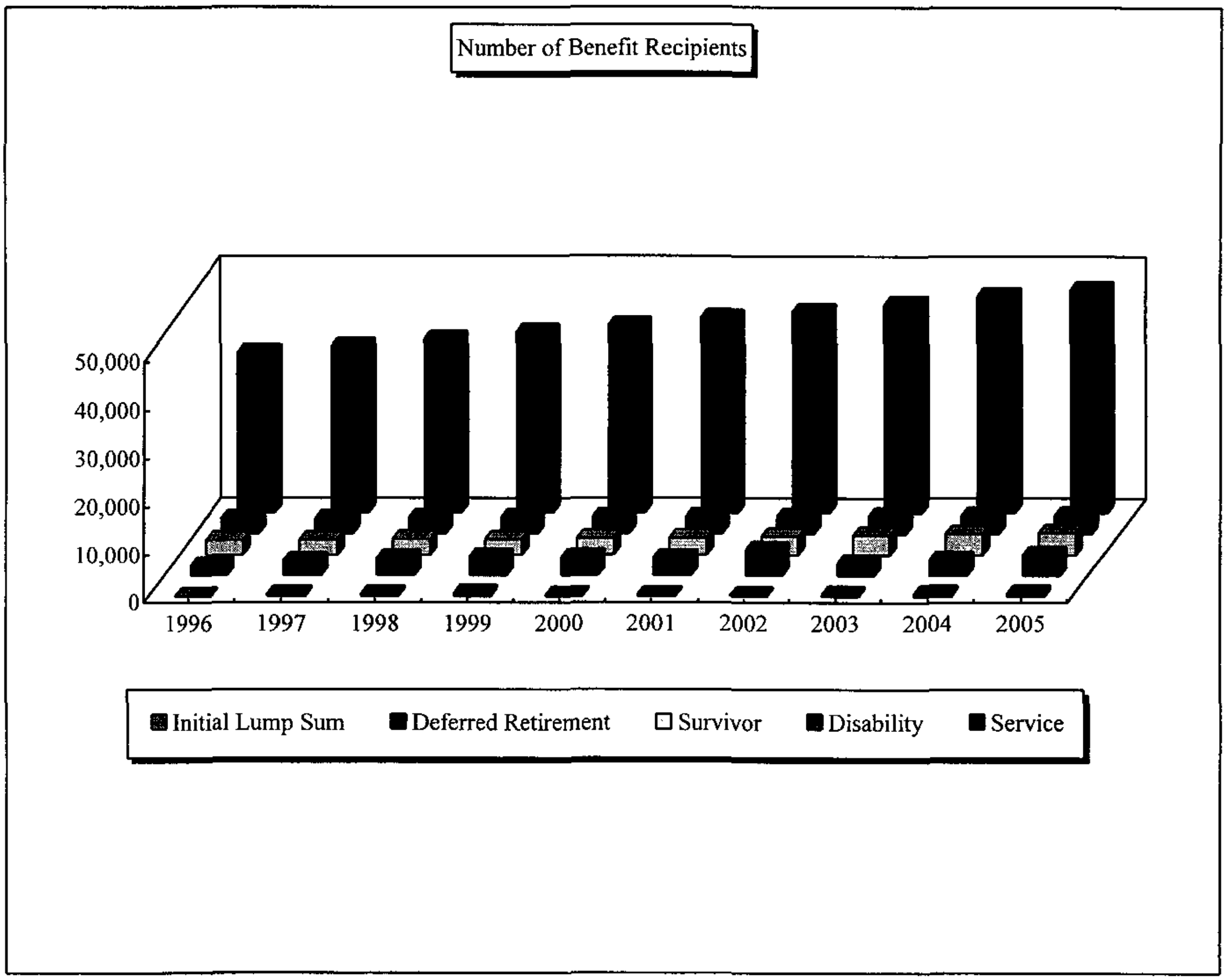
NUMBER OF SERVICE RETIREES, DISABILITY RETIREES, AND BENEFICIARIES RECEIVING BENEFITS

Fiscal Year	Retirees	% Increase Each Year
1995-1996	39,302	
1996-1997	40,676	3.5%
1997-1998	42,445	4.4%
1998-1999	43,955	3.6%
1999-2000	45,668	3.9%
2000-2001	47,404	3.8%
2001-2002	49,053	3.5%
2002-2003	50,903	3.8%
2003-2004	52,900	3.9%
2004-2005	54,525	3.1%



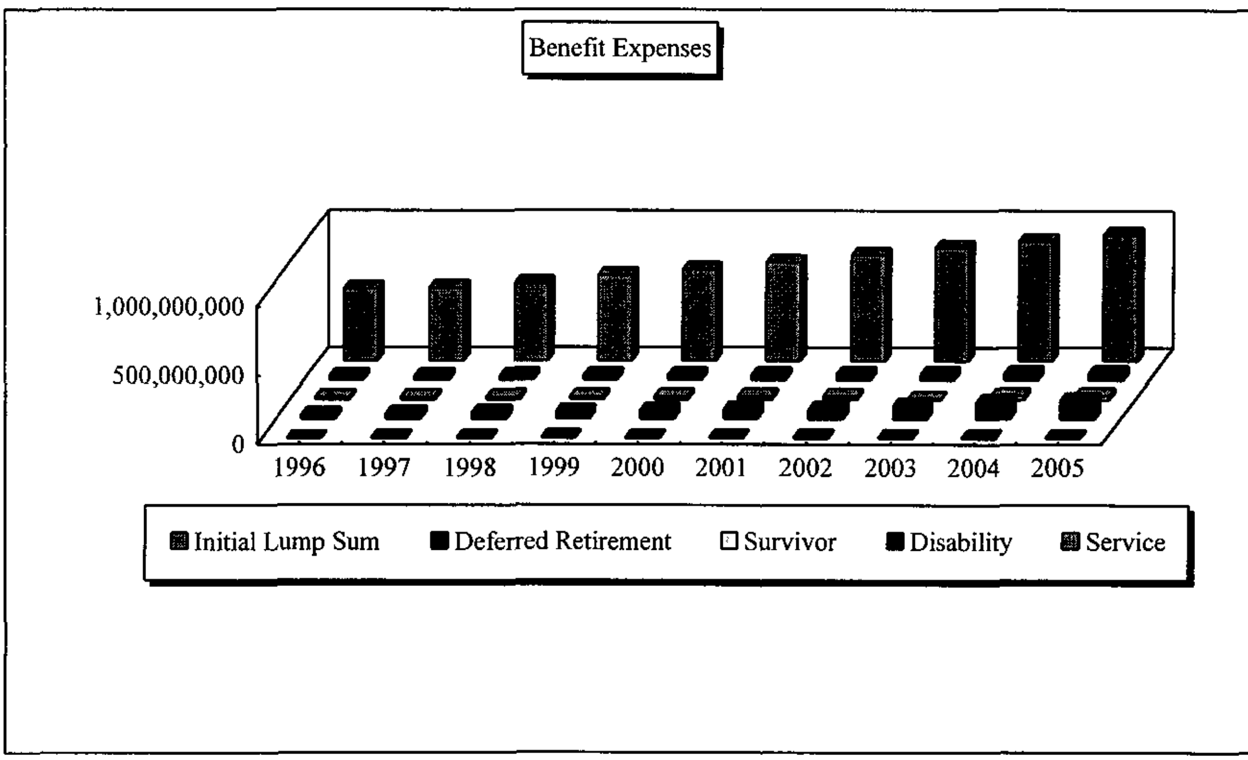
NUMBER OF BENEFIT RECIPIENTS

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1995-1996	33,077	3,160	3,065	2,116	22	41,440
1996-1997	34,412	3,173	3,091	3,178	412	44,266
1997-1998	35,866	3,311	3,268	3,698	461	46,604
1998-1999	37,341	3,354	3,260	4,038	654	48,647
1999-2000	38,715	3,505	3,448	3,893	247	49,808
2000-2001	40,313	3,555	3,536	3,695	266	51,365
2001-2002	41,566	3,622	3,865	5,496	248	54,797
2002-2003	43,050	3,698	4,155	2,722	437	54,062
2003-2004	44,690	3,797	4,413	3,409	547	56,856
2004-2005	46,035	3,836	4,654	4,375	587	59,487



BENEFIT EXPENSES

Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Initial Lump Sum	Total
1995-1996	$524,065,924	$28,481,844	$17,089,106	$ 27,663,913	$ 540,204	$ 597,840,991
1996-1997	531,639,544	28,893,453	17,336,072	39,260,488	7,607,232	624,736,789
1997-1998	562,679,269	30,580,395	18,348,237	46,266,264	6,272,739	664,147,264
1998-1999	622,387,271	33,825,395	20,295,237	51,764,526	7,055,920	735,328,349
1999-2000	665,449,247	36,165,720	21,699,432	60,169,167	7,699,980	791,183,546
2000-2001	717,799,621	39,010,849	23,406,509	69,087,607	9,675,320	858,979,906
2001-2002	773,311,519	42,027,800	25,216,680	69,718,252	10,319,090	920,593,341
2002-2003	826,661,700	44,927,266	26,956,360	96,539,409	8,242,718	1,003,327,453
2003-2004	870,865,365	47,329,639	28,397,784	122,905,311	5,800,568	1,075,298,667
2004-2005	921,584,123	50,086,094	30,051,656	131,811,600	6,280,861	1,139,814,334



AVERAGE MONTHLY PENSION BENEFIT

Fiscal Year	Average Monthly Benefit	% Increase Each Year
1995-1996	$ 1,208	
1996-1997	1,184	(2.0%)
1998-1999	1,201	1.4%
1998-1999	1,283	6.8%
1999-2000	1,320	2.9%
2000-2001	1,400	6.1%
2001-2002	1,444	3.1%
2002-2003	1,506	4.3%
2003-2004	1,535	1.9%
2004-2005	1,569	2.2%

NUMBER OF REFUNDS OF CONTRIBUTIONS

Fiscal Year	Number of Refunds	% Increase Each Year
1995-1996	4,160	
1996-1997	5,540	24.2%
1997-1998	4,534	(18.2%)
1998-1999	4,160	(8.2%)
1999-2000	3,648	(12.3%)
2000-2001	3,848	5.5%
2001-2002	5,191	34.9%
2002-2003	5,422	4.5%
2003-2004	5,657	4.3%
2004-2005	6,572	16.2%

NUMBER OF STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
1995-1996	106	
1996-1997	116	9.4%
1997-1998	116	0.0%
1998-1999	122	5.2%
1999-2000	127	4.1%
2000-2001	134	5.5%
2001-2002	143	6.7%
2002-2003	159	11.2%
2003-2004	172	8.2%
2004-2005	173	0.6%

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Statutory Dedication of Mineral Revenue Audit and Settlement Receipts	Net Investment Income	Other Operating Revenues	Total
1995-1996	$182,144,749	$372,728,942	$21,197,751	$29,175,475	$1,043,283,403	$965,697	$ 1,649,496,017
1996-1997	191,704,402	387,153,226	24,551,761		1,332,544,481	924,648	1,936,878,518
1997-1998	208,275,106	422,452,766	27,318,857		1,606,741,489	741,679	2,265,529,897
1998-1999	216,102,491	442,793,009	30,017,065		931,939,036	811,363	1,621,662,964
1999-2000	224,684,434	423,690,949	29,274,452		1,524,405,440	1,365,976	2,203,421,251
2000-2001	226,754,298	401,243,346	27,869,220		(595,314,707)	988,233	61,540,390
2001-2002	246,119,537	400,478,248	27,196,232		(948,670,459)	1,787,499	(273,088,943)
2002-2003	251,297,401	421,838,213	29,499,096		221,365,576	4,976,629	928,976,915
2003-2004	264,999,131	444,104,350	35,244,313		1,738,551,936	3,217,889	2,486,117,619
2004-2005	270,619,181	517,815,361	48,754,970		1,134,823,923	3,425,773	1,975,439,208

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Depreciation Expense	Total
1995-1996	$ 597,840,991	$18,536,343	$ 5,208,861	$391,098	$ 621,977,293
1996-1997	624,736,789	20,869,261	5,565,516	418,534	651,590,100
1997-1998	664,147,264	21,360,841	6,173,891	531,364	692,213,360
1998-1999	735,328,349	21,238,599	6,613,935	430,497	763,611,380
1999-2000	791,183,546	22,458,244	7,369,407	364,259	821,375,456
2000-2001	858,979,906	26,948,712	8,220,487	435,128	894,584,233
2001-2002	920,593,341	23,432,296	8,886,231	475,734	953,387,602
2002-2003	1,003,327,453	22,287,120	10,668,003	490,780	1,036,793,356
2003-2004	1,075,298,667	26,804,821	10,786,450	508,399	1,113,398,337
2004-2005	1,139,814,334	30,454,374	12,178,533	476,270	1,182,923,511

SCHEDULE OF PARTICIPATING EMPLOYERS

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

SCHOOL BOARDS (Continued)
West Carroll Parish School Board
West Feliciana Parish School Board
Winn Parish School Board
Zachary Community School Board

COLLEGES AND UNIVERSITIES
River Parish Community College
Louisiana Community and Tech College System
Louisiana Tech University
Northwestern State University of Louisiana
Louisiana State University-Baton Rouge
University of New Orleans
Louisiana State University Medical Center-New Orleans
Nicholls State University
Southeastern Louisiana University
University of Louisiana at Lafayette
Grambling State University
Southern University and A&M College-Baton Rouge
Southern University and A&M College-New Orleans
Southern University Shreveport-Bossier City
Delgado Community College
McNeese State University
University of Louisiana at Monroe
Louisiana State University-Shreveport
Louisiana State University Medical Center-Shreveport
Elaine P. Nunez Community College
Bossier Parish Community College
Baton Rouge Community College
South Louisiana Community College
Louisiana Technical College
L.E. Fletcher Tech Community College
Sowela Tech Community College

CHARTER SCHOOLS
New Vision Learning Academy
Glenco Charter School
Avoyelles Public Charter School Inc
Baton Rouge Charter High School
Delhi Charter School
Belle Chasse Academy
Kip Phillip's Academy

STATE AGENCIES
Louisiana Department of Education
Louisiana School for the Visually Impaired
Louisiana School for the Deaf
Teachers' Retirement System of Louisiana
Louisiana School Employees' Retirement System
Louisiana State Employees' Retirement System
Louisiana Department of Social Services
Hammond Developmental Center
Southwest Louisiana Developmental Center
Pinecrest Developmental Center
Louisiana Department of Agriculture and Forestry
Louisiana Division of Administration
Louisiana State Senate
Louisiana House of Representatives
Louisiana Department of Wildlife and Fisheries
Louisiana Department of Health and Hospitals
University Medical Center-Lafayette
Louisiana Department of Insurance
Louisiana Department of Military

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

STATE AGENCIES –(Continued)

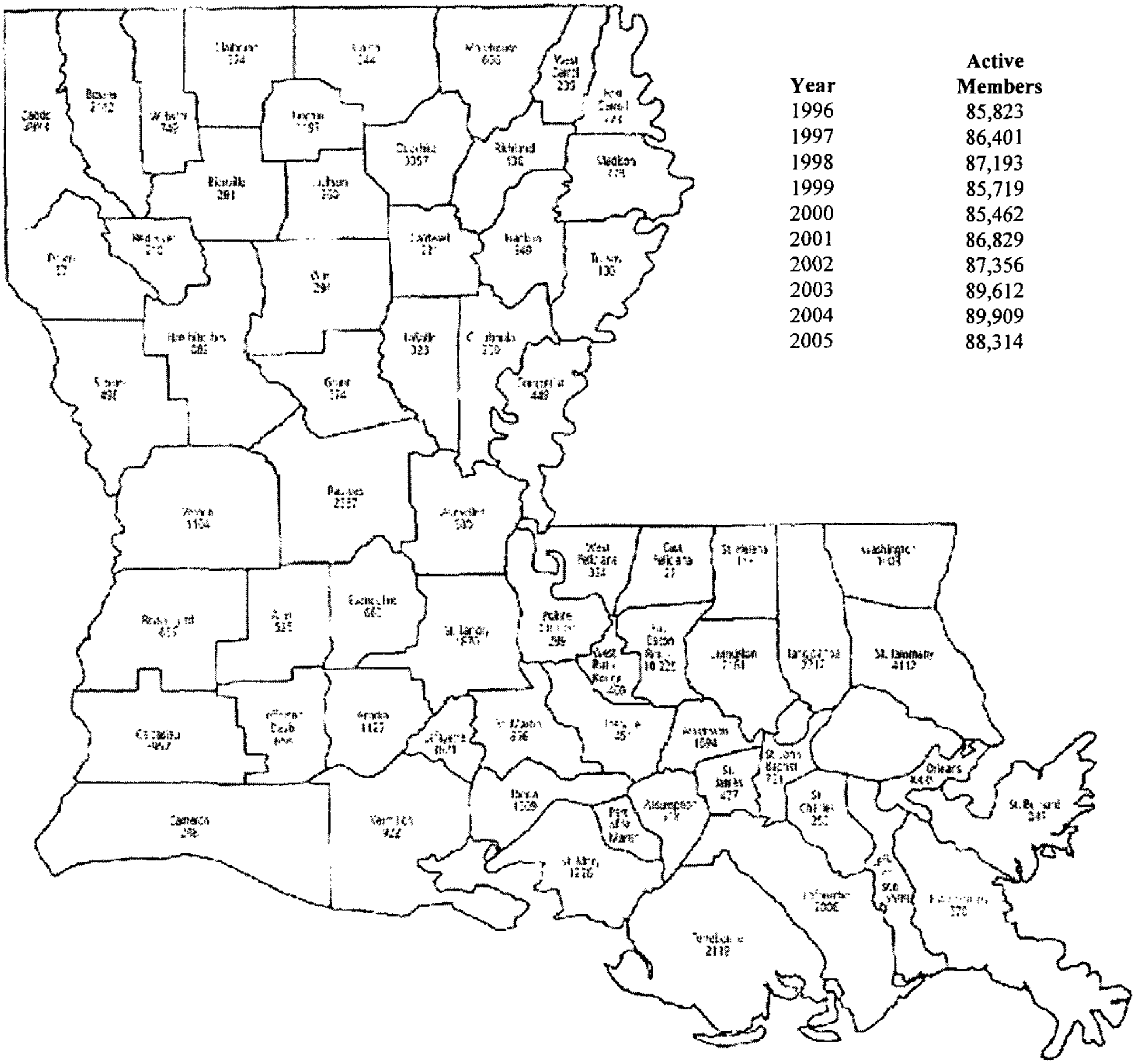
Office of the Legislative Auditor
Washington-Saint Tammany Regional Medical Center
Louisiana Department of Labor
Louisiana Department of Public Safety
Louisiana Department of Corrections
Louisiana Department of Environmental Quality
Louisiana Department of Transportation and Development
Secretary of State
Department of Revenue and Taxation
Louisiana State Law Institute
Louisiana Department of Justice
Louisiana Department of Culture, Recreation and Tourism
Office of Student Financial Assistance
Board of Supervisors – University of Louisiana System
EA Conway Medical Center
Huey P. Long – Medical Center
Louisiana Special Education Center
Louisiana School for Math, Science, and Arts
Louisiana State Board of Elementary and Secondary Education
Special Education District #1
Louisiana Board of Regents
W. O. Moss Regional Hospital
Louisiana Universities Marine Consortium
Louisiana Systemic Initiative Program
Leonard J. Chabert Medical Center
Earl K. Long Medical Center
Ware Youth Center
Southeast Louisiana Hospital
Louisiana State University/Lallie Kemp Medical Center
Eastern Louisiana Mental Health System
Charity Hospital – New Orleans
Louisiana State Universities – Health Sciences Center
Villa Feliciana Medical Complex
Louisiana Department of Veterans Affairs
Louisiana Resource Center for Educators
Louisiana State Board of Practical Nurse Examiners

OTHER

Louisiana Association of Educators
Louisiana High School Athletic Association
Saint Tammany Federation of Teachers
Louisiana Federation of Teachers
Rapides Federation of Teachers/School Employees
Associated Professional Educators of Louisiana
Court of Appeal, Fourth Circuit
Jefferson Parish Council
UTNO Health and Welfare Fund
Jefferson Parish Human Services Authority
Saint Bernard Port, Harbor and Terminal District
Webster Parish Sales Tax Commission
New Orleans Center for Creative Arts
Monroe Federation of Teachers and School Employees
East Baton Rouge Federation of Teachers
United Teachers of New Orleans
Florida Parish Human Service Authority
Metropolitan Human Services
Recovery School District

STATE OF LOUISIANA

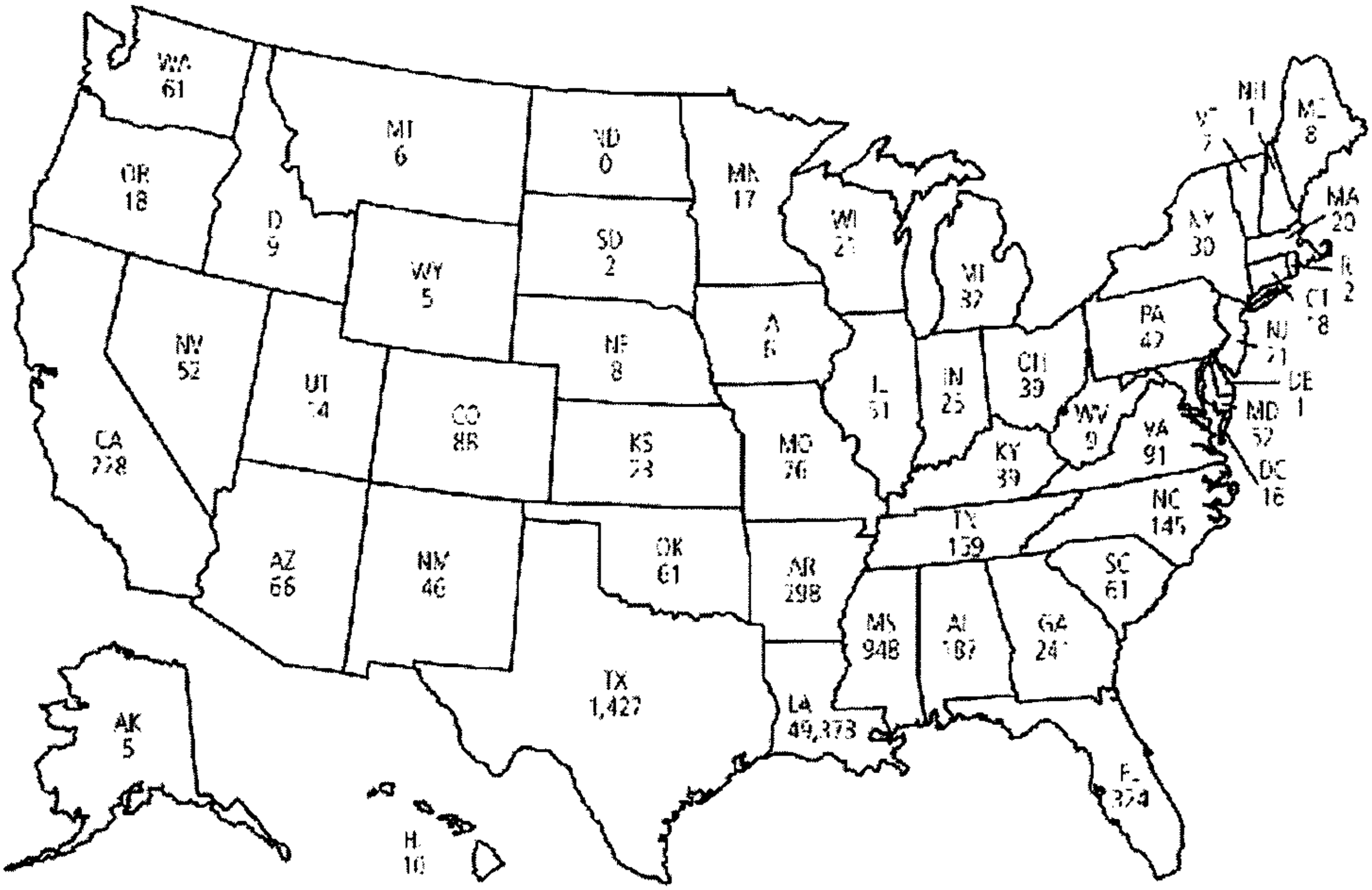
TOTAL ACTIVE MEMBERS – 88,314



Year	Active Members
1996	85,823
1997	86,401
1998	87,193
1999	85,719
2000	85,462
2001	86,829
2002	87,356
2003	89,612
2004	89,909
2005	88,314

*INCLUDES ALL EMPLOYING AGENCIES LOCATED WITHIN EACH PARISH

LOCATION OF TRSL RETIREES WORLDWIDE
(Total Retirees at June 30, 2005 54,525)



U.S. OVERSEAS MILITARY BASES	8
U.S. POSSESSIONS	
GUAM	1
PUERTO RICO	1
VIRGIN ISLANDS	1
FOREIGN COUNTRIES	
AUSTRALIA	2
CANADA	5
CENTRAL AMERICA	1
COSTA RICA	1
FINLAND	1
GERMANY	6
GREECE	1
IRELAND	1
ISRAEL	1
MEXICO	2
NEW ZEALAND	1
PAKISTAN	1
PHILIPPINES	1
SPAIN	1
SWITZERLAND	1
THAILAND	1
UNITED KINGDOM	2

Year	Retired Members
1996	39,302
1997	40,676
1998	42,445
1999	43,955
2000	45,668
2001	47,426
2002	49,053
2003	50,903
2004	52,900
2005	54,525

ALTERNATIVE RETIREMENT PLANS SECTION

OPTIONAL RETIREMENT PLAN

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

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

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

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

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

At June 30, 2005, and 2004, employees joining ORP consisted of:

	2005	2004
Members of TRSL joining ORP	76	83
New employees joining ORP	1,440	1,126
	1,516	1,209

At June 30, 2005, and 2004, the amounts transferred to ORP were:

	2005	2004
Amounts previously held in TRSL reserves	$ 245,541	$ 265,637
Contributions	70,174,666	71,258,793
	$70,420,207	$71,524,430

At June 30, 2005, and 2004, member and employer contribution rates were:

Member	2005	2004
Member contribution rate (applicable for ORP transfers)	7.900%	7.900%
Member contribution rate (administrative fee - TRSL)	0.100%	0.100%
	8.000%	8.000%

Employer	2005	2004
Employer contribution rate (normal cost is applicable for ORP transfers)	6.258%	6.710%
Unfunded rate (retained by TRSL)	9.242%	7.090%
	15.500%	13.800%

DEFERRED RETIREMENT OPTION PLAN (DROP)

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

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

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

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

	2005	2004	Percent Increase (Decrease)
Members Entering DROP	980*	2,497	(61%)
Disbursements	$131,405,021	$122,894,826	7%
DROP Reserves at June 30	$777,605,789	$730,559,049	6%

INITIAL LUMP SUM BENEFIT (ILSB)

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

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

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

	2005	2004	Percent Increase (Decrease)
Members choosing ILSB	40*	110	(64%)
Disbursements	$4,320,849	$5,720,462	(25%)
ILSB Reserves at June 30	$6,061,887	$6,115,531	(01%)

DROP/ILSB ACCOUNT INTEREST RATES

FISCAL YEAR ENDING JUNE 30	2000	2001	2002	2003	2004	2005
INTEREST RATE	17.13%	(.45%)**	(6.34%)**	(6.05%)**	9.35%	9.37%

*Per Act 962 of 2003 members who become eligible for DROP or ILSB must now enter LaDROP or LaILSB.
**Attorney General Opinion ruled the DROP/ILSB Accounts could not be debited, therefore DROP/ILSB Account interest rates are set to 0%.

La DEFERRED RETIREMENT OPTION PLAN (LaDROP)
La INITIAL LUMP SUM BENEFIT (LaILSB)

In 2003, legislation was passed (Act 962 of 2003) that established a new method of calculating interest earnings on all affected Deferred Retirement Option Plan, (DROP)/Initial Lump Sum Benefit Plan (ILSB) accounts. The new law applies to all members who become eligible for DROP/ILSB on or after January 1, 2004. If you are a TRSL Regular Plan member, you become eligible for DROP/ILSB when you first reach one of the following eligibilities: 10 years of service at age 60, 25 years of service at age 55, or 30 years of service at any age.

The new interest bearing DROP/ILSB account is called LaDROP (Liquid Asset DROP) and LaILSB (Liquid Asset Initial Lump Sum Benefit). LaDROP and LaILSB accounts will earn interest at the liquid asset money market rate less a .25 percent administrative fee. Interest is posted monthly to the accounts and will be based on the balance in the account for that month.The liquid asset money market returns as of June 2005 averaged approximately 1.73 percent. This means LaDrop accounts earned approximately 1.48 percent.

LaDROP

	2005	2004	Percent Increase (Decrease)
Members Entering LaDROP	1887	50	3,674%
Disbursements	$ 406,579	$ 10,485	3,778%
LaDROP Reserves at June 30	$45,454,772	$575,275	7,801%

LaILSB

	2005	2004	Percent Increase (Decrease)
Members Entering LaILSB	49	8	512%
Disbursements	$1,960,012	$ 80,106	234%
LaILSB Reserves at June 30	$ 469,064	$231,499	103%

EXCESS BENEFIT PLAN

The Excess Benefit Plan was created as a separate, unfunded, non-qualified plan, and is intended to be a qualified governmental excess benefit arrangement as defined in Section 415 (m)(3) of the Internal Revenue Code. This plan became effective January 1, 2000.

A member, whose TRSL benefit exceeds the maximum benefit allowed under Section 415 of the Code, is paid an excess monthly benefit from the Excess Benefit Plan in an amount equal to the lesser of the member's unrestricted benefit less the maximum 415 benefit, or the amount by which the member's monthly benefit from the pension plan has been reduced because of the limitations as provided for in Revised Statue 11:784.1 of the Louisiana Revised Statues.

The Excess Benefit Plan is administered by the Board of Trustees of Teachers' Retirement System of Louisiana. The board has the same rights, duties and responsibilities for this plan as for the pension plan.

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, monthly contributions made by the employer are reduced by the amount necessary to pay that month's excess retirement benefits. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, the excess benefit plan may never receive a transfer of assets from the pension plan.

	2005	2004	Percent Increase (Decrease)
Number of Excess Benefit Recipients	15	15	
Total Benefits Paid	$378,168	$244,041	55%

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

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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(225) 923-3000 • FAX (225) 923-3008

September 9, 2005

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

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

Members of the Board:

We have audited the basic financial statements of Plan Net Assets of the

Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Teachers' Retirement System of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Teachers' Retirement System of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Yours truly,

Hawthorn, Waymouth & Carroll L.L.P.

Teachers' Retirement System of Louisiana
Summary Schedule of Prior Year Findings
Year Ended June 30, 2004

None.

Teachers' Retirement System of Louisiana
Summary Schedule Current Year Findings
Year Ended June 30, 2004

None.