

ANNUAL FINANCIAL REPORT  
PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
BATON ROUGE, LOUISIANA  
DECEMBER 31, 2010 AND 2009

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA

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DECEMBER 31, 2010 AND 2009

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## INDEPENDENT AUDITOR'S REPORT

June 23, 2011

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

We have audited the accompanying statements of plan net assets of Parochial Employees' Retirement System of Louisiana as of December 31, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parochial Employees' Retirement System of Louisiana as of December 31, 2010 and 2009, and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2011 on our consideration of Parochial Employees' Retirement System of Louisiana's internal control over financial reporting and our test of compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 35 - 37 and the supplemental schedules on pages 29 - 34 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending December 31, 2005 through 2010 and supplemental schedules for the years ending December 31, 2010 and 2009, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

The Management's Discussion and Analysis of Parochial Employees' Retirement System's financial performance presents a narrative overview and analysis of Parochial Employees' Retirement System's financial activities for the year ended December 31, 2010. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in Parochial Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Parochial Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2010 by \$2,386,817,568 which represents an increase from last fiscal year. The net assets held in trust for pension benefits increased by \$347,060,555 or 17.01%. The increase in assets is in line with the rate of return earned on the investment portfolio.
- Contributions to the plan by members and employers totaled \$145,611,582, an increase of \$24,953,109 or 20.68% over the prior year.
- The net appreciation in the fair value of investments was \$212,279,996 for 2010, compared to \$305,312,175 in 2009.
- The rate of return on the System's investments was 15.24% for Plan A and 15.18% for Plan B based on the market value. This represents a decline from the 2009 results in both plans, but the return rates are well ahead of the 7.5% assumed investment return.
- Pension benefits paid to retirees and beneficiaries increased by \$6,299,172 or 6.81%. This increase is due to an increase in the number of retirees and the larger benefit amounts for new retirees.
- Administrative expenses totaled \$1,067,392, an increase of \$11,122 or 1.05%.
- The cost of administering the System per member during 2010 was \$38 per individual. This figure is derived by dividing total administrative expenses by the sum of active and retired employees, survivors, and terminated employees eligible for a refund or benefit.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The statements of plan net assets report the System's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of December 31, 2010 and 2009.

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

FINANCIAL ANALYSIS OF THE FUND

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

	<u>Statement of Plan Net Assets</u> <u>December 31, 2010 and 2009</u>	
	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 2,362,522,812	\$ 2,018,756,119
Receivables	35,453,838	31,564,466
Other	15	15
Property and equipment	<u>868,144</u>	<u>902,737</u>
Total assets	2,398,844,809	2,051,223,337
Total liabilities	<u>12,027,241</u>	<u>11,466,324</u>
Net Assets Held in Trust For Pension Benefits	<u>\$ 2,386,817,568</u>	<u>\$ 2,039,757,013</u>

Plan net assets increased by \$347,060,555 or 17.01% (\$2,386,817,568 compared to \$2,039,757,013). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The increase in Plan net assets in 2010 was due mainly to the fact that equity markets, domestic and foreign, large cap and small cap, were up significantly from the prior year.

	<u>Statement of Changes in Plan Net Assets</u> <u>December 31, 2010 and 2009</u>	
	<u>2010</u>	<u>2009</u>
Additions:		
Contributions	\$ 152,475,905	\$ 127,261,969
Net investment income	312,329,804	346,739,095
Other	<u>3,174,102</u>	<u>2,929,610</u>
Total additions	467,979,811	476,930,674
Total deductions	<u>(120,919,256)</u>	<u>(113,775,752)</u>
Increase in Plan Net Assets	<u>\$ 347,060,555</u>	<u>\$ 363,154,922</u>

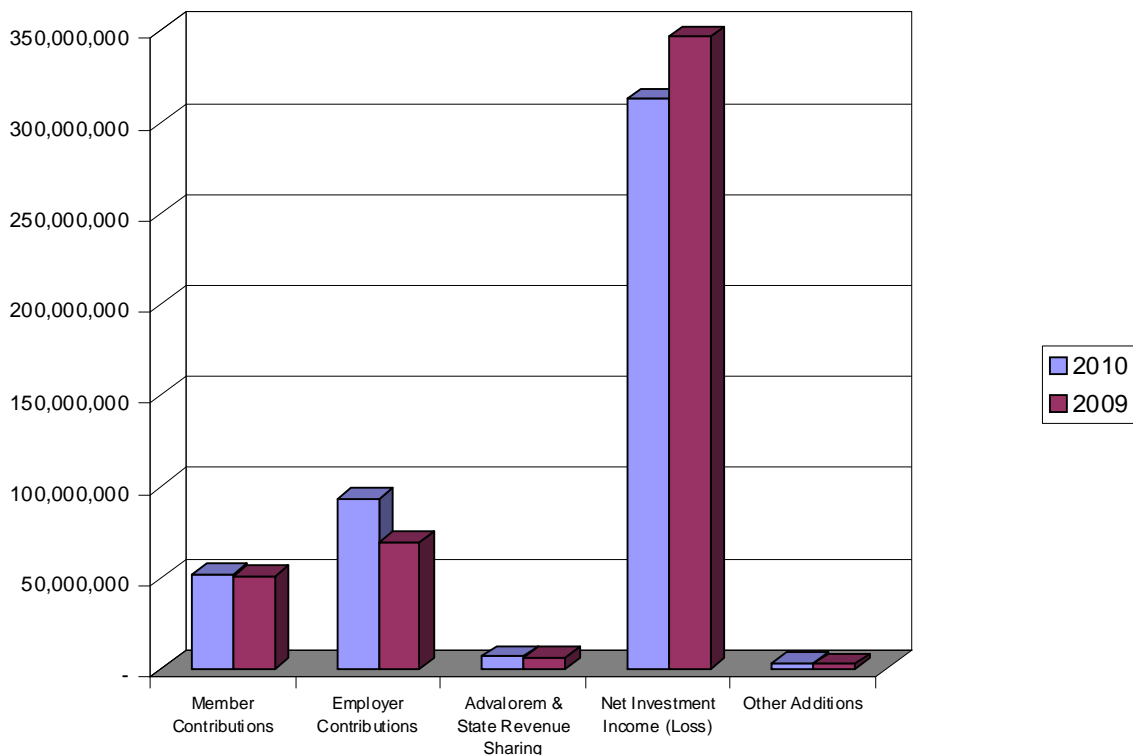
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FINANCIAL ANALYSIS OF THE FUND (Continued)

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions. Member contributions increased \$1,024,409 or 2.01% and employer contributions increased \$23,928,700 or 34.34%. The System experienced a net investment income of \$312,329,804 as compared to \$346,739,095 in the previous year. The increase in Plan net assets in 2010 was due mainly to the fact that equity markets, domestic and foreign, large cap and small cap, were up significantly as compared with the prior year.

	<u>2010</u>	<u>2009</u>	Increase (Decrease) <u>Percentage</u>
Member Contributions	\$ 51,996,119	\$ 50,971,710	2.01 %
Employer Contributions	93,615,463	69,686,763	34.34 %
Ad valorem & State Revenue Sharing	6,864,323	6,603,496	3.94 %
Net Investment Income	312,329,804	346,739,095	(9.92) %
Other Additions	<u>3,174,102</u>	<u>2,929,610</u>	8.35 %
Total additions	<u>\$ 467,979,811</u>	<u>\$ 476,930,674</u>	



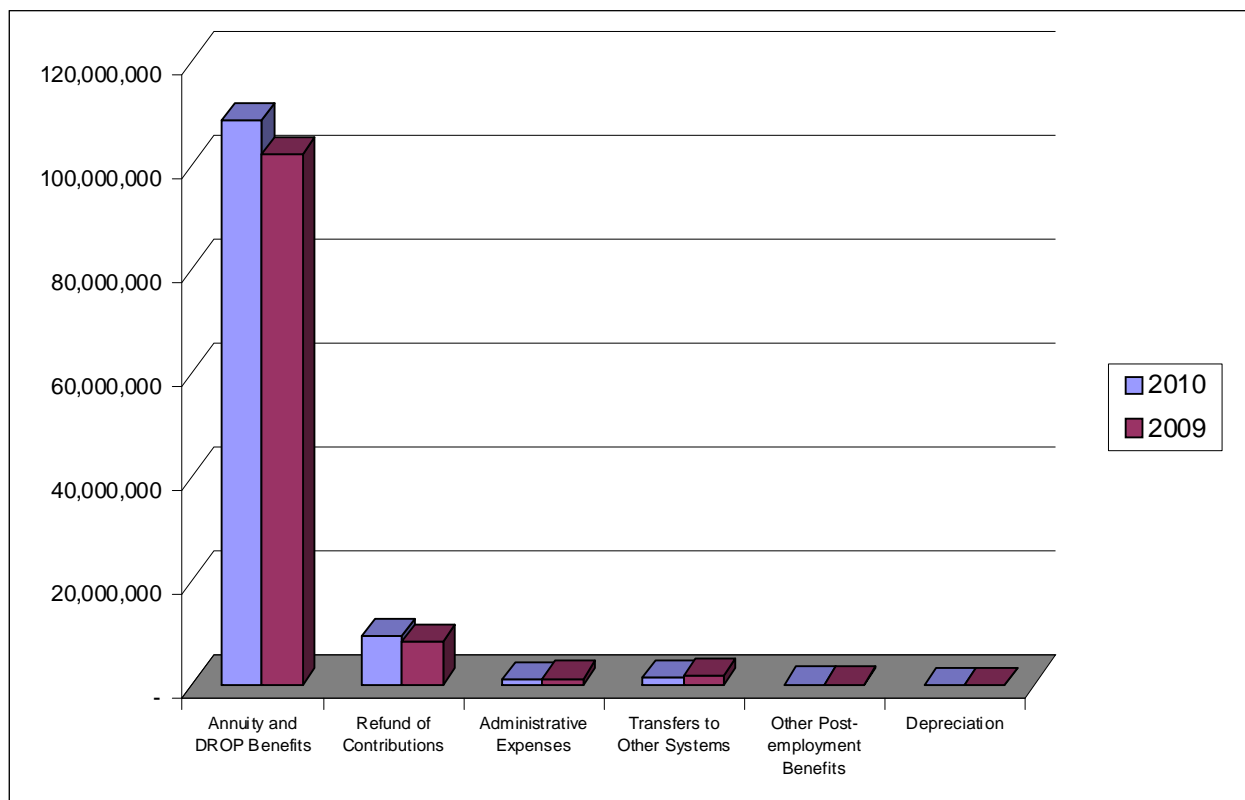
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FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net assets totaled \$120,919,256 in fiscal year 2010. Deductions from plan net assets increased by \$7,143,504. Retirement benefits accounted for the majority of the increase. Retirement benefits increased by \$6,299,172 as a result of the increase in the number of retirees and the larger benefit amounts generally paid to new retirees.

	<u>2010</u>	<u>2009</u>	<u>Increase Percentage</u>
Annuity and DROP Benefits	\$ 108,918,983	\$ 102,345,491	6.42 %
Refunds of Contributions	9,469,207	8,261,027	14.63 %
Administrative Expenses	1,067,392	1,056,270	1.05 %
Transfers to Other Systems	1,325,244	1,904,299	(30.40)%
Other Postemployment Benefits	103,837	173,619	(40.00) %
Depreciation	<u>34,593</u>	<u>35,046</u>	(1.29) %
<b>Total</b>	<b><u>\$ 120,919,256</u></b>	<b><u>\$ 113,775,752</u></b>	



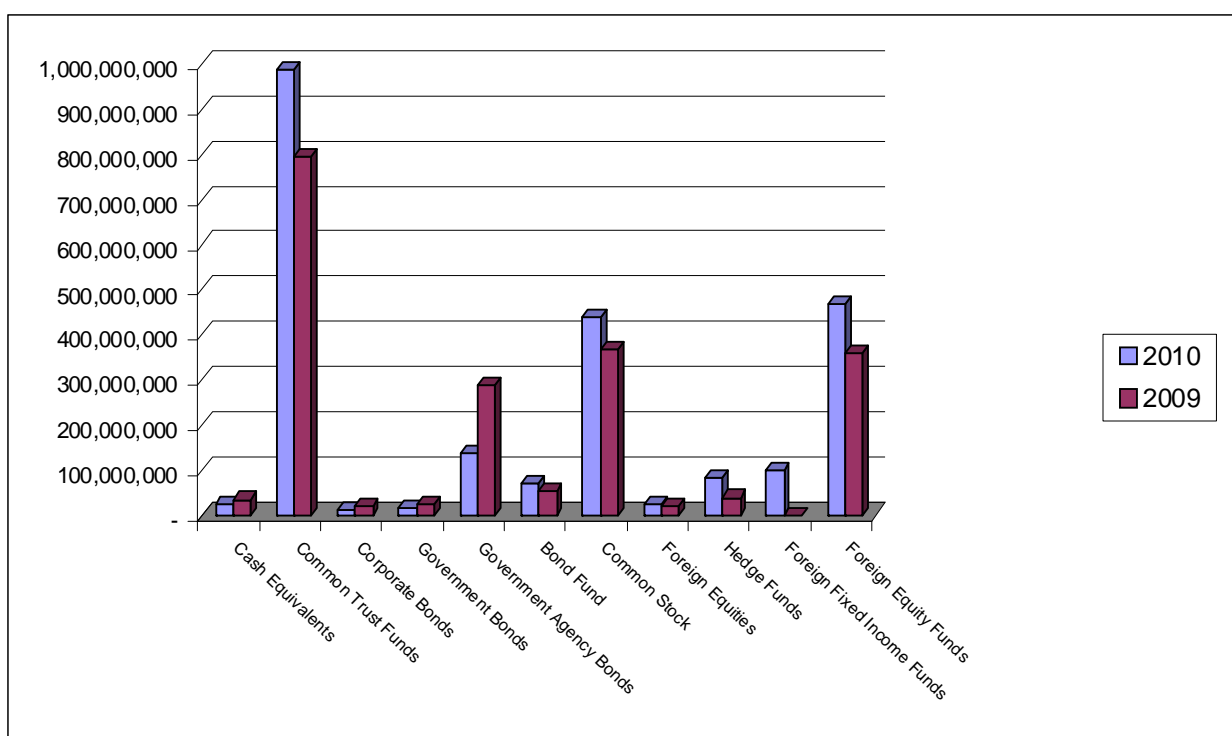
PAROCHIAL EMPLOYEES'  
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FINANCIAL ANALYSIS OF THE FUND (Continued)

Investments

Parochial Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total fair value of investments at December 31, 2010 was \$2,360,459,877 as compared to \$2,004,135,555 at December 31, 2009 which is an increase of \$356,324,322 or 17.78%. The System's investments in various markets at the end of the 2010 and 2009 fiscal years are indicated in the following table:

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u> <u>Percentage</u>
Cash Equivalents	\$ 23,834,195	\$ 34,776,315	(31.46) %
Common Trust Funds	987,547,764	796,869,047	23.93 %
Corporate Bonds	9,979,854	19,757,704	(49.49) %
Government Bonds	15,614,632	24,724,738	(36.85) %
Government Agency Bonds	137,363,921	288,596,537	(52.40) %
Bond Fund	70,126,022	54,314,053	29.11 %
Common Stock	438,669,906	365,977,859	19.86 %
Foreign Equities	25,218,720	20,027,647	25.92 %
Hedge Funds	82,410,405	39,151,223	110.49 %
Foreign Fixed Income Funds	99,914,341	--	100.00 %
Foreign Equity Funds	<u>469,780,117</u>	<u>359,940,432</u>	30.52 %
Total	<u>\$ 2,360,459,877</u>	<u>\$ 2,004,135,555</u>	



PAROCHIAL EMPLOYEES'  
RETIREMENT SYSTEM OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Dainna Tully, Administrative Director of Parochial Employees' Retirement System, 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809, (225) 928-1361.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF PLAN NET ASSETS  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS:</u>		
Cash	\$ <u>2,062,935</u>	\$ <u>14,620,564</u>
Receivables:		
Contributions receivable - Member	9,694,761	9,782,054
Contributions receivable - Employer	17,366,371	13,317,407
Ad valorem taxes and state revenue sharing receivable	6,680,857	6,552,973
Miscellaneous receivable	2,178	1,420
Investment receivable	974,845	508,273
Accrued interest and dividends	734,826	1,402,339
	<u>35,453,838</u>	<u>31,564,466</u>
Investments (at fair value):		
Cash equivalents	23,834,195	34,776,315
Common trust funds	987,547,764	796,869,047
Corporate bonds	9,979,854	19,757,704
Government bonds	15,614,632	24,724,738
Government agency bonds	137,363,921	288,596,537
Bond funds	70,126,022	54,314,053
Common stock	438,669,906	365,977,859
Foreign equities	25,218,720	20,027,647
Hedge funds	82,410,405	39,151,223
Foreign fixed income funds	99,914,341	-
Foreign equity funds	469,780,117	359,940,432
Total	<u>2,360,459,877</u>	<u>2,004,135,555</u>
Deposits	<u>15</u>	<u>15</u>
Property, plant and equipment:		
Net of accumulated depreciation	<u>868,144</u>	<u>902,737</u>
Total assets	<u>2,398,844,809</u>	<u>2,051,223,337</u>
<u>LIABILITIES:</u>		
Accounts payable	1,322,160	1,129,210
Accrued leave payable	4,371	4,371
Withholding taxes payable	23,712	25,150
Refunds payable	824,418	917,514
Investment payable	988,268	1,311,011
Other postemployment benefits payable	277,456	173,619
Retirement payable	8,586,856	7,905,449
Total liabilities	<u>12,027,241</u>	<u>11,466,324</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,386,817,568</u>	<u>\$ 2,039,757,013</u>

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ADDITIONS:		
Contributions:		
Member	\$ 51,996,119	\$ 50,971,710
Employer	93,615,463	69,686,763
Ad valorem tax	6,702,729	6,439,120
Revenue sharing	161,594	164,376
Total contributions	<u>152,475,905</u>	<u>127,261,969</u>
Investment income:		
Net appreciation in fair value of investments	212,279,996	305,312,175
Interest and dividend income	107,730,900	47,120,265
	<u>320,010,896</u>	<u>352,432,440</u>
Less - Investment expense:		
Custodial fee	176,208	203,213
Money manager fees	7,352,052	5,343,177
Investment consulting	152,832	146,955
	<u>7,681,092</u>	<u>5,693,345</u>
Net investment income	<u>312,329,804</u>	<u>346,739,095</u>
Other additions:		
Interest - transfers, refund payback	1,215,197	1,228,471
Transfers in - employee	568,935	525,967
Transfers in - employer	826,925	878,247
Miscellaneous income	563,045	296,925
Total other additions	<u>3,174,102</u>	<u>2,929,610</u>
Total additions	<u>467,979,811</u>	<u>476,930,674</u>
DEDUCTIONS:		
Annuity benefits	98,823,372	92,524,200
Refunds to terminated employees	9,469,207	8,261,027
DROP benefits	10,095,611	9,821,291
Transfer to other systems - employee	405,926	522,763
Transfer to other systems - employer/interest	919,318	1,381,536
Administrative expenses	1,067,392	1,056,270
Other postemployment benefits	103,837	173,619
Depreciation	34,593	35,046
Total deductions	<u>120,919,256</u>	<u>113,775,752</u>
NET INCREASE	347,060,555	363,154,922
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of the year	<u>2,039,757,013</u>	<u>1,676,602,091</u>
END OF YEAR	<u>\$ 2,386,817,568</u>	<u>\$ 2,039,757,013</u>

See accompanying notes.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

DESCRIPTION OF ORGANIZATION:

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

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

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

Act #867 of the year 1997 revised the System to create Plan C. This plan was established for a larger employer that remained in Social Security on the revision date. As of December 31, 2005, there were no participants in this plan.

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

Act #871 of the year 2010 eliminated the Expense Fund and requires all administrative expense to be paid from Plan A's Pension Accumulation Fund. Annually, a transfer of funds from Plan B shall be made to reimburse Plan A for Plan B's expenses.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA). During 2005, Governmental Accounting Standards Board 40 (GASB 40) was implemented. The statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The required disclosures are included in Note 6 to the financial statements. In addition, these financial statements include the management's discussion and analysis as supplementary information, as required by GASB Statement Number 34, *Basic Financial Statement- and Management's Discussion and Analysis- for State and Local Governments* and related standards.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

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

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

Method Used to Value Investments:

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

Property, Plant and Equipment:

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

Estimates:

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

2. PLAN DESCRIPTION:

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

The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. For the year ended December 31, 2010, there were 236 contributing employers in Plan A and 54 in Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

2. PLAN DESCRIPTION: (Continued)

Statewide retirement membership consisted of:

<u>2010</u>	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Active members	14,255	2,275	16,530
Retirees and survivors	5,531	576	6,107
"DROP plan participants	536	38	574
Terminated employees due deferred benefits	556	125	681
Terminated due refunds	<u>6762</u>	<u>1,430</u>	<u>8,192</u>
TOTAL PARTICIPATING AS OF THE VALUATION DATE	<u>27,640</u>	<u>4,444</u>	<u>32,084</u>

<u>2009</u>	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Active members	14,367	2,253	16,620
Retirees and survivors	5,413	560	5,973
"DROP plan participants	428	37	465
Terminated employees due deferred benefits	562	118	680
Terminated due refunds	<u>6,611</u>	<u>1,426</u>	<u>8,037</u>
TOTAL PARTICIPATING AS OF THE VALUATION DATE	<u>27,381</u>	<u>4,394</u>	<u>31,775</u>

Eligibility Requirements:

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

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

Retirement Benefits:

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

For employees hired prior to January 1, 2007:

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

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
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2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

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

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

Survivor Benefits:

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

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

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

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2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

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

DROP Benefits:

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

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

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

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

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

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

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2. PLAN DESCRIPTION: (Continued)

Disability Benefits: (Continued)

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases:

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Lastly, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937)

3. CONTRIBUTIONS AND RESERVES:

Contributions:

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

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2010, the actuarially determined contribution rate was 13.46% of member's compensation for Plan A and 8.60% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2010 was 15.75% for Plan A and 10.00% for Plan B.

According to state statute, the System also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective parishes except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions.

Administrative costs of the System are financed through employer contributions.

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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

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

a. Expense Fund:

Effective July 1, 2010, the Expense Fund was eliminated by Act 871 of the 2010 regular Legislative Session. Assets and liabilities of the Expense Fund were transferred to Plans A and B based on their respective allocations. Prior to that date, the Expense Fund Reserve provided for general and administrative expenses of the System. Funding consisted of transfers from Plan A and Plan B. The balance in the expense fund as of December 31, 2010 and 2009 was \$0 and \$702,689, respectively.

b. Annuity Savings:

The Annuity Savings is credited with contributions made by the member of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to fund part of the benefits. Plan A's Annuity Savings balance was \$371,318,314 and \$358,486,802 for December 31, 2010 and 2009, respectively. The balance for Plan B was \$16,233,560 and \$14,900,876 for December 31, 2010 and 2009, respectively. The Annuity Saving is fully funded for both plans for the years ending December 31, 2010 and 2009.

c. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments, administrative expenses and any other income or expense not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by the other accounts. The Pension Accumulation Reserve for Plan A as of December 31, 2010 and 2009 was \$974,020,845 and \$940,299,050, respectively. The balance for Plan B for December 31, 2010 and 2009 was \$ 95,771,055 and \$88,730,492, respectively.

The Pension Accumulation Reserve is 92% funded for Plan A and 99% funded Plan B for the year ended December 31, 2010. The Pension Accumulation Reserve is 72% funded for Plan A and 83% funded Plan B for the year ended December 31, 2009.

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3. CONTRIBUTIONS AND RESERVES: (Continued)

d. Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost of living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of December 31, 2010 and 2009 for Plan A was \$894,443,088 and \$806,514,589, respectively. The Annuity Reserve as of December 31, 2010 and 2009 for Plan B was \$48,742,466 and \$44,667,598. The Annuity Reserve is 100% funded for both plans for the years ending December 31, 2010 and 2009.

e. Deferred Retirement Option Account:

The Deferred Retirement Option account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he/she had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or a true annuity. The Deferred Retirement Option balance for Plan A as of December 31, 2010 and 2009 was \$37,949,444 and \$33,429,734, respectively. The Deferred Retirement Option Plan balance for Plan B as of December 31, 2010 and 2009 was \$1,994,056 and \$1,616,559, respectively. The Deferred Retirement Option account is fully funded for both plans for the years ending December 31, 2010 and 2009.

f) Funding Deposit Account:

The Funding Deposit Account consists of excess contribution collected by the System. The excess funds earn interest at the board approved actuarial valuation rate and are credited to the fund at least once a year. These funds are due to the System freezing the employer rate at a higher rate than actuarially required. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability (Plan A), (2) reduce the future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account was established as of December 31, 2008. The Funding Deposit Account balance for Plan A as of December 31, 2010 and 2009 was \$ 27,231,818 and \$25,331,924, respectively. The Funding Deposit Account balance for Plan B as of December 31, 2010 and 2009 was \$334,656 and \$311,308, respectively. The Funding Deposit Account is fully funded for both plans for the years ending December 31, 2010 and 2009.

4. ACTUARIAL COST METHOD:

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

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5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules on pages 35 - 37 is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Plan' deposits, cash equivalents and investments at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Deposits (bank balance)	\$ 1,504,498	\$ 15,011,989
Cash equivalents	23,834,195	34,776,315
Investments	<u>2,336,625,682</u>	<u>1,969,359,240</u>
	<u>\$ 2,361,964,375</u>	<u>\$ 2,019,147,544</u>

Deposits:

The System's bank deposits were covered up to \$250,000 through the FDIC for the years ended December 31, 2010 and 2009. During the year ended December 31, 2010 the system had pledged securities in addition to FDIC insurance. During 2009 the system the System's entire balance was covered through the FDIC's Temporary Liquidity Guarantee Program (TLG Program) which expired on December 31, 2009.

Cash Equivalents:

Cash equivalents in the amount of \$23,834,195 and \$34,776,315 for December 31, 2010 and 2009, respectively, consist of balances invested in a money market mutual fund. The mutual fund account is established in the name of the System's custodian as an omnibus account for all custodial clients invested in the fund.

Investments:

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

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

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

Concentration of Credit Risk: (Continued)

The System's investment policy states that the equity holdings in any single corporation shall not exceed between 3% and 8% of the market value of the manager's portfolio. For domestic small-cap growth managers no more than 25% of the portfolio may be invested in any one industry valued at market.

Fixed income investments in one issuer's security shall not exceed between 2.5% and 5% of the aggregated long-term debt portfolio at cost of the manager's portfolio (exclusive of issues of the U.S. Treasury or other Federal agencies). For fixed income private placement managers investment in one industry shall not exceed 10% of the portfolio, non-US investments shall not exceed 25% of the portfolio and commercial mortgage debt shall not exceed 10% of the portfolio. Exposure to interest rate and currency swaps shall not exceed 5% of the portfolio. The aggregate of futures contracts, options, options on future contracts on securities issued or guaranteed by the US government, interest rate swaps and currency swaps shall not exceed 15% of the total market value of the portfolio.

For international equity assets, exposure to any one EAFE country should not exceed the lesser of 20% of the portfolio assets at market or 150% of the country's weight in the MSCI EAFE Index. For emerging markets assets exposure in any one issuer is limited to 7% of the total portfolio at market value. Exposure to emerging market countries should be limited to no more than 10% of the international portfolio. At December 31, 2010, there were no investment holdings that exceeded the System's concentration of credit risk investment policy.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of December 31, 2010.

	<u>December 31, 2010</u>			
	Government Agency <u>Bonds</u>	Government <u>Bonds</u>	Corporate <u>Bonds</u>	<u>Total</u>
A	\$ --	\$ --	\$ 5,891,100	\$ 5,891,100
A+	--	--	--	--
A-	--	--	1,075,232	1,075,232
AA--	3,956,478	--	--	3,956,478
AAA	56,298,888	2,042,638	--	58,341,526
BB	--	--	1,503,000	1,503,000
BBB-	--	--	--	--
D	--	--	416,250	416,250
Not Rated	<u>77,108,555</u>	<u>13,571,994</u>	<u>1,094,272</u>	<u>91,774,821</u>
Total	<u>\$ 137,363,921</u>	<u>\$ 15,614,632</u>	<u>\$ 9,979,854</u>	<u>\$ 162,958,407</u>

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

Credit Risk: (Continued)

	<u>December 31, 2009</u>			<u>Total</u>
	Government Agency <u>Bonds</u>	Government <u>Bonds</u>	Corporate <u>Bonds</u>	
A	\$ --	\$ --	\$ 9,609,301	\$ 9,609,301
A+	--	--	6,311,620	6,311,620
A-	--	--	1,056,038	1,056,038
AA--	3,402,438	--	--	3,402,438
AAA	140,803,000	12,201,780	952,080	153,956,860
BBB-	--	--	1,477,665	1,477,665
D	--	--	351,000	351,000
Not				
Rated	<u>144,391,099</u>	<u>12,522,958</u>	--	<u>156,914,057</u>
Total	<u>\$ 288,596,537</u>	<u>\$ 24,724,738</u>	<u>\$ 19,757,704</u>	<u>\$ 333,078,979</u>

The System also invests in a bond fund in the amount \$70,126,022 and \$54,314,053 for the years ended December 31, 2010 and 2009, respectively. The bond fund's average credit quality rating was Baa as of December 31, 2010 and 2009. The bond fund policy states that its investments have a credit rating quality rating of B to Aaa with 10% of the total below Baa.

The System's investment policy limits its investments to corporate debt issues rated the equivalent of BBB/Baa or better by both Moody's Investor Services and Standard & Poor's rating services on investments held as of June 2002. The purchase of new securities will be restricted to securities carrying an investment rating of A or higher by both Standard and Poor's and Moody's. The average quality of the bond portfolio must be at least AA+ or its equivalent. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated. Those obligations include debt securities with Federal Home Loan Mortgage, Federal National Mortgage Assn., Government National Mortgage Assn., U.S. Treasury Zero Bonds, U.S. Treasury Notes and U.S. Government Guarantee.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial credit risk at December 31, 2010 and 2009 for the investments in the amount of \$2,360,459,877 and \$2,004,135,555, respectively, since the investments are in the name of the System.

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

Custodial Credit Risk: (Continued)

The System has no formal policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2010 and 2009, the System had the following investments in long-term debt securities and maturities:

<u>2010</u>	Fair	Less			More
<u>Investment Type</u>	<u>Value</u>	<u>Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Than 10</u>
Government Agency Bonds	\$ 137,363,921	\$ --	\$ 11,326,851	\$ 47,244,715	\$ 78,792,355
Government Bonds	15,614,632	--	14,947,005	185,720	481,907
Corporate Bonds	<u>9,979,854</u>	<u>1,503,000</u>	<u>5,505,122</u>	<u>2,971,732</u>	<u>--</u>
	<u>\$ 162,958,407</u>	<u>\$ 1,503,000</u>	<u>\$ 31,778,978</u>	<u>\$ 50,402,167</u>	<u>\$ 79,274,262</u>
<u>2009</u>	Fair	Less			More
<u>Investment Type</u>	<u>Value</u>	<u>Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Than 10</u>
Government Agency Bonds	\$ 288,596,537	\$ 802	\$ 43,660,315	\$ 83,240,614	\$ 161,694,806
Government Bonds	24,724,738	--	2,781,538	12,342,280	9,600,920
Corporate Bonds	<u>19,757,704</u>	<u>1,004,260</u>	<u>16,135,284</u>	<u>2,618,160</u>	<u>--</u>
	<u>\$ 333,078,979</u>	<u>\$ 1,005,062</u>	<u>\$ 62,577,137</u>	<u>\$ 98,201,054</u>	<u>\$ 171,295,726</u>

The System also invests in a bond fund in the amount \$70,126,022 and \$54,314,053 for the years ended December 31, 2010 and 2009, respectively. The average portfolio duration of this bond fund normally varies within two years of the duration of the Barclays Capital Credit Investment Grade Index which as of December 31, 2010 and 2009 and was 5.85 and 5.99 years, respectively.

The System has no formal policy regarding interest rate risk.

Foreign Currency Risk:

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

The System's exposure for foreign currency risk consisted of its investment in foreign marketable securities at December 31, 2010 and 2009 as follows:

<u>Country/Currency</u>	<u>2010</u> <u>Fair Value</u>	<u>2009</u> <u>Fair Value</u>
Bermuda / Dollar	\$ 2,717,447	\$ 1,659,962
Brazil / Real	--	585,716
British Virgin Islands / Dollar	--	393,250
Canada / Dollar	2,512,702	2,521,019
Caymanian Islands / Dollar	4,415,930	3,977,876
Great Britain / Pound	1,958,800	1,599,008
Guernsey / Pound	-	1,012,815

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

Foreign Currency Risk: (Continued)

<u>Country/Currency</u>	2010 <u>Fair Value</u>	2009 <u>Fair Value</u>
India / Rupee	\$ 1,153,059	\$ 533,328
Ireland / Euro	6,010,602	1,665,016
Netherlands / Euro	819,260	620,427
Puerto Rico / Dollar	588,995	-
Switzerland / Franc	<u>5,041,925</u>	<u>5,459,230</u>
	<u>\$ 25,218,720</u>	<u>\$ 20,027,647</u>

The System has no formal policy regarding foreign currency risk.

7. FIXED ASSETS:

The following is a summary of fixed assets at cost less accumulated depreciation:

<u>2010</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 120,618	\$ --	\$ --	\$ 120,618
Building & improvements	755,010	--	--	755,010
Office equipment and furniture	209,739	--	--	209,739
Less: accumulated depreciation	<u>(182,630)</u>	<u>(34,593)</u>	<u>--</u>	<u>(217,223)</u>
	<u>\$ 902,737</u>	<u>\$ (34,593)</u>	<u>\$ --</u>	<u>\$ 868,144</u>
<u>2009</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 120,618	\$ --	\$ --	\$ 120,618
Building & improvements	755,010	--	--	755,010
Office equipment and furniture	202,637	7,102	--	209,739
Less: accumulated depreciation	<u>(147,584)</u>	<u>(35,046)</u>	<u>--</u>	<u>(182,630)</u>
	<u>\$ 930,681</u>	<u>\$ (27,944)</u>	<u>\$ --</u>	<u>\$ 902,737</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$34,593 and \$35,046, respectively.

8. TAX QUALIFICATION:

Effective January 1, 1993, the System is a tax qualified plan under IRS code section 401(a). All member contributions are treated as tax deferred for federal and state income tax purposes.

9. OPERATING LEASES:

The System entered into a five-year operating lease for office space beginning August 1, 2001 and ending July 31, 2006. The System extended the lease until July 31, 2011 with a cancellation clause after 36 months. The System elected to cancel the lease at the 36<sup>th</sup> month (June 2009). The System also leases a storage facility on a month to month basis for \$180 per month. Lease expense for the years ended December 31, 2010 and 2009 was \$- and \$29,172, respectively. The System's lease was cancelled effective July 31, 2009.

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10. OTHER POST EMPLOYMENT BENEFITS (OPEB):

The System implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap). The Office of Group Benefits does provide an actuarial valuation of the Plan as of July 1, 2009. Information on the actuarial valuation is provided in this footnote. The July 1, 2010 valuation was not available.

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers four standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan, the Health Maintenance Organization (HMO) plan and the Medical Home Health Plan (Louisiana Department of Health and Hospitals Region 9 only). Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, during the year ended December 31, 2010, employee premiums for a single member receiving benefits range from \$132 to \$133 and \$133 to \$181, for December 31, 2010 and 2009 respectively, per month for retiree-only coverage without Medicare. With Medicare the range is \$80 to \$81 and \$81 to \$98 for December 31, 2010 and 2009, respectively. The premiums for a retiree and spouse for the years ended December 31, 2010 and 2009 range from \$428 to \$432 and \$432 to \$527, respectively, per month for those without Medicare. The premium with Medicare ranges from \$145 to \$146 and \$145 to \$176 for December 31, 2010 and 2009 respectively.

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from \$853 to \$857 per month for retiree-only coverage without Medicare and between \$241 and \$244 with Medicare during the year ended December 31, 2010. Also, the System's contributions range from \$1,311 to \$1,316 for retiree and spouse without Medicare and between \$434 and \$438 with Medicare.

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10. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy (Continued)

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The actuarial valuation was done as of July 1, 2009 and 2008. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2009 and July 1, 2008 was \$107,000 and \$87,800, respectively, as set forth below:

	<u>July 1, 2009</u>	<u>July 1, 2008</u>
Normal Cost	\$ 49,000	\$ 39,800
30-year UAL amortization amount	53,885	44,623
Interest on the above	<u>4,115</u>	<u>3,377</u>
Annual required contribution (ARC)	<u>\$ 107,000</u>	<u>\$ 87,800</u>

The following table presents the System's OPEB obligation for the year ended July 1, 2010 and 2009.

	<u>July 1, 2009</u>	<u>July 1, 2008</u>
Beginning Net OPEB Obligation	\$ 84,779	\$ 94,420
Annual required contribution	<u>107,000</u>	<u>87,800</u>
OPEB cost	191,779	182,220
Contributions made	3,163	3,021
Claim costs	<u>--</u>	<u>--</u>
Change in Net OPEB Obligation	<u>107,898</u>	<u>79,199</u>
Ending Net OPEB Obligation	<u>\$ 277,456</u>	<u>\$ 173,619</u>

Utilizing the pay-as-you-go method, the System contributed during the year ended December 31, 2010 and 2009 2.96% and 3.44%, respectively, of the annual post employment benefits.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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10. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

*Trend Information:*

The year ended December 31, 2007 was the year of implementation of GASBS No. 43 and GASBS No. 45 and the System has elected to implement prospectively. As such, comparative data for prior years is not available.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
July 1, 2007	\$ 97,300	\$2,880	2.96%	\$ 94,420
July 1, 2008	87,800	3,021	3.44	87,779
July 1, 2009	107,000	3,163	2.96	103,837

*Funded Status and Funding Progress*

In the year ended December 31, 2010, the System made no contributions to its post employment benefits plan trust.

*Actuarial Methods and Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2009 and 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses). An initial annual healthcare cost trend rate for pre-Medicare and Medicare eligibles of 8.5% and 9.6% for 2009 and a rate of 9% and 10.1% for 2008, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2009, was twenty eight years.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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DECEMBER 31, 2010 AND 2009

11. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the System as of December 31, 2010, the most recent actuarial valuation date, is as follows:

PLAN A:

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (b)</u>	<u>Unfunded (Excess) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
12/31/10	\$2,259,207,052	\$2,304,963,509	\$45,756,457	98.01%	\$546,737,427	8.37%

PLAN B:

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (b)</u>	<u>Unfunded (Excess) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
12/31/10	\$163,075,793	\$186,118,552	\$23,042,759	87.62%	\$81,999,193	28.10%

The Schedule of Funding Progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the System's assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2010
Actuarial Cost Method	Plan A - Frozen Attained Age Normal Actuarial Cost Plan B - Aggregate Actuarial Cost
Asset Valuation Method:	Market Value of investment securities adjusted to average in asset earnings above or below the assumed rate of return over a five-year period subject to a corridor limit of 85% to 115% of the market value of assets.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
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11. FUNDED STATUS AND FUDNING PROGRESS – PENSION PLAN: (Continued)

Actuarial Assumptions	
Investment Rate of Return	7.5% (Net of investment expense)
Projected Salary Increases	Plan A – 5.75% Plan B – 5.75%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Changes in Actuarial Assumptions	A change was made to the mortality assumptions for actives and retirees along with the assumed rates of post-DROP retirement. In addition, changes were made to the assumed rates of retirement, disability, and DROP entry for members hired prior to January 1, 2007.
Changes in Normal Costs	For the year ended December 31, 2010, Plan A incurred an increase in normal cost in the amount of \$28,584,468. This increase was due to assumption and asset losses.

12. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2009 comparative information to conform to the 2010 presentation. Such reclassifications had no effect on the change in net assets.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL PLAN STATEMENTS OF PLAN NET ASSETS  
DECEMBER 31, 2010 AND 2009

ASSETS:	PLAN "A"		PLAN "B"		EXPENSE FUND		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009
Cash	\$ 1,900,810	\$ 13,714,694	\$ 162,125	\$ 855,801	\$ -	\$ 50,069	\$ 2,062,935	\$ 14,620,564
Receivables:								
Due from (to) other funds	3,613,654	1,419	(3,613,654)	(1,419)	-	-	-	-
Contributions receivable -Member	9,315,266	9,391,920	379,495	390,134	-	-	9,694,761	9,782,054
Contributions receivable - Employer	16,075,358	12,490,774	1,291,013	826,633	-	-	17,366,371	13,317,407
Ad valorem taxes & state revenue sharing receivable	5,869,801	5,757,442	811,056	795,531	-	-	6,680,857	6,552,973
Miscellaneous receivable	-	-	2,178	1,420	-	-	2,178	1,420
Investment receivable	911,327	475,312	63,518	32,961	-	-	974,845	508,273
Accrued interest and dividends	691,009	1,286,172	43,817	116,167	-	-	734,826	1,402,339
	<u>36,476,415</u>	<u>29,403,039</u>	<u>(1,022,577)</u>	<u>2,161,427</u>	<u>-</u>	<u>-</u>	<u>35,453,838</u>	<u>31,564,466</u>
Investments (at fair value)								
Cash equivalents	21,178,521	30,927,976	2,655,674	3,848,339	-	-	23,834,195	34,776,315
Common trust funds	916,576,997	740,217,195	70,970,767	56,651,852	-	-	987,547,764	796,869,047
Corporate bonds	9,404,102	17,989,610	575,752	1,768,094	-	-	9,979,854	19,757,704
Government bonds	12,623,492	19,801,205	2,991,140	4,923,533	-	-	15,614,632	24,724,738
Government agency bonds	135,321,283	283,232,775	2,042,638	5,363,762	-	-	137,363,921	288,596,537
Bond funds	60,570,162	46,672,845	9,555,860	7,641,208	-	-	70,126,022	54,314,053
Common stock	410,372,368	342,359,320	28,297,538	23,618,539	-	-	438,669,906	365,977,859
Foreign equities	23,605,649	18,747,952	1,613,071	1,279,695	-	-	25,218,720	20,027,647
Hedge funds	76,982,054	36,480,837	5,428,351	2,670,386	-	-	82,410,405	39,151,223
Foreign fixed income	93,223,419	-	6,690,922	-	-	-	99,914,341	-
Foreign equity funds	437,371,089	335,129,376	32,409,028	24,811,056	-	-	469,780,117	359,940,432
	<u>2,197,229,136</u>	<u>1,871,559,091</u>	<u>163,230,741</u>	<u>132,576,464</u>	<u>-</u>	<u>-</u>	<u>2,360,459,877</u>	<u>2,004,135,555</u>
Deposits	<u>13</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>15</u>
Property, plant and equipment:								
Net of accumulated depreciation	754,922	-	113,222	-	-	902,737	868,144	902,737
Total assets	<u>2,236,361,296</u>	<u>1,914,676,824</u>	<u>162,483,513</u>	<u>135,593,692</u>	<u>-</u>	<u>952,821</u>	<u>2,398,844,809</u>	<u>2,051,223,337</u>
LIABILITIES:								
Accounts payable	1,226,870	1,007,616	95,290	74,602	-	46,992	1,322,160	1,129,210
Accrued leave payable	3,801	-	570	-	-	4,371	4,371	4,371
Withholding taxes payable	19,288	-	4,424	-	-	25,150	23,712	25,150
Refunds payable	790,848	880,614	33,570	36,900	-	-	824,418	917,514
Investment payable	923,977	1,182,790	64,291	128,221	-	-	988,268	1,311,011
Other postemployment benefits payable	241,270	-	36,186	-	-	173,619	277,456	173,619
Retirement payable	8,113,835	7,491,763	473,021	413,686	-	-	8,586,856	7,905,449
Total liabilities	<u>11,319,889</u>	<u>10,562,783</u>	<u>707,352</u>	<u>653,409</u>	<u>-</u>	<u>250,132</u>	<u>12,027,241</u>	<u>11,466,324</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,225,041,407</u>	<u>\$ 1,904,114,041</u>	<u>\$ 161,776,161</u>	<u>\$ 134,940,283</u>	<u>\$ -</u>	<u>\$ 702,689</u>	<u>\$ 2,386,817,568</u>	<u>\$ 2,039,757,013</u>

**PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL PLAN STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>PLAN "A"</u>		<u>PLAN "B"</u>		<u>EXPENSE FUND</u>		<u>TOTAL</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>ADDITIONS:</b>								
Contributions:								
Member	\$ 49,593,983	\$ 48,685,171	\$ 2,402,136	\$ 2,286,539	\$ -	\$ -	\$ 51,996,119	\$ 50,971,710
Employer	85,457,989	64,848,562	8,157,474	4,838,201	-	-	93,615,463	69,686,763
Ad valorem tax	5,889,008	5,498,272	813,721	940,848	-	-	6,702,729	6,439,120
Revenue sharing	141,998	144,617	19,596	19,759	-	-	161,594	164,376
Total contributions	<u>141,082,978</u>	<u>119,176,622</u>	<u>11,392,927</u>	<u>8,085,347</u>	<u>-</u>	<u>-</u>	<u>152,475,905</u>	<u>127,261,969</u>
Investment income:								
Net appreciation in fair value of investments	193,251,199	285,357,520	19,028,797	19,954,655	-	-	212,279,996	305,312,175
Interest and dividend income	105,076,006	43,732,467	2,654,894	3,387,798	-	-	107,730,900	47,120,265
	<u>298,327,205</u>	<u>329,089,987</u>	<u>21,683,691</u>	<u>23,342,453</u>	<u>-</u>	<u>-</u>	<u>320,010,896</u>	<u>352,432,440</u>
Less: Investment expense:								
Custodial fees	153,227	-	22,981	-	-	203,213	176,208	203,213
Money manager fees	6,841,893	4,988,158	510,159	355,019	-	-	7,352,052	5,343,177
Investment consultant	132,900	-	19,932	-	-	146,955	152,832	146,955
	<u>7,128,020</u>	<u>4,988,158</u>	<u>553,072</u>	<u>355,019</u>	<u>-</u>	<u>350,168</u>	<u>7,681,092</u>	<u>5,693,345</u>
Net investment income (loss)	<u>291,199,185</u>	<u>324,101,829</u>	<u>21,130,619</u>	<u>22,987,434</u>	<u>-</u>	<u>(350,168)</u>	<u>312,329,804</u>	<u>346,739,095</u>
Other additions:								
Interest - transfers, refund payback	1,054,071	1,152,692	161,126	75,779	-	-	1,215,197	1,228,471
Transfers in - employee	491,281	464,658	77,654	61,309	-	-	568,935	525,967
Transfers in - employer	751,535	772,180	75,390	106,067	-	-	826,925	878,247
Miscellaneous income	530,961	288,846	32,084	8,079	-	-	563,045	296,925
Total other additions	<u>2,827,848</u>	<u>2,678,376</u>	<u>346,254</u>	<u>251,234</u>	<u>-</u>	<u>-</u>	<u>3,174,102</u>	<u>2,929,610</u>
Total additions (reductions)	<u>435,110,011</u>	<u>445,956,827</u>	<u>32,869,800</u>	<u>31,324,015</u>	<u>-</u>	<u>(350,168)</u>	<u>467,979,811</u>	<u>476,930,674</u>
<b>DEDUCTIONS:</b>								
Retirement and disability benefits	93,672,209	87,682,172	5,151,163	4,842,028	-	-	98,823,372	92,524,200
Refunds to terminated employees	9,037,114	7,873,829	432,093	387,198	-	-	9,469,207	8,261,027
DROP benefits	9,788,983	9,443,537	306,628	377,754	-	-	10,095,611	9,821,291
Transfers to/from plans	12,627	936,062	(12,627)	463,938	-	(1,400,000)	-	-
Transfer to other systems - employee	380,373	511,104	25,553	11,659	-	-	405,926	522,763
Transfer to other systems - employer and interest	853,826	1,331,039	65,492	50,497	-	-	919,318	1,381,536
Administrative expenses	928,182	-	139,210	-	-	1,056,270	1,067,392	1,056,270
Other postemployment benefits	90,295	-	13,542	-	-	173,619	103,837	173,619
Depreciation	30,081	-	4,512	-	-	35,046	34,593	35,046
Total deductions (additions)	<u>114,793,690</u>	<u>107,777,743</u>	<u>6,125,566</u>	<u>6,133,074</u>	<u>-</u>	<u>(135,065)</u>	<u>120,919,256</u>	<u>113,775,752</u>
<b>NET INCREASE (DECREASE)</b>	<b>320,316,321</b>	<b>338,179,084</b>	<b>26,744,234</b>	<b>25,190,941</b>	<b>-</b>	<b>(215,103)</b>	<b>347,060,555</b>	<b>363,154,922</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -</b>								
Net assets - beginning of year	1,904,114,041	1,565,934,957	134,940,283	109,749,342	702,689	917,792	2,039,757,013	1,676,602,091
Transfer from Expense Fund	611,045	-	91,644	-	(702,689)	-	-	-
<b>END OF YEAR</b>	<b>\$ <u>2,225,041,407</u></b>	<b>\$ <u>1,904,114,041</u></b>	<b>\$ <u>161,776,161</u></b>	<b>\$ <u>134,940,283</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>702,689</u></b>	<b>\$ <u>2,386,817,568</u></b>	<b>\$ <u>2,039,757,013</u></b>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES  
 BUDGET AND ACTUAL  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	<u>Budget</u>	<u>Actual</u>	Variance (over) <u>under</u>	<u>Budget</u>	<u>Actual</u>	Variance (over) <u>under</u>
<b>ADMINISTRATIVE EXPENSES:</b>						
<b>SALARIES AND RELATED EXPENSES:</b>						
Salaries	\$ 614,783	\$ 612,680	\$ 2,103	\$ 592,613	\$ 576,152	\$ 16,461
Retirement	96,828	95,321	1,507	71,016	68,358	2,658
Group hospitalization	44,364	40,049	4,315	40,578	41,392	(814)
Medicare and payroll taxes	7,980	7,660	320	7,691	7,181	510
Total salaries and related expenses	<u>763,955</u>	<u>755,710</u>	<u>8,245</u>	<u>711,898</u>	<u>693,083</u>	<u>18,815</u>
<b>PROFESSIONAL SERVICES:</b>						
Actuarial consultant	75,820	75,422	398	75,820	76,431	(611)
Auditor	41,000	40,600	400	38,000	37,950	50
Legal counsel	25,000	7,774	17,226	25,000	11,396	13,604
Computer programming	61,600	23,777	37,823	61,600	28,287	33,313
Medical board	20,000	13,413	6,587	15,000	12,173	2,827
Investigation	2,200	2,110	90	2,000	2,155	(155)
Total professional services	<u>225,620</u>	<u>163,096</u>	<u>62,524</u>	<u>217,420</u>	<u>168,392</u>	<u>49,028</u>
<b>COMMUNICATIONS:</b>						
Printing	25,000	15,040	9,960	23,000	16,426	6,574
Telephone	6,400	4,956	1,444	6,400	6,737	(337)
Postage	27,700	18,454	9,246	26,400	22,830	3,570
Travel	28,000	15,807	12,193	30,000	18,887	11,113
Website	2,500	575	1,925	2,000	1,725	275
Per diem	2,250	1,425	825	2,625	1,350	1,275
Total communications	<u>91,850</u>	<u>56,257</u>	<u>35,593</u>	<u>90,425</u>	<u>67,955</u>	<u>22,470</u>
<b>GENERAL OFFICE:</b>						
Building maintenance	-	469	(469)	-	6,200	(6,200)
Rent	2,160	2,160	-	33,160	29,172	3,988
Supplies	13,000	7,037	5,963	11,000	10,575	425
Dues and subscriptions	13,000	11,874	1,126	13,000	8,106	4,894
Equipment rental	30,000	28,422	1,578	30,000	27,481	2,519
Equipment maintenance	15,500	7,885	7,615	12,000	7,928	4,072
Insurance	10,000	5,393	4,607	10,000	8,938	1,062
Janitorial	8,600	8,040	560	8,000	7,603	397
Microfilm	13,600	11,483	2,117	17,000	7,448	9,552
Training	11,150	2,775	8,375	10,450	7,995	2,455
Utilities	8,900	6,791	2,109	8,900	5,394	3,506
Total general office	<u>125,910</u>	<u>92,329</u>	<u>33,581</u>	<u>153,510</u>	<u>126,840</u>	<u>26,670</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,207,335</u>	<u>\$ 1,067,392</u>	<u>\$ 139,943</u>	<u>\$ 1,173,253</u>	<u>\$ 1,056,270</u>	<u>\$ 116,983</u>
<b>INVESTMENT EXPENSES:</b>						
Custodial Bank	\$ 230,000	\$ 176,208	\$ 53,792	\$ 230,000	\$ 203,213	\$ 26,787
Investment consultant	<u>168,500</u>	<u>152,832</u>	<u>15,668</u>	<u>165,000</u>	<u>146,954</u>	<u>18,046</u>
TOTAL INVESTMENT EXPENSES	<u>\$ 398,500</u>	<u>\$ 329,040</u>	<u>\$ 69,460</u>	<u>\$ 395,000</u>	<u>\$ 350,167</u>	<u>\$ 44,833</u>
CAPITAL OUTLAYS	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 11,000</u>	<u>\$ 7,102</u>	<u>\$ 3,898</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION - PLAN "A"  
 STATEMENTS OF CHANGES IN RESERVE BALANCES  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						
			FUNDING				SURPLUS
	ANNUITY SAVINGS	DROP	DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	ACTUARIAL LIABILITY	(UNFUNDED) TOTAL
BALANCE -							
BEGINNING	\$ 358,486,802	\$ 33,429,734	\$ 25,331,924	\$ 806,514,589	\$ 939,688,005	\$ (259,337,013)	\$ 1,904,114,041
Transfer from Expense Fund	-	-	-	-	611,045	-	611,045
	<u>358,486,802</u>	<u>33,429,734</u>	<u>25,331,924</u>	<u>806,514,589</u>	<u>940,299,050</u>	<u>(259,337,013)</u>	<u>1,904,725,086</u>
REVENUES AND TRANSFERS:							
Employee contributions	49,593,983	-	-	-	-	-	49,593,983
Employer contributions	-	-	-	-	85,457,989	-	85,457,989
Tax collector contributions	-	-	-	-	5,889,008	-	5,889,008
Revenue sharing contributions	-	-	-	-	141,998	-	141,998
Net investment income	-	-	1,899,894	-	289,299,291	-	291,199,185
Miscellaneous income	-	-	-	-	530,961	-	530,961
Transfer from Annuity Savings	-	-	-	27,836,265	-	-	27,836,265
Transfer from Annuity Reserve	-	14,308,693	-	-	-	-	14,308,693
Interest - transfers, refund payback	-	-	-	-	1,054,071	-	1,054,071
Transfer from another system	491,281	-	-	-	751,535	-	1,242,816
Actuarial transfer	-	-	-	168,073,136	-	179,414,911	347,488,047
	<u>50,085,264</u>	<u>14,308,693</u>	<u>1,899,894</u>	<u>195,909,401</u>	<u>383,124,853</u>	<u>179,414,911</u>	<u>824,743,016</u>
EXPENDITURES AND TRANSFERS:							
Refunds to terminated employees	9,037,114	-	-	-	-	-	9,037,114
Transfer to Annuity Reserve	27,836,265	-	-	-	-	-	27,836,265
Transfer to DROP	-	-	-	14,308,693	-	-	14,308,693
Pensions paid	-	-	-	93,672,209	-	-	93,672,209
Transfer to other plans	-	-	-	-	12,627	-	12,627
DROP benefits	-	9,788,983	-	-	-	-	9,788,983
Administrative expenses	-	-	-	-	928,182	-	928,182
Other postemployment benefits	-	-	-	-	90,295	-	90,295
Depreciation	-	-	-	-	30,081	-	30,081
Actuarial transfer	-	-	-	-	347,488,047	-	347,488,047
Transfers to another system	380,373	-	-	-	853,826	-	1,234,199
	<u>37,253,752</u>	<u>9,788,983</u>	<u>-</u>	<u>107,980,902</u>	<u>349,403,058</u>	<u>-</u>	<u>504,426,695</u>
NET INCREASE (DECREASE)	<u>12,831,512</u>	<u>4,519,710</u>	<u>1,899,894</u>	<u>87,928,499</u>	<u>33,721,795</u>	<u>179,414,911</u>	<u>320,316,321</u>
BALANCE - ENDING	<u>\$ 371,318,314</u>	<u>\$ 37,949,444</u>	<u>\$ 27,231,818</u>	<u>\$ 894,443,088</u>	<u>\$ 974,020,845</u>	<u>\$ (79,922,102)</u>	<u>\$ 2,225,041,407</u>

2009

					SURPLUS (UNFUNDED)		
ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	ACTUARIAL LIABILITY	TOTAL	
\$ 338,282,448	\$ 30,931,223	\$ 23,564,580	\$ 758,948,900	\$ 828,659,425	\$ (414,451,619)	\$ 1,565,934,957	
-	-	-	-	-	-	-	
<u>338,282,448</u>	<u>30,931,223</u>	<u>23,564,580</u>	<u>758,948,900</u>	<u>828,659,425</u>	<u>(414,451,619)</u>	<u>1,565,934,957</u>	
48,685,171	-	-	-	-	-	48,685,171	
-	-	-	-	64,848,562	-	64,848,562	
-	-	-	-	5,498,272	-	5,498,272	
-	-	-	-	144,617	-	144,617	
-	-	1,767,344	-	322,334,484	-	324,101,828	
-	-	-	-	288,847	-	288,847	
-	-	-	20,560,542	-	-	20,560,542	
-	11,942,048	-	-	-	-	11,942,048	
-	-	-	-	1,152,692	-	1,152,692	
464,658	-	-	-	772,180	-	1,236,838	
-	-	-	126,629,367	-	155,114,606	281,743,973	
<u>49,149,829</u>	<u>11,942,048</u>	<u>1,767,344</u>	<u>147,189,909</u>	<u>395,039,654</u>	<u>155,114,606</u>	<u>760,203,390</u>	
7,873,829	-	-	-	-	-	7,873,829	
20,560,542	-	-	-	-	-	20,560,542	
-	-	-	11,942,048	-	-	11,942,048	
-	-	-	87,682,172	-	-	87,682,172	
-	-	-	-	936,062	-	936,062	
-	9,443,537	-	-	-	-	9,443,537	
-	-	-	-	281,743,973	-	281,743,973	
511,104	-	-	-	1,331,039	-	1,842,143	
<u>28,945,475</u>	<u>9,443,537</u>	<u>-</u>	<u>99,624,220</u>	<u>284,011,074</u>	<u>-</u>	<u>422,024,306</u>	
20,204,354	2,498,511	1,767,344	47,565,689	111,028,580	155,114,606	338,179,084	
<u>\$ 358,486,802</u>	<u>\$ 33,429,734</u>	<u>\$ 25,331,924</u>	<u>\$ 806,514,589</u>	<u>\$ 939,688,005</u>	<u>\$ (259,337,013)</u>	<u>\$ 1,904,114,041</u>	

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION - PLAN "B"  
STATEMENTS OF CHANGES IN RESERVE BALANCES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						
	ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED)	
						ACTUARIAL LIABILITY	TOTAL
BALANCE - BEGINNING	\$ 14,900,876	\$ 1,616,559	\$ 311,308	\$ 44,667,598	\$ 88,638,848	\$ (15,194,906)	\$ 134,940,283
Transfer from Expense Fund	-	-	-	-	91,644	-	91,644
	<u>14,900,876</u>	<u>1,616,559</u>	<u>311,308</u>	<u>44,667,598</u>	<u>88,730,492</u>	<u>(15,194,906)</u>	<u>135,031,927</u>
REVENUES AND TRANSFERS:							
Employee contributions	2,402,136	-	-	-	-	-	2,402,136
Employer contributions	-	-	-	-	8,157,474	-	8,157,474
Net investment income	-	-	23,348	-	21,107,271	-	21,130,619
Tax collector contributions	-	-	-	-	813,721	-	813,721
Revenue sharing contributions	-	-	-	-	19,596	-	19,596
Miscellaneous income	-	-	-	-	32,084	-	32,084
Transfer from Annuity Savings	-	-	-	689,460	-	-	689,460
Transfer from Annuity Reserve	-	684,125	-	-	-	-	684,125
Transfer from another system	77,654	-	-	-	75,390	-	153,044
Transfer from other plans	-	-	-	-	12,627	-	12,627
Interest - transfers refund payback	-	-	-	-	161,126	-	161,126
Actuarial transfer	-	-	-	9,220,696	-	13,895,274	23,115,970
	<u>2,479,790</u>	<u>684,125</u>	<u>23,348</u>	<u>9,910,156</u>	<u>30,379,289</u>	<u>13,895,274</u>	<u>57,371,982</u>
EXPENDITURES AND TRANSFERS:							
Refunds to terminated employees	432,093	-	-	-	-	-	432,093
Transfer to Annuity Reserve	689,460	-	-	-	-	-	689,460
Transfer to DROP	-	-	-	684,125	-	-	684,125
Pensions paid	-	-	-	5,151,163	-	-	5,151,163
Transfer to other plans	-	-	-	-	-	-	-
DROP benefits	-	306,628	-	-	-	-	306,628
Administrative expenses	-	-	-	-	139,210	-	139,210
Other postemployment benefits	-	-	-	-	13,542	-	13,542
Depreciation	-	-	-	-	4,512	-	4,512
Transfers to another system	25,553	-	-	-	65,492	-	91,045
Actuarial transfer	-	-	-	-	23,115,970	-	23,115,970
	<u>1,147,106</u>	<u>306,628</u>	<u>-</u>	<u>5,835,288</u>	<u>23,338,726</u>	<u>-</u>	<u>30,627,748</u>
NET INCREASE (DECREASE)	<u>1,332,684</u>	<u>377,497</u>	<u>23,348</u>	<u>4,074,868</u>	<u>7,040,563</u>	<u>13,895,274</u>	<u>26,744,234</u>
BALANCE - ENDING	<u>\$ 16,233,560</u>	<u>\$ 1,994,056</u>	<u>\$ 334,656</u>	<u>\$ 48,742,466</u>	<u>\$ 95,771,055</u>	<u>\$ (1,299,632)</u>	<u>\$ 161,776,161</u>

2009						
ANNUITY SAVINGS	DROP	FUNDING DEPOSIT ACCOUNT	ANNUITY RESERVE	PENSION ACCUMULATION	SURPLUS (UNFUNDED) ACTUARIAL LIABILITY	TOTAL
\$ 13,518,827	\$ 1,516,593	\$ 289,589	\$ 42,924,834	\$ 77,599,670	\$ (26,100,171)	\$ 109,749,342
-	-	-	-	-	-	-
<u>13,518,827</u>	<u>1,516,593</u>	<u>289,589</u>	<u>42,924,834</u>	<u>77,599,670</u>	<u>(26,100,171)</u>	<u>109,749,342</u>
2,286,539	-	-	-	-	-	2,286,539
-	-	-	-	4,838,201	-	4,838,201
-	-	21,719	-	22,965,715	-	22,987,434
-	-	-	-	940,848	-	940,848
-	-	-	-	19,759	-	19,759
-	-	-	-	8,079	-	8,079
-	-	-	566,942	-	-	566,942
-	477,720	-	-	-	-	477,720
61,309	-	-	-	106,067	-	167,376
-	-	-	-	75,779	-	75,779
-	-	-	6,495,570	-	10,905,265	17,400,835
<u>2,347,848</u>	<u>477,720</u>	<u>21,719</u>	<u>7,062,512</u>	<u>28,954,448</u>	<u>10,905,265</u>	<u>49,769,512</u>
387,198	-	-	-	-	-	387,198
566,942	-	-	-	-	-	566,942
-	-	-	477,720	-	-	477,720
-	-	-	4,842,028	-	-	4,842,028
-	-	-	-	463,938	-	463,938
-	377,754	-	-	-	-	377,754
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,659	-	-	-	50,497	-	62,156
-	-	-	-	17,400,835	-	17,400,835
<u>965,799</u>	<u>377,754</u>	<u>-</u>	<u>5,319,748</u>	<u>17,915,270</u>	<u>-</u>	<u>24,578,571</u>
<u>1,382,049</u>	<u>99,966</u>	<u>21,719</u>	<u>1,742,764</u>	<u>11,039,178</u>	<u>10,905,265</u>	<u>25,190,941</u>
<u>\$ 14,900,876</u>	<u>\$ 1,616,559</u>	<u>\$ 311,308</u>	<u>\$ 44,667,598</u>	<u>\$ 88,638,848</u>	<u>\$ (15,194,906)</u>	<u>\$ 134,940,283</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Gwen Le Blanc	\$ 300	\$ 300
Terri Rodrigue	300	300
Tim Ware	300	300
Bob Manuel	225	150
Jerry Milner	<u>300</u>	<u>300</u>
TOTAL	<u>\$ 1,425</u>	<u>\$ 1,350</u>

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES  
DECEMBER 31, 2005 THROUGH 2010

PLAN A				
Year ended <u>12/31</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>	Actuarial Required Contribution <u>Other Sources</u>	Percentage Contributed <u>Other Sources</u>
2005	52,008,446	107.35%	4,268,166	97.33%
2006	58,805,700	89.85%	4,154,451	104.60%
2007	41,756,774	144.45%	4,595,741	105.30%
2008	42,094,094	152.22%	5,223,887	107.67%
2009	81,425,829	79.64%	6,055,964	93.18%
2010	74,313,385	115.00%	6,229,353	96.82%

PLAN B				
Year ended <u>12/31</u>	Actuarial Required Contribution <u>Employer</u>	Percentage Contributed <u>Employer</u>	Actuarial Required Contribution <u>Other Sources</u>	Percentage Contributed <u>Other Sources</u>
2005	3,092,614	103.07%	569,689	101.73%
2006	3,328,612	100.99%	579,586	112.16%
2007	3,331,826	113.36%	647,136	105.30%
2008	3,995,797	109.34%	722,107	85.95%
2009	7,472,030	64.75%	886,003	108.42%
2010	7,043,674	115.81%	921,782	90.40%

For the years ended 2007 through 2008 for both Plans A and B, the actuarially required contribution differs from the actual contribution made due to the System freezing the rate higher than actuarially required. For the years ended 2005, 2006, 2009 and 2010 for both Plans A and B, the actuarially required contribution differs from actual contributions made due to state statute that requires the contributions rate be calculated and set two years prior to the effective year.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS PENSION PLAN  
DECEMBER 31, 2005 THROUGH 2010

PLAN A

	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>Entry Age</u> (b)	Unfunded (Excess) AAL <u>UAAL</u> (b-a)	Funded <u>Ratio</u> (a/b)	Covered <u>Payroll</u> (c)	UAAL as a Percentage of Covered <u>Payroll</u> [(b-a)/c]
12/31/05	1,535,416,950	1,628,327,803	92,910,853	94.29%	429,459,653	21.63%
12/31/06	1,718,754,962	1,808,517,483	89,762,521	95.04%	420,104,038	21.37%
12/31/07	2,027,214,660	2,093,543,018	66,328,358	96.83%	454,741,830	14.59%
12/31/08	1,943,569,363	2,003,951,156	60,381,793	96.99%	511,891,487	11.80%
12/31/09	2,135,230,590	2,188,782,978	53,552,388	97.55%	536,408,372	9.98%
12/31/10	2,259,207,052	2,304,963,509	45,756,457	98.01%	546,737,427	8.37%

PLAN B

	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>Entry Age</u> (b)	Unfunded (Excess) AAL <u>UAAL</u> (b-a)	Funded <u>Ratio</u> (a/b)	Covered <u>Payroll</u> (c)	UAAL as a Percentage of Covered <u>Payroll</u> [(b-a)/c]
12/31/07	\$ 141,756,387	\$ 144,913,286	\$ 3,156,899	97.82%	\$ 62,859,807	5.02%
12/31/08	136,139,102	162,127,929	25,988,827	83.97%	74,891,671	34.70%
12/31/09	150,446,497	171,160,473	20,713,976	87.90%	79,373,895	26.10%
12/31/10	163,075,793	186,118,552	23,042,759	87.62%	81,999,193	28.10%

For Plan B the actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is a different from the actuarial method used for funding purposes. The above schedule of funding progresss is to provide a surrogate for the funding status and funding of the Plan.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST EMPLOYEMENT BENEFIT OBLIGATIONS  
JULY 1, 2007 THROUGH 2009

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u> (a)	Actuarial Accrued Liability <u>Entry Age</u> (b)	Unfunded (Excess) AAL <u>UAAL</u> (b-a)	Funded <u>Ratio</u> (a/b)	Covered <u>Payroll</u> (c)	UAAL as a Percentage of Covered <u>Payroll</u> [(b-a)/c]
07/01/07	-	1,249,800	1,249,800	0.00%	unknown	unknown
07/01/08	-	1,167,300	1,167,300	0.00%	195,900	595.87%
07/01/09	-	1,417,300	1,417,300	0.00%	257,300	550.84%



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

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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

June 23, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Parochial Employees' Retirement System, as of and for the year ended December 31, 2010, which collectively comprise Parochial Employees' Retirement System's basic financial statements and have issued our report thereon dated June 23, 2011. 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 Parochial Employees' Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parochial Employees' Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Parochial Employees' Retirement System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Systems financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified several deficiencies in internal control over financial reporting, noted as 10-01, 10-02 and 10-03, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

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

*Duplantier, Hrapmann, Hogan & Maher, LLP*

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 2010 was unqualified.

2. Internal Control

Material weaknesses: none noted

Significant deficiency: 10-01 through 10-03

10-01 Annuity Savings

During the audit of the System's annuity savings for Plans A and B, it was noted that a detail schedule of annuity savings is not being reconciled with the general ledger. The annuity savings detail report generated from the data base system should be reconciled with the amounts reported on the general ledger. Not reconciling the detail reporting with the general ledger could result in a misstatement of a participant's account. We recommend that the annuity savings detail report per the database system be reconciled with the annuity savings account balance per the general ledger periodically.

10-02 Internal Control

During the audit of the System's internal control, it was noted that an employee posts contributions, enters new employees into the data base system, changes participants status and generates refund and transfer checks. Employees, who post contributions, enter new participants, and change a participant's status, should not generate refund or transfer checks. Instituting conflicting duties could result in a misappropriation of assets. We recommend that an employee with access to create or edit participant accounts not have the ability to generate checks.

10-03 Investments

During the audit of the System's investments it was noted that two wire transfers as a result of investment redemptions were incorrectly recorded in the System's general ledger for Plans A and B. It was also noted that the subsequent allocation of investment transactions was incorrectly applied. Wire transfers from investment redemptions should be reported as a reduction to the investment balance and a transfer to/from the respective Plan. The allocation of investment transactions should reflect each Plan's respective percentage of ownership. As a result of the errors noted, Plan B received funds in excess of their ownership percentage. Investment allocation calculations and journal entries should be reviewed by the CIO to verify that each Plan is receiving their correct ownership percentage in both sales proceeds and investment income.

3. Compliance and Other Matters

Noncompliance material to financial statements: none noted

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010

SUMMARY OF PRIOR YEAR FINDINGS:

09-01 Annuity Savings

During the audit of the System's Annuity Savings account for Plans A and B, it was noted that the transfer of annuity savings balance for new retirees, new DROP and new disability participants per the data base system did not agree with transfers per the general ledger. The transfers per the data base system should be reconciled to the general ledger on a monthly basis. As a result of not reconciling transfers, the Annuity Savings detail report did not agree with the general ledger. This could result in a misstatement of participant's account balance. We recommend that the Annuity Savings Detail Report per the data base system be reconciled with the annuity savings account balance per the general ledger on a monthly basis. A similar finding was made in 2010 as comment 10-01.

# Parochial Employees' Retirement System

OF LOUISIANA

DAINNA S. TULLY, ADMINISTRATIVE DIRECTOR

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June 24, 2011

Duplantier, Hrapmann, Hogan & Maher  
Attn: Ms. Michelle Cunningham  
1340 Poydras St., Suite 2000  
New Orleans, LA 70112

RE: Response to Exit Conference Report

Dear Michelle:

Please let this letter serve as our response to the findings cited during our exit conference on June 22, 2011. I will respond to each finding in the order listed in the exit conference report:

1. Annuity Savings

Our office will work with Trabeau Consulting to develop reports which will help reconcile the annuity savings fund with the general ledger.

2. Internal Control

Due to the limited number of staff, it is not possible to separate the duties requested. In lieu of separating these duties, the Administrative Director will review and approve all refunds of member contributions and all payments for actuarial transfer of service.

3. Investments

The Chief Investment Officer will review all Excel spreadsheets to determine if the allocation shown reflects each plan's respective percentage of ownership.

If you require additional information concerning these responses, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Dainna S. Tully".

Dainna S. Tully  
Administrative Director