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State of Louisiana
School Employees' Retirement System
June 30, 1997 .

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Release Date OCT 22 1997

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RETIRED

August 20, 1997

Independent Auditor's Report

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

Members of the Board:

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

State of Louisiana School Employees' Retirement System

as of June 30, 1997 and June 30, 1996, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the State of Louisiana School Employees' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the State of Louisiana School Employees' Retirement System as of June 30, 1997 and June 30, 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 1997 on our consideration of the State of Louisiana School Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying supplemental information as of and for the year ended June 30, 1997 is presented for the purpose of additional analysis and is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Yours truly,

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

**State of Louisiana
School Employees' Retirement System
Statement of Plan Net Assets
June 30, 1997 and June 30, 1996**

Assets	<u>1997</u>	<u>1996</u>
Cash and Cash Equivalents	<u>\$275,183</u>	<u>\$215,866</u>
Receivables		
Member contributions	2,191,024	2,052,148
Employer contributions	1,978,578	1,812,406
Accrued interest and dividends	8,532,756	9,157,623
Investment sale proceeds	11,515,148	4,322,475
Other	<u>366</u>	<u>4,024</u>
Total receivables	<u>24,217,872</u>	<u>17,348,676</u>
Investments, at Fair Value		
U. S. Government obligations	175,444,765	178,700,737
Bonds	392,901,630	373,198,069
Marketable securities		
Domestic	564,398,687	425,698,438
Foreign	67,469,811	54,556,493
Short term investments	50,247,000	57,171,656
Collateral held under securities lending program	<u>275,320,857</u>	<u>205,214,216</u>
Total investments	<u>1,525,782,750</u>	<u>1,294,539,609</u>
Property and Equipment, at cost		
Building	5,329,911	5,311,836
Land	1,464,837	1,464,837
Furniture and equipment	<u>503,202</u>	<u>432,353</u>
	7,297,950	7,209,026
Less accumulated depreciation	<u>562,158</u>	<u>388,007</u>
Total property and equipment	<u>6,735,792</u>	<u>6,821,019</u>
 Total assets	 <u>1,557,011,597</u>	 <u>1,318,925,170</u>
Liabilities		
Accounts payable	816,455	690,879
Investment commitments payable	9,629,521	9,980,933
Obligations under securities lending program	275,320,857	205,214,216
Accrued expenses and benefits	<u>158,270</u>	<u>525,212</u>
Total liabilities	<u>285,925,103</u>	<u>216,411,240</u>
 Net assets held in trust for pension benefits (a schedule of of funding progress for the Plan is presented on Page 17	 <u>1,271,086,494</u>	 <u>1,102,513,930</u>

The accompanying notes are an integral part of these statements.

**State of Louisiana
School Employees' Retirement System
Statement of Changes in Plan Net Assets
Years Ended June 30, 1997 and June 30, 1996**

	<u>1997</u>	<u>1996</u>
Additions		
Contributions		
Members	\$13,873,112	\$13,671,636
Employers	<u>13,200,462</u>	<u>12,816,141</u>
Total contributions	<u>27,073,574</u>	<u>26,487,777</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	153,309,409	55,778,076
Interest	54,847,218	53,164,737
Dividends	7,545,969	7,209,285
Other operating revenue	<u>628,977</u>	<u>408,706</u>
	216,331,573	116,560,804
Less Investment Expense	<u>15,167,077</u>	<u>14,579,588</u>
Net investment income	<u>201,164,496</u>	<u>101,981,216</u>
Total additions	<u>228,238,070</u>	<u>128,468,993</u>
Deductions		
Retirement benefits	55,816,364	51,659,769
Refunds of employee contributions	2,112,016	2,301,809
Administrative expenses	<u>1,737,126</u>	<u>1,613,931</u>
Total deductions	<u>59,665,506</u>	<u>55,575,509</u>
Net Increase	168,572,564	72,893,484
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>1,102,513,930</u>	<u>1,029,620,446</u>
End of Year	<u>1,271,086,494</u>	<u>1,102,513,930</u>

The accompanying notes are an integral part of these statements.

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 1-Plan Description

The State of Louisiana School Employees' Retirement System ("the Plan") is the administrator of a cost-sharing multiple-employer defined benefit plan and is a component unit of the State of Louisiana included in the State's CAFR as a Pension Trust Fund. The Plan was established and provided for by R.S. 11:1001 of the Louisiana Revised Statutes. The accompanying statements present information only as to transactions of the program of the Plan as authorized by Louisiana Revised Statutes. For the years ended June 30, 1997 and 1996, the local government contributors consisted of 66 school boards and 8 other agencies contributing to the Plan.

The Plan provides retirement benefits for non-teacher school employees excluding those classified as lunch workers within the public educational system of Louisiana. At June 30, 1997 and June 30, 1996, plan membership consisted of:

	<u>1997</u>	<u>1996</u>
Retirees and beneficiaries currently receiving benefits	7,960	7,531
Terminated employees entitled to benefits but not yet receiving them	104	129
Terminated vested employees who have not withdrawn contributions	797	623
Current active employees		
Vested	7,636	7,509
Nonvested	<u>6,939</u>	<u>7,454</u>
 <u>Total participants</u>	 <u>23,436</u>	 <u>23,246</u>

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

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

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

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

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 1-Plan Description (Continued)

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

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

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

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

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

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

Effective January 1, 1996, the state legislature authorized the Plan to establish an Option 5 program. Option 5 is available to members who have not participated in the DROP and who select the maximum benefit, Option 2 benefit, Option 3 benefit or Option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The Option 5 program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from the Option 5 account are made in accordance with the DROP account, Louisiana Revised Statutes 11:450(A)(1).

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 2-Summary of Significant Accounting Policies

Financial Reporting Entity

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

In determining financial accountability for legally separate organizations, the Plan considered whether its officials appoint a voting majority of an organization's governing body and whether they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on, the Plan. The Plan also considered whether there are organizations that are fiscally dependent on it. There are no component units of the Plan.

Basis of Accounting

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

Interest income is recognized when earned.

Dividends are recognized at the declaration date.

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

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

Expenditures are recognized in the period incurred.

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

Estimates

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

Securities

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 2-Summary of Significant Accounting Policies (Continued)

Securities (Continued)

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

Property and Equipment

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

Note 3-Contributions

Plan members are required to contribute 6.35% of their annual covered salary. Participating school boards are required to contribute at an actuarially determined rate, which was 6.0% for 1997 and 1996. Per LRS11:1193, contribution requirements of the Plan members and the participating employers are established and may be amended by the Plans Board of Trustees. Administrative cost of the Plan are financed through investment earnings.

Note 4-Deposits and Investments

In accordance with LRS 11:263, the Plan is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of the Plan "shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income." Notwithstanding the Prudent-Man Rule, the Plan shall not invest more than sixty-five percent of the total portfolio in equity investments. However, the Plan's internal investment policy limits the portion of the portfolio that can be invested in equity investment to fifty-five percent.

Deposit Balances

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

**State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997**

Note 4-Deposits and Investments (Continued)

Deposit Balances (Continued)

	<u>1997</u>		
	<u>Cash</u>	<u>Certificates Of Deposit (Describe)</u>	<u>Other Total</u>
Carrying Amount on Statement of Plan Net Assets	<u>\$275,183</u>		<u>\$275,183</u>
Bank Balances:			
a) Insured or collateralized with securities held by the entity or its agent in the entity's name	377,907		377,907
b) Collateralized with securities held by financial institution's trust department or agent in the entity's name			
c) Uncollateralized, including any securities held for the entity but not in the entity's name	_____		_____
<u>Total bank balance</u>	<u>377,907</u>		<u>377,907</u>

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

Investments

The Plan's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Plan's name.

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 4-Deposits and Investments (Continued)

Investments (Continued)

	<u>1997</u>			<u>Carrying Amount And Fair Market Value</u>
	<u>Category</u>	<u>2</u>	<u>3</u>	
	<u>1</u>			
FHLMC & GNMA mortgage backed securities	\$209,314,012			\$209,314,012
U.S. Government obligations and U.S. Government Agency obligations				
Not on securities loan	1,766,348			1,766,348
Collateral or letters of credit	16,497,740			16,497,740
Corporate and Municipal Bonds				
Not on securities loan	154,520,114			154,520,114
Collateral or letters of credit	2,774,362			2,774,362
Domestic Common and Preferred Stock				
Not on securities loan	472,565,798			472,565,798
Collateral or letters of credit	8,713,522			8,713,522
International Common Stock				
Not on securities loan	56,916,576			56,916,576
Collateral or letters of credit	926,024			926,024
Short Term Investments	50,247,000			50,247,000
Futures & Options	899,540			899,540
U.S. Government Obligations and U.S. Government Agency obligations	157,180,677			157,180,677
Corporate and Municipal Bonds	26,293,142			26,293,142
Domestic Common and Preferred Stock	83,119,367			83,119,367
International Common Stock	8,727,671			8,727,671
Securities lending Short-Term Investment Pool	<u>275,320,857</u>			<u>275,320,857</u>
<u>Total</u>	<u>1,525,782,750</u>			<u>1,525,782,750</u>

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 4-Deposits and Investments (Continued)

Investments (Continued)

	<u>1996</u>			<u>Carrying Amount And Fair Market Value</u>
	<u>Category</u>	<u>2</u>	<u>3</u>	
	<u>1</u>			
FHLMC & GNMA mortgage backed securities	\$188,882,124			\$188,882,124
U.S. Government obligations and U.S. Government Agency obligations.				
Not on securities loan	21,295,376			21,295,376
Collateral or letters of credit	31,568,003			31,568,003
Corporate and Municipal Bonds				
Not on securities loan	160,384,960			160,384,960
Collateral or letters of credit	4,681,892			4,681,892
Domestic Common and Preferred Stock				
Not on securities loan	364,237,627			364,237,627
Collateral or letters of credit	12,004,185			12,004,185
International Common Stock				
Not on securities loan	44,852,787			44,852,787
Collateral or letters of credit	1,584,911			1,584,911
Short Term Investments	57,171,656			57,171,656
Futures & Options	1,551,940			1,551,940
U. S. Government Obligations and U. S. Government Agency Obligations	125,837,358			125,837,358
Corporate and Municipal Bonds	19,249,093			19,249,093
Domestic Common and Preferred Stock	49,456,626			49,456,626
International Common Stock	6,566,855			6,566,855
Securities Lending Short-Term Investment Pool	<u>205,214,216</u>			<u>205,214,216</u>
<u>Total</u>	<u>1,294,539,609</u>			<u>1,294,539,609</u>

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 5-Security Lending Transactions

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

All security loans can be terminated on demand by either the Plan or the borrower, although the average term of a loan is 10 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted-average maturity of twenty-eight days. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the security loans made by other entities that use the agent's pool, which the Plan cannot determine. The Plan cannot pledge or sell collateral securities received unless the borrower defaults. There were no significant violations of legal or contractual provisions, nor borrower or lending agent default losses known to the securities lending agent as of June 30, 1997 and June 30, 1996.

Note 6-Derivatives

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

1. Principal-Only Strips

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

State of Louisiana
School Employees' Retirement System
Notes to Financial Statements
June 30, 1997

Note 6-Derivatives (Continued)

2. Collateralized Mortgage Obligations

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

3. Forward Foreign Exchange Contracts

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

Note 7-Per Diem Paid to Board Members

Per diem paid to board members, as presented in page 20, was established at \$75.00 per day in accordance with Louisiana Revised Statute 42:700.2.

Note 8-Supplementary Information

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

Supplemental Information

**State of Louisiana
School Employees' Retirement System
Schedule of Employer Contributions
June 30, 1997**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
1992	\$11,041,033	\$13,262,342	120.1%
1993	12,241,348	11,983,380	96.5%
1994	11,591,250	12,581,273	108.5%
1995	12,241,039	12,135,206	99.02%
1996	12,918,080	12,816,141	99.2%
1997	13,108,452	13,200,462	100.7%

**State of Louisiana
School Employees' Retirement System
Schedule of Trend Data
June 30, 1997**

The information presented in the required supplementary schedules was determined from the actuarial valuations at the dates indicated. Additional information as of the actuarial valuation date of June 30, 1997 follows:

Valuation date	June 30, 1997
Actuarial cost method	Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	32 Years
Asset valuation method	Bonds are valued at amortized cost. For the Plan Year ending June 30, 1990 equities are valued at a four year weighted average. The computation of the actuarial value of assets is the sum of the bonds at amortized cost, less a weighted average of unrealized losses or (gains) in the market value of equities, plus the market value of equities. This value is determined in accordance with Reg.1.412(c)(2)-1-(6) & (7) of the Internal Revenue Service Code and is subject to the Corridor Limits defined therein.

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	The rate of annual salary growth is based on 1981-1986 salary scale experience of the Plan. The rates were smoothed then the table was increased by .5% at all durations to account for the continuing affects of inflation
Cost of living adjustments	3.0%

State of Louisiana
School Employees' Retirement System
Schedule of Per Diem Paid Trustees
Year Ended June 30, 1997

	Number of Meetings	Amounts		Total
		Meetings	Travel	
Trustee				
Howard Broussard	16	\$1,200	\$782	\$1,982
Lee R. Darbonne	9	675	418	1,093
Betty Jacobs	15	1,125	-0-	1,125
Sylvia Myers	14	1,050	994	2,044
Joe Seymour	10	750	1,150	1,900
Boyd Zitzmann	16	<u>1,200</u>	<u>1,286</u>	<u>2,486</u>
Totals		<u>6,000</u>	<u>4,630</u>	<u>10,630</u>

The Board holds regular two-day meetings each quarter, and one-day Investment Committee meetings during the months those regular meetings are not held.

State of Louisiana
School Employees' Retirement System
Schedule of U.S. Government Obligations
June 30, 1997

	Interest Rate	Due Date	Par Value	Fair Value
<u>U. S. Government Agency</u>				
Federal Home Loan Bank	6.225	10/24/2005	2,500,000	\$2,410,550
FNMA	6.25	08/12/2003	3,000,000	2,903,910
FNMA	6.4	09/27/2005	4,350,000	4,241,250
				<u>9,555,710</u>
 <u>U. S. Government Obligations</u>				
U.S. Treasury Bonds	12.75	11/15/2010	1,300,000	1,803,958
U.S. Treasury Bonds	7.125	02/15/2023	4,000,000	4,120,000
U.S. Treasury Bonds	6.25	08/15/2023	4,500,000	4,166,010
U.S. Treasury Bonds	6.625	02/15/2027	13,050,000	12,768,642
U.S. Treasury Notes	6.25	02/28/2002	4,800,000	4,772,976
U.S. Treasury Notes	6.625	04/30/2002	5,000,000	5,046,100
U.S. Treasury Notes	6.625	05/15/2007	3,600,000	3,629,808
U.S. Treasury Notes	6.5	05/31/2002	24,500,000	24,599,470
U.S. Treasury Notes	7	04/15/99	17,400,000	17,674,572
U.S. Treasury Notes	7.25	05/15/2004	10,250,000	10,683,985
U.S. Treasury Notes	6.875	07/31/99	11,250,000	11,413,462
U.S. Treasury Notes	7.875	11/15/2004	7,325,000	7,905,287
U.S. Treasury Notes	6.125	05/15/98	6,750,000	6,770,048
U.S. Treasury Notes	6.25	08/31/2000	2,500,000	2,498,425
U.S. Treasury Notes	6.25	04/30/2001	9,700,000	9,672,743
U.S. Treasury Notes	7	07/15/2006	9,250,000	9,515,938
U.S. Treasury Notes	6.125	08/31/98	23,050,000	23,107,625
U.S. Treasury Notes	6.375	09/30/2001	3,500,000	3,500,560
U.S. Treasury Notes	6.25	10/31/2001	2,250,000	2,239,448
				<u>165,889,055</u>
 Total U.S. Government Obligations				 <u>175,444,765</u>

State of Louisiana
School Employees' Retirement System
Schedule of Bonds
June 30, 1997

	Interest Rate	Due Date	Par Value	Fair Value
Corporate Bonds				
Alltel Corp	6.5	11/01/2013	2,500,000	2,310,625
Associate Corporation N.A.	6.4	10/20/2002	2,300,000	2,254,598
Associates Corporation	9.125	04/01/2000	2,500,000	2,658,875
Associates Corp North America	5.96	05/15/2037	2,250,000	2,270,543
Bankamerica Corporation	9.7	08/01/2000	2,500,000	2,705,850
Boeing Co.	7.95	08/15/2024	3,300,000	3,603,732
Cit Group Holdings	6.98	03/01/2004	5,000,000	4,977,550
Chase Manhattan Corp - New	6.5	08/01/2005	2,065,000	1,994,749
Chesapeake & Potomac Of Maryland	7.25	02/01/2012	1,000,000	954,320
Citicorp	7.125	09/01/2005	3,250,000	3,256,793
Commercial Credit Co	7.375	03/15/2002	5,000,000	5,108,400
Commonwealth Edison	3.875	01/01/2008	2,320,000	1,749,350
Dean Witter Discover	6.875	03/01/2003	3,375,000	3,370,815
Dean Witter Discover	6.75	01/01/2016	2,000,000	1,841,860
Ford Motor Company	7.7	05/15/2097	4,000,000	4,031,360
Ford Motor Credit	7.75	11/15/2002	1,000,000	1,038,530
Ford Motor Credit Corporation	8.2	02/15/2002	5,000,000	5,271,950
Ford Motor Credit Company	6.25	11/08/2000	2,000,000	1,976,520
Ford Motor Credit Co	6.25	12/08/2005	4,000,000	3,785,240
GMAC	6.625	10/15/2005	3,000,000	2,903,040
General Motors Acceptance Corporation	8.75	07/15/2005	1,000,000	1,095,640
General Motors Acceptance Corporation	7	09/15/2002	1,000,000	1,006,920
GMAC	6.75	10/06/2003	4,000,000	3,950,080
Georgia Power Co	7.55	08/01/2023	3,000,000	2,887,560
Hilton Hotels Corp	7.375	06/01/2002	2,500,000	2,517,925
International Lease Finance Corp	7	05/15/2000	5,000,000	5,057,300
Lockheed Martin Corp.	7.2	05/01/2036	3,000,000	3,077,460
Louisiana Land & Exploration	7.625	04/15/2013	5,000,000	5,043,100
Lucent Technologies	7.25	07/15/2006	3,000,000	3,062,250
Merck & Co Medium Term Notes	5.76	05/03/2037	1,500,000	1,515,285
Merrill Lynch & Co Inc	6.64	09/19/2002	3,000,000	2,979,270
Michigan Bell	7.5	02/15/2023	3,000,000	2,956,380
Nabisco Inc	7.05	07/15/2007	3,000,000	2,951,640
National Re Corporation	8.85	01/15/2005	2,500,000	2,758,125
Nationsbank Corp	7.625	04/15/2005	5,000,000	5,161,900
Nike Inc Notes	6.375	12/01/2003	2,160,000	2,111,335
Old Republic Intl Corp	7	06/15/2007	1,400,000	1,389,486
Penney J.C. & Co.	7.125	11/15/2023	3,000,000	2,796,540
Phillips Petroleum Company	8.49	01/01/2023	5,000,000	5,209,500
Royal Caribbean Cruises	8.25	04/01/2005	3,606,000	3,800,039
Sears Roebuck Acceptance	6.5	06/15/2000	3,000,000	2,990,490
Southern California Gas	7.375	03/01/2023	1,500,000	1,425,165

**State of Louisiana
School Employees' Retirement System
Schedule of Bonds
June 30, 1997**

	Interest Rate	Due Date	Par Value	Fair Value
Corporate Bonds (Continued)				
Time Warner Inc	8.18	08/15/2007	2,500,000	2,602,775
Time Warner Entertainment Sr Deb	8.375	03/15/2023	7,000,000	7,188,930
Usl Capital Corporation	8.125	02/15/2000	2,000,000	2,074,420
Union Electric Co.	6.875	08/01/2004	1,000,000	998,900
US West Cap Funding Inc	6.31	11/01/2005	5,000,000	4,932,700
Virginia Electric & Power Co	8.625	10/01/2024	3,500,000	3,735,235
Weyerhaeuser Co	7.125	07/15/2023	2,500,000	2,357,950
Total Corporate Bonds				<u>147,698,998</u>
Municipal Bonds				
Perdernes Electric Cooperative	10.875	09/01/2017	1,000,000	1,066,990
Total Municipal Bonds				<u>1,066,990</u>
Private Placements				
Enterprise Rent-A-Car	6.95	03/01/2004	7,000,000	6,946,030
First Hawaiian Cap I	8.343	07/01/2027	9,000,000	9,000,000
World Financial Property	6.95	09/01/2013	7,750,000	7,714,350
Total Private Placements				<u>23,660,380</u>
Trust Capital Securities				
NGC Corporation Cap Tr	8.316	06/01/2027	4,000,000	4,136,400
Total Trust Capital Securities				<u>4,136,400</u>
Foreign Bonds				
Corporaci Andina De Fomen	7.25	03/01/2007	7,000,000	7,024,850
Total Foreign Bonds				<u>7,024,850</u>
Collateralized Mortgage Obligations				
Chase Manhattan Grantor Trust	5.2	02/15/2002	4,564,605	4,516,083
FHLMC Series 1326	7	05/15/2019	2,900,000	2,882,774
FHLMC Remic 1543-TM	7	10/15/2022	5,000,000	4,995,300
FHLMC Remic 1611 KA	6.5	08/15/1998	954,310	954,310
FHLMC Remic 1838E	6.5	12/15/2008	3,175,000	3,097,594
FHLMC Remic 1914-AC	7	12/15/2011	2,500,000	2,407,800
FHLMC 1929-NC	7.5	01/15/2020	3,000,000	3,018,201
FNMA Remic 1992-G41 PS	8.4	12/25/2020	3,000,000	3,166,860
FNMA Remic 1991-173 PH	6.95	11/25/2020	3,000,000	3,006,540

**State of Louisiana
School Employees' Retirement System
Schedule of Bonds
June 30, 1997**

	Interest Rate	Due Date	Par Value	Fair Value
<u>Collateralized Mortgage Obligations (Continued)</u>				
FNMA Remic 1992-14H	7	09/25/2006	3,000,000	3,000,000
FNMA Remic 1992-157B	7	12/25/2005	3,000,000	3,020,610
FNMA Remic G-92 - 53 J	7	09/25/2022	3,000,000	2,909,040
FNMA Remic 1993-13Z	6.5	02/25/2000	2,648,660	2,623,815
FNMA Remic 1993-194E	5.7	06/25/2008	1,472,632	1,409,411
FNMA Remic 1993-225VD	5.75	06/01/2010	2,000,000	1,963,120
FNMA TR Series 1996-53 Class M	6.5	12/18/2011	3,500,000	3,314,380
FNMA 1997-1B	6.5	02/18/2004	2,100,000	2,063,137
FNMA Remic 1997-25VB	7	09/18/2012	3,750,000	3,712,016
Total Collateralized Mortgage Obligations				52,060,991
<u>Federal Home Loan Mortgage Corporation</u>				
31283GPR2 FHLMC GO-0432	8	01/01/2026	4,705,378	4,820,754
31283JTV3 FGMLC G10564	7	08/01/2011	9,255,478	9,254,460
31335GPW9 FGLMC C80437	9	07/15/2026	1,508,852	1,593,725
Total Federal Home Loan Mortgage Corporation				15,668,939
<u>Federal National Mortgage Association</u>				
FNMA 250200	9	01/01/2025	501,569	530,093
FNMA 250030	7	05/01/2024	3,833,760	3,777,480
FNMA 250769	7	12/01/2011	11,571,481	11,546,140
FNMA 296823	9	12/01/2024	420,457	444,368
FNMA 297999	9	11/01/2024	3,106,131	3,282,777
FNMA 299371	9	12/01/2024	379,973	401,158
FNMA 300178	9	12/01/2024	3,570,216	3,773,255
FNMA 303909	7	05/01/2026	6,437,650	6,343,145
FNMA 303890	7	05/01/2026	9,487,681	9,309,787
FNMA 303943	6.5	06/01/2011	18,149,186	17,814,515
FNMA 303945	7	12/01/2010	5,387,041	5,402,179
FNMA 362679	7	10/01/2011	3,815,006	3,812,984
Total Federal National Mortgage Association				66,437,882
<u>Government National Mortgage Association</u>				
GNMA 352120	6.5	08/15/2008	757,160	748,877
GNMA 352940	6	04/15/2009	1,613,011	1,569,653
GNMA 35477	6.5	03/15/2009	3,534,886	3,495,648
GNMA 354799	6	04/15/2009	3,722,629	3,622,564
GNMA 355881	6.5	06/15/2009	730,717	722,606
GNMA 355875	6.5	04/15/2009	1,482,895	1,466,435

**State of Louisiana
School Employees' Retirement System
Schedule of Bonds
June 30, 1997**

	Interest Rate	Due Date	Par Value	Fair Value
<u>Government National Mortgage Association (Continued)</u>				
GNMA 360836	6.5	03/15/2009	1,293,215	1,278,861
GNMA 361798	6.5	09/15/2008	1,396,321	1,381,045
GNMA 364955	6.5	03/15/2009	1,475,572	1,459,194
GNMA 366072	6.5	05/15/2009	587,959	581,433
GNMA 366217	6.5	10/01/2008	694,929	687,216
GNMA 370960	6.5	12/15/2008	672,513	665,048
GNMA 376863	6.5	10/01/2008	1,289,913	1,275,802
GNMA 377990	6	04/15/2009	805,426	783,777
GNMA 384004	7	03/15/2009	1,487,067	1,497,283
GNMA 385492	6	04/15/2009	795,585	774,200
GNMA 385666	6.5	04/15/2009	729,356	721,260
GNMA 386521	6.5	07/15/2009	654,493	647,228
GNMA 387191	6.5	02/15/2009	746,334	738,050
GNMA 387209	6	04/15/2009	810,671	788,880
GNMA 392903	9	01/15/2025	1,124,278	1,188,912
GNMA 408175	7	12/15/2025	959,080	941,989
GNMA 408844	7	11/15/2025	994,936	977,207
GNMA 415029	7	01/15/2026	984,508	966,354
GNMA 417392	7.5	05/15/2026	4,323,061	4,335,209
GNMA 423825	8	06/15/2026	2,843,348	2,909,086
GNMA 426366	7	01/15/2026	995,271	976,918
GNMA 426408	7	02/15/2026	1,007,732	989,149
GNMA 140305	11	11/15/2015	41,716	46,888
GNMA 209750	9	06/15/2017	157,058	168,640
GNMA 196068	8	04/15/2017	327,921	339,992
GNMA 201202	9	01/15/2017	294,333	316,037
GNMA 238006	8	02/15/2018	994,892	1,029,892
GNMA 231923	8	07/15/2017	416,069	431,385
GNMA 293329	9.5	08/15/2020	81,401	88,158
GNMA 293326	9	08/15/2020	125,743	134,484
GNMA 296406	10	11/15/2020	50,552	55,717
GNMA 288373	9	05/15/2020	187,646	200,691
GNMA 291014	9.5	08/15/2020	22,085	23,918
GNMA 306559	8.5	01/15/2022	2,767,530	2,896,386
GNMA 319273	8.5	11/15/2021	3,174,880	3,331,624
GNMA 780350	6.5	05/15/2009	6,694,059	6,619,755
Total Government National Mortgage Association				53,873,448

**State of Louisiana
School Employees' Retirement System
Schedule of Bonds
June 30, 1997**

	Interest Rate	Due Date	Par Value	Fair Value
<u>Other Asset Backed Securities</u>				
Bank One Auto Trust	7.05	08/15/98	8,000,000	8,040,000
Discover Card Trust 1991-D	8	10/15/98	3,750,000	3,816,788
Gmac Grantor Trust 1993-B Class A	4	09/15/98	194,182	193,211
Olympic Automobile Receivables Trust	6	06/15/2002	3,000,000	2,950,540
Signet Credit Card 93-1A	5.2	02/15/2002	5,000,000	4,942,150
Total Other Asset Backed Securities				<u>19,942,688</u>
<u>Principal Only Strips</u>				
Collateralized Mortgage Securities Corp		03/01/2002	265,312	257,517
FNMA Remic CI B Series 1992-167		10/25/2021	713,227	634,993
FNMA Remic CI B		07/25/2020	476,899	437,554
Total Principal Only Strips				<u>1,330,064</u>
Total Bonds				<u>392,901,630</u>

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Acc Corp.	12,500	\$385,938
Aflac Inc.	7,800	368,550
Agco Corp	19,300	693,584
Amr Corp	8,800	814,000
American Telephone & Telegraph	6,800	238,422
Accustaff Inc.	27,200	644,286
Adobe Systems Inc	127,900	4,484,430
Aeroquip Vickers Inc	24,000	1,134,000
Affiliated Computer Svcs - A	20,300	568,400
Air Express International Cp	11,600	461,100
Allegiance Corporation	59,200	1,613,200
Allied Signal Inc Com	5,300	\$445,200
Allied Waste Industries, Inc.	80,000	1,390,000
Allstate Corp	10,200	744,600
American Express Co	37,500	2,793,750
American General Corp	17,000	811,750
American Greetings Corporation	19,800	735,075
American Home Prods Corp	16,100	1,231,650
American Homepatient Inc	11,700	292,500
American International Group	28,250	4,219,844
American Management Systems	24,700	660,725
American Pad & Paper Co.	45,000	759,375
American Power Conversion	33,200	630,800
American Radio Systems Corp.	17,400	693,825
American Stores Co.	6,400	316,000
Americredit Corp	22,900	480,900
Amerin Corp.	40,800	989,400
Amerisource Health Corp-CI A	24,200	1,206,975
Ameritech Corporation	26,100	1,773,156
Ametek Inc.	19,800	465,300
Amgen, Inc.	36,800	2,139,000
Amoco Corporation	12,600	1,095,406
Amsouth Bancorporation	43,200	1,633,478
Anadarko Petroleum Corporation	30,000	1,800,000
Anntaylor Stores Corp.	17,200	335,400
Apache Corporation	43,200	1,404,000
Applied Materials Inc.	94,400	6,684,653
Arch Communications Group Inc.	29,600	225,700
Atlantic Richfield Co Com	15,800	1,113,900
Auxpex Systems, Inc.	90,300	869,138
Avon Prods Inc Com	13,700	966,699
Ba Merchant Services Inc. - A	15,400	293,555
Bdm International Inc.	12,000	276,000
Bisys Group Inc	22,700	947,725

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Bmc Software	26,800	1,484,050
Bacou Usa, Inc.	19,200	312,000
Baldwin Technology Co -Cl A	135,300	388,988
Banctec Inc	35,000	918,750
Bankamerica Corp	82,000	5,294,084
Bear Stearns Cos., Inc.	30,080	1,028,345
Bell & Howell Company	6,900	212,603
Bell Atlantic Corp.	19,600	1,487,150
Bellsouth Corporation	25,000	1,159,375
Bergen Brunswig Corp.	65,375	1,838,672
Black & Decker Corporation	144,200	5,362,365
Black Box Corporation	17,500	\$704,375
E. W. Blanch Holdings Inc.	42,300	1,128,860
Boeing Co.	60,800	3,226,170
Borders Group, Inc.	40,400	974,650
Borg-Warner Security	15,300	814,725
Boston Edison Company	14,000	369,250
Bowne & Co., Inc.	13,800	481,275
Bristol-Myers Squibb Co	105,300	8,529,300
Budget Group, Inc.	23,200	800,400
Burlington Inds Inc.	13,800	165,600
Burlington Northern Santa Fe	31,500	2,831,063
Burr-Brown Corp.	16,100	555,450
Cigna Corp	10,700	1,899,250
Cnf Transportation, Inc.	105,000	3,386,250
Csx Corporation	13,200	732,600
Cuc International Inc.	85,000	2,194,020
Cable Design Technologies	5,000	147,185
Calenergy Inc.	22,000	836,000
Calpine Corporation	31,400	596,600
Campbell Soup	10,000	500,000
Canandaigua Wine Co Inc Cl A	7,200	244,800
Capital Re Corp.	6,500	347,750
Capsure Holdings Corp.	48,600	628,738
Casey'S General Stores Inc.	29,500	635,165
Caterpillar Inc.	25,200	2,705,850
Century Telephone Enterprises	27,200	916,286
Chase Manhattan Corp	2,900	281,480
Chicago Bridge & Iron - Ny Shr	21,800	482,325
Cidco Inc	22,200	305,250
Cisco Systems, Inc.	61,100	4,101,338
Citicorp	39,100	4,713,974
Clorox Company	30,000	3,965,610
Coca-Cola Company Com	89,800	6,106,400

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Cognex Corp	33,500	887,750
Coleman Co., Inc.	22,200	382,950
Comdisco, Inc.	9,150	237,900
Comerica, Inc.	27,400	1,863,200
Commerce Bancorp Inc. Nj	10,257	397,459
Compaq Computer Corp	24,000	2,388,000
Computer Associates Int'L	163,650	9,113,178
Computer Sciences Corp	35,000	2,524,375
Compuware Corp.	18,100	864,275
Conagra Inc	5,500	353,029
Consolidated Edison Co N Y Inc	18,300	538,697
Continental Airlines-CI B	85,000	\$2,969,645
Cooper Inds Inc	16,000	796,000
Corvel Corp	28,200	810,750
Costco Companies Inc	49,100	1,614,163
Credence Systems Corp.	23,700	709,507
Crompton & Knowles	159,800	3,555,550
Cross Timbers Oil Co.	10,950	210,788
Crown Cork & Seal, Inc.	51,000	2,725,287
Culligan Water Technologies	6,500	290,875
Dqe, Inc.	25,500	720,375
Dal-Tile International Inc.	16,500	306,273
Dayton Hudson Corporation	23,600	1,255,213
Dell Computer Corporation	9,800	1,150,883
Delphi Financial Group - CI A	16,728	644,028
Dentsply International Inc	31,375	1,537,375
Devry Inc.	14,700	396,900
Diamond Offshore Drilling	48,000	3,738,000
Dillard's Inc - CI A	31,900	1,104,538
Walt Disney Co	7,100	569,775
Dominick's Supermarkets Inc	26,100	694,913
Dow Chemical	22,800	1,980,750
Dresser Industries, Inc.	16,800	625,800
Dupont (Ei) De Nemours & Co.	120,200	7,557,575
Durco International Inc	22,100	646,425
E G & G, Inc.	28,600	643,500
Emc Corp/Mass	144,300	5,627,700
Easco Inc.	39,400	384,150
Eastman Kodak Co Com	48,000	3,684,000
Ecolab Inc	11,300	539,575
Electronic Data Systems Corp	50,000	2,059,350
Electronics For Imaging	8,000	378,000
Emerson Elec Co	12,800	704,794
Enhance Financial Svcs Group.	12,200	535,275

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Enron Corporation	85,000	3,469,020
Essex International Inc.	20,300	565,863
Everest Reinsurance Holdings	24,700	978,738
Evergreen Media Corp-Cl A	15,350	684,994
Exar Corp.	37,400	804,100
Exxon Corp Com	81,100	4,967,375
Federal Express Corp.	71,000	4,109,125
Federal National Mortgage Association	90,000	3,926,250
Federated Department Stores	88,100	3,061,475
Finova Group Inc.	8,900	680,850
First Union Corporation	14,800	1,369,000
Fleet Financial Group	62,000	\$3,921,500
Footstar Inc.	19,200	501,600
Ford Motor Company	50,100	1,903,800
Fort Howard Corp.	27,400	1,387,125
Franklin Resources Inc	7,100	515,190
Fusion Systems Corp	7,850	310,562
G & K Services Inc. - Cl A	13,100	487,975
Gte Corp	25,300	1,110,038
Gateway 2000 Inc.	15,300	497,250
General Cable Corp.	9,500	243,438
General Dynamics Corporation	21,800	1,635,000
General Electric Co	139,600	9,074,000
General Motors Corp	62,000	3,456,500
Georgia Gulf Corporation	82,000	2,383,084
Georgia Pacific	38,800	3,312,550
Gillette Co.	41,500	3,932,125
Glenayre Technologies, Inc.	17,100	280,013
Greentree Financial Corp	37,000	1,318,125
Gryphon Holdings, Inc.	32,500	495,625
Guidant Corporation	36,662	3,116,270
Halliburton Co.	11,400	903,450
Harland (John H.) Co.	10,800	246,370
Harras's Entertainment Inc	138,000	2,484,000
Harsco Corp.	80,000	3,240,000
H J Heinz Co	10,500	484,313
Hewlett - Packard	14,800	828,800
Hollinger International Inc.	66,800	747,292
Home Depot, Inc.	62,000	4,278,000
Horace Mann Educators	25,500	1,249,500
Houghton Mifflin	14,000	934,500
Hughes Supply, Inc.	6,100	244,000
Imc Global, Inc.	11,900	416,500
Illinois Tool Works, Inc.	60,000	2,996,220

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Ingersoll-Rand Company	7,700	475,475
Inland Steel Industries Inc.	72,000	1,881,000
Intel Corporation	103,500	14,677,542
International Business Machines	124,800	11,263,200
International Imaging Materials, Inc.	56,300	914,875
Intl Specialty Products Inc.	17,200	241,866
Interpool Inc	29,850	440,288
Interpublic Group	6,500	398,528
Interstate Bakeries	31,400	1,862,397
Intimate Brands Inc.	38,000	798,000
JLG Industries	30,300	412,838
JP Foodservice Inc.	13,200	\$378,668
Jacor Communications Inc	111,100	4,249,575
James River Corp. Of Virginia	24,600	910,200
Johnson & Johnson	114,670	7,381,881
Jostens Inc.	15,200	406,600
Kcs Energy Inc.	24,600	501,225
Katz Media Group Inc.	13,500	88,587
Kaydon Corp.	12,000	595,500
Kemet Corp	27,900	694,013
Kent Electronics Corp.	25,700	942,856
Keycorp	29,500	1,648,313
Keystone International, Inc.	22,500	780,458
Kimberly Clark Corporation	17,000	845,750
Kingworld Productions Inc	34,900	1,221,500
Komag, Inc.	35,900	587,863
Kroger Co.	213,700	6,197,300
Ltv Corporation	110,000	1,567,500
Lattice Semiconductor Corp.	10,400	587,600
Estee Lauder Companies - Cl A	7,800	391,950
Learning Co., Inc.	69,500	642,875
Leasing Solutions Inc	19,800	301,950
Lilly Eli & Co Com	8,516	930,901
Lincare Holdings Inc	35,100	1,509,300
Linens 'N Things Inc	21,000	622,125
Loew's Corp.	13,600	1,361,700
Lone Star Steakhouse & Saloon	37,200	967,200
Long Island Lighting	2,600	59,800
Lowe's Cos., Inc.	37,000	1,373,625
Lucent Technologies, Inc.	8,800	634,146
Lydall, Inc.	31,300	661,213
Lyondell Petrochemical	25,400	558,800
Mgm Grand Inc.	26,400	976,800
Magellan Health Services	51,800	1,528,100

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997**

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Marsh & McLennan Cos	24,800	1,770,100
Masco Corporation	90,000	3,757,500
Mattel, Inc.	17,900	606,363
Maytag Corp.	6,400	169,600
Mckesson Corporation	55,000	4,262,500
Mcwhorter Technologies	30,400	725,800
Media General Inc. - Cl A	23,200	928,000
Medtronic Inc	37,000	3,052,500
Memberworks, Inc.	28,200	454,725
Mentor Graphics Corp.	25,000	231,250
Merck & Co. Inc.	55,500	5,678,316
Merrill Corporation	4,900	\$178,238
Metromail Corp.	16,100	398,475
Microsoft Corporation	50,200	6,344,025
Micron Electronics, Inc.	3,900	69,467
Micron Technology, Inc.	12,200	488,000
Minerals Technologies, Inc.	9,600	360,000
Mobil Corporation	53,600	3,745,300
Molex, Inc.	12,375	451,688
Money Store Inc. (The)	21,100	605,296
Monsanto	72,000	3,100,464
J. P. Morgan & Company	4,400	459,250
Morgan St Dean Witter Discover	20,130	866,838
Motorola Inc.	27,400	2,085,825
Mutual Risk Management Ltd.	16,200	743,175
National Data Corp	6,000	259,872
National Fuel Gas Co. N. J.	7,400	310,334
National Semiconductor Corp.	27,700	848,313
New York State Electric & Gas Corp	40,200	839,175
Nike Inc Class B	41,600	2,428,400
Noble Drilling Corp.	13,100	294,750
Nu-Kote Holding Inc-Cl A	79,800	199,500
Nuevo Energy Co.	15,200	623,200
Nynex Corp	26,900	1,548,418
Oak Industries Inc.	65,300	1,861,050
Ohio Edison Company	8,300	180,525
Old Republic Intl. Corp.	4,200	127,310
Olsten Corp.	22,000	427,614
Omnicare, Inc.	38,600	1,211,075
Omnicom Group, Inc.	11,200	690,200
Omniquip Intl Inc.	41,700	964,313
Oracle Systems Corporation	10,500	528,938
Owens - Illinois	11,700	362,700
Pmc Sierra Inc	17,500	459,375

State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Pacific Century Finl Corp.	23,400	1,082,250
Parker-Hannifin Corp	9,300	564,389
Party City Corp.	17,600	294,800
Pfizer Inc Com	39,000	4,660,500
Pharmaceutical Product Devel	4,200	92,400
Philip Morris Cos	60,600	2,681,550
Phillips Petroleum Co	15,300	669,375
Physician Sales & Service	17,300	328,700
Physicians Resource Grp., Inc.	20,600	185,400
Physio-Control Intl Corp.	24,700	370,500
Pierce Leahy Corp.	1,400	25,200
Pioneer Hi Bred International	10,700	\$856,000
Platinum Technology, Inc.	16,400	217,300
Pogo Producing Co.	14,400	557,093
Polymer Group, Inc.	31,700	511,163
Praxair Inc.	74,000	4,144,000
Precision Castparts Corp.	39,000	2,325,375
Premier Parks, Inc.	15,300	564,188
Primark Corp.	13,800	367,425
Procter & Gamble Co Com	8,600	1,214,750
Progressive Corporation Ohio	5,000	435,000
Protein Design Labs Inc	5,200	148,200
Public Service Enterprise Gp	24,300	607,500
Quaker Oats	44,100	1,978,988
Quantum Corporation	75,700	1,537,618
Rational Software Corp.	14,700	247,136
Read-Rite Corp.	20,600	430,025
Reebok International Limited	63,500	2,980,500
Regions Financial Corp.	8,400	265,650
Renaissancere Holdings Ltd.	16,600	632,875
Republic New York Corp.	16,800	1,806,000
Reynolds & Reynolds	17,800	280,350
Richfood Holdings Inc.	14,700	382,200
Rochester Gas & Electric	41,400	871,967
Rock-Tenn Company - Cl A	14,600	252,755
Roper Industries Inc.	5,400	280,125
Ross Stores, Inc.	2,400	78,449
Rowan Companies Inc.	35,100	989,364
Ryder System Inc.	124,500	4,108,500
Sbc Communications Inc	23,200	1,435,500
Sci Systems Inc.	23,500	1,498,125
St. Mary Land & Exploration	33,300	1,169,663
R.P. Scherer Corp.	6,700	345,888
Schulman A Inc.	39,900	982,538

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997**

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Seagate Technology	7,300	257,325
Sealed Air Corp.	5,800	275,500
Smith International	56,500	3,432,375
Snap-On, Inc.	6,350	250,031
Sola International Inc.	33,200	1,112,200
Southern New England Telecomm	10,600	412,075
Spacelabs Medical Inc.	33,700	859,350
Stage Stores Inc.	7,500	195,938
Stewart Enterprises, Inc. - Cl A	28,650	1,203,300
Storage Technology Corp.	70,000	3,158,750
Structural Dynamics Research	19,600	514,500
Student Loan Marketing Assn New	6,700	\$850,900
Sun Microsystems	140,800	5,240,435
Sunamerica, Inc.	72,000	3,510,000
Sundstrand Corporation	71,000	3,834,000
Sungard Data Systems Inc	18,500	860,250
Super Valu Stores	4,900	169,050
Sybron Intl Corp-Wisconsin	25,000	996,875
Synopsys, Inc.	15,000	551,250
Tca Cable Tv Inc.	16,700	628,338
Tjx Companies Inc.	79,200	2,088,900
Tambrands, Inc	12,900	643,388
Tandy Corp	15,900	890,400
Tenet Healthcare Corporation	39,565	1,167,168
Teradyne, Inc.	8,000	316,000
Texaco Inc	17,700	1,924,875
Texas Instruments, Inc.	60,000	5,043,720
Thermo Electronics Corp	96,000	3,300,000
Tidewater, Inc.	17,600	774,400
Time Warner Inc.	17,300	834,725
Timken Co.	28,800	1,024,186
Total Renal Care Holdings, Inc.	10,500	421,964
Toys R Us	20,500	717,500
Tracor, Inc.	33,600	844,200
Transocean Offshore Inc.	5,800	421,225
Travelers Inc.	68,000	4,288,216
Trinity Industries, Inc.	14,200	450,850
Triton Energy Ltd	58,000	2,657,096
Tyco International Ltd.	52,000	3,617,224
Ual Corp.	37,000	2,647,794
Ucar International, Inc.	107,600	4,922,700
Uici	5,300	156,350
USF&G Corp.	168,700	4,048,800
Usg Corp.	44,600	1,627,900

**State of Louisiana
School Employees' Retirement System
Schedule of Domestic Stocks
June 30, 1997**

<u>Domestic Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Usx - U.S. Steel Group	110,300	3,860,500
U.S. Xpress Enterprises, Inc.	20,300	400,925
Union Carbide Corp Hldg Co	38,600	1,816,593
United Dental Care Inc.	24,300	364,500
U.S. Filter Corp.	10,900	297,025
United States Surgical Corporation	19,100	711,475
United Video Satellite Grp-A	17,300	363,300
United Wisconsin Services	19,900	670,371
V F Corporation	12,100	1,025,475
Vlsi Technology Inc.	11,300	266,963
Viad Corp	158,500	3,051,125
Vital Signs Inc.	17,400	\$305,579
Vulcan Materials Co.	10,400	816,400
Wang Laboratories, Inc.	56,000	1,193,472
Warnaco Group - Cl A	45,100	1,437,563
Washington Mutual Inc.	50,000	2,987,500
Washington Post Co Class B	400	160,800
Waters Corp.	13,700	491,488
Watson Pharmaceutical Inc.	4,100	173,225
Watts Industries Inc Class A	18,400	441,600
Wellpoint Health Networks-A	33,734	1,547,547
Western Digital Corp	49,400	1,562,275
Westinghouse Elec Corp	330,100	7,633,563
Westpoint Stevens, Inc.	17,900	700,338
Zebra Technologies Corp. - Cl A	16,300	454,363
Total Domestic Stocks		<u>564,398,687</u>

**State of Louisiana
School Employees' Retirement System
Schedule of Foreign Stocks
June 30, 1997**

Foreign Stock	Shares	Fair Value
Adidas Ag	18,500	2,049,009
Air New Zealand Ltd.-Class B	291,000	887,514
Autobacs Seven Co. Limited	12,000	952,198
Broken Hill Proprietary Co.	76,094	1,110,626
Cable & Wireless Plc	141,000	1,296,538
Carrefour Supermarche	1,800	1,308,545
Canon Inc.	50,000	1,363,279
Chiyoda Co.	46,000	783,885
Daifuku Co. Limited	90,000	1,187,626
Ericsson Lm-B	52,800	2,079,264
Fotolabo Sa	3,000	956,889
Familymart	29,000	1,424,277
Fuji Machine Mfg. Co.	29,000	1,051,735
Fanuc	22,000	845,932
Futaba	21,000	945,119
Gea Ag	2,500	985,625
Getinge Industrier Ab-B Shs	65,000	1,151,655
Gucci Group	40,200	2,587,875
Instrumentation Laborat-ADR	22,000	60,500
Koninklijke Ahold Nv	26,270	2,220,340
Hennes & Mauritz Ab-B Shs	40,000	1,407,075
Hagemeyer Nv	47,060	2,435,505
Ito-Yokado Co., Ltd.	19,000	1,104,168
Jusco	34,000	1,149,873
Kiekert Ag	18,000	805,716
Keyence Corporation	9,900	1,470,768
Kyocera Corp.	14,000	1,113,344
Lvmh (Moet-Hennessy Louis Vui)	5,000	1,345,608
Lend Lease Corp Ltd	73,055	1,532,412
Mitsubishi Heavy Inds. Ltd.	142,000	1,090,780
Nokia Ab - A Shs	18,000	1,344,230
Plettac Ag	3,000	690,368
Petroleum Geo-Services	44,000	2,121,626
Rmc Group Plc	65,000	1,055,297
Redland Plc	150,000	850,046
Rohm Company	19,000	1,959,276
Saga Petroleum A/S/-Ser B	71,000	1,348,077
Sophus Berendsen A/S-Ord "B"	8,800	1,274,074
Santen Pharmaceutical	53,900	1,088,080
Secom	16,000	1,175,915
Shin-Etsu Chemical Co.	58,000	1,540,855
Sony Corp.	16,000	1,396,837
Takeda Chemical Inds	60,000	1,688,368
Telebras-Spons ADR	20,000	3,037,500

**State of Louisiana
School Employees' Retirement System
Schedule of Foreign Stocks
June 30, 1997**

<u>Foreign Stock</u>	<u>Shares</u>	<u>Fair Value</u>
Telecom Corp Of New Zealand	257,000	1,306,363
Tokio Marine & Fire Ins.	76,000	\$996,242
United Dominion Industries	2,800	68,774
Vendome Luxury Group-Uts	100,000	738,121
Wolters Kluwer-Div 93	11,239	1,370,960
Woodside Petroleum Limited	246,000	2,100,910
Xebio Co Ltd	29,000	714,673
Futures and options		899,540
 Total Foreign Stocks		 <u>67,469,811</u>

State of Louisiana
School Employees' Retirement System
Schedule of Short Term Investments
June 30, 1997

Automatic Sweep Vehicles

Marquis Treasury Securities Fund	7,782,624
Northern Collective Government STIF	41,568,928
Northern Trust London STIF	<u>895,448</u>

Total Short Term Investments	<u><u>50,247,000</u></u>
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State of Louisiana
School Employees' Retirement System
Schedule of Administrative Expenses
June 30, 1997

Expenses	\$814,439
Salaries	5,021
Student labor	5,700
Compensation - Board	127,050
Related benefits	<u>23,570</u>
Overtime pay	<u>975,780</u>
 Operating Expenses	
Professional improvement - staff and Board	<u>66,853</u>
 Operating Services	
Advertising	1,049
Printing	10,423
Auto repairs	2,480
Equipment maintenance	24,988
Building expense	269,688
Dues	3,040
Postage	72,284
Telephone	22,024
Insurance	12,710
Legal	<u>5,025</u>
	<u>423,711</u>
 Supplies	
Office	15,518
Food	121
Computer	<u>4,144</u>
	<u>19,783</u>
 Professional Services	
Investigative services	1,314
Medical	5,985
Actuary	30,720
Audit	<u>24,680</u>
	<u>62,699</u>
 Interagency Transfers	
Secretary of State	10
State Treasurer	1,156
Civil Service	<u>2,344</u>
	<u>3,510</u>
 Other Charges	
Legiscon	3,350
Miscellaneous expenses	2,931
Computer software	4,063
TRS Computer	<u>295</u>
	<u>10,639</u>
 Depreciation Expense	<u>174,151</u>
<u>Total expenditures</u>	<u>1,737,126</u>

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



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

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

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WARREN C. BER, C.P.A.
RETIRED
ROBERT J. ZERNOTTI, C.P.A.
RETIRED

August 20, 1997

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

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

Members of the Board:

We have audited the component unit financial statements of the

**State of Louisiana School Employees' Retirement System
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1997 and have issued our report thereon dated August 20, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether State of Louisiana School Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered State of Louisiana School Employees' Retirement System's internal control over financial reporting in order to determine our auditing

procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Yours truly,

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