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R E P O R T

**SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA**

JUNE 30, 1996

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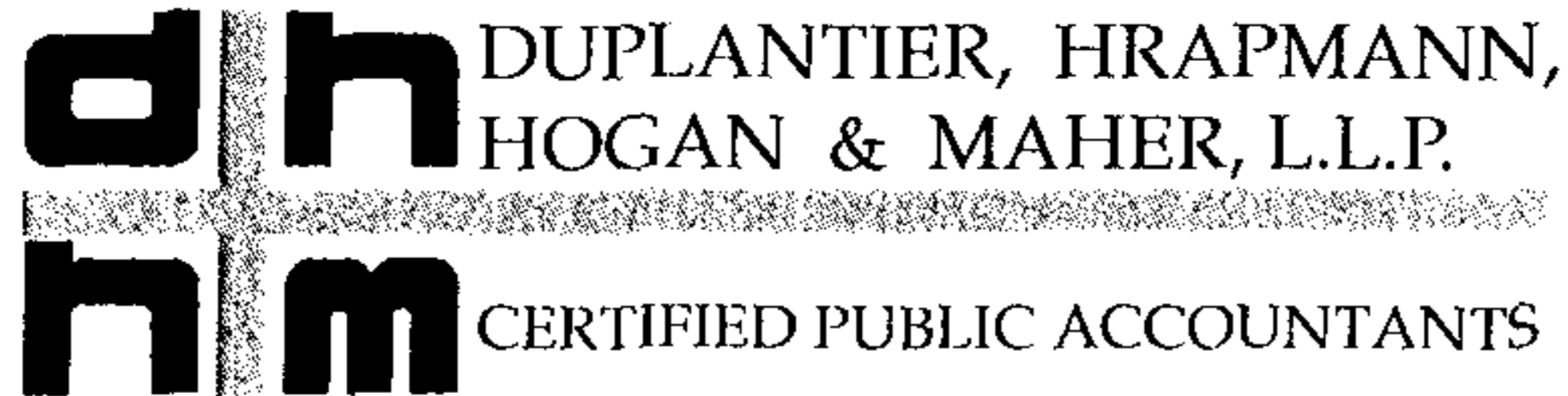
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SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA

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JUNE 30, 1996

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INDEPENDENT AUDITOR'S REPORT

September 19, 1996

Board of Trustees of the
Sheriffs' Pension and Relief Fund
State of Louisiana
Monroe, Louisiana

We have audited the statement of plan net assets of the Sheriffs' Pension and Relief Fund, State of Louisiana as of June 30, 1996 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the Sheriffs' Pension and Relief Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 12 to the financial statements, the Sheriffs' Pension and Relief Fund changed its method of recording investments in 1996.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sheriffs' Pension and Relief Fund as of June 30, 1996 and the results of its operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the Fund for the year ending June 30, 1996, and issued our unqualified opinion on such financial statements. 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 19 - 21 and the supplemental schedules on pages 15 - 18 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 June 30, 1991 - 1996 and supplemental schedules for the year ending June 30, 1996, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 1996 on our consideration of Sheriffs' Pension and Relief Fund's internal control structure and a report dated September 19, 1996 on its compliance with laws and regulations.

Dunlantic, Chapman, Hogan & Maher LLP

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENT OF PLAN NET ASSETS
JUNE 30, 1996

ASSETS:

Cash		\$ <u>184,579</u>
Receivables and prepaid expense:		
Member contributions		1,032,143
Employer contributions		729,806
Accrued interest and dividends		4,969,946
Sold investments receivable		3,848,698
Other receivables		10,228
Prepaid expense		8,775
Total		<u>10,784,175</u>
Investments (At fair value): (Notes 1 and 6) (Page 16)		
Cash equivalents		26,506,121
Collateral held under Securities Lending Program (Notes 6 and 7)		100,787,625
Bonds		301,197,002
Stocks		149,704,655
Total		<u>578,195,403</u>
Property, plant and equipment: (Note 1)		
Office furnishings and equipment		239,141
Less: Accumulated depreciation		<u>175,369</u>
		<u>63,772</u>
Total assets		<u>589,043,350</u>
LIABILITIES:		
Investments purchased payable		4,167,563
Refunds payable		303,522
Payroll and pension withholding payable		131,386
Accounts payable		388,942
Pension payable		14,354
Accrued leave payable		27,539
Obligation under Securities Lending Program (Notes 6 and 7)		<u>100,787,625</u>
Total liabilities		<u>105,820,931</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		\$ <u>483,222,419</u>
(A schedule of funding progress for the plan is presented on Page 20)		

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1996

ADDITIONS: (Note 1)	
Contributions:	
Members'	\$ 16,604,067
Employers'	11,636,028
Ad valorem taxes, state revenue sharing and general funds	8,032,491
Total contributions	<u>36,272,586</u>
Investment income: (Note 1)	
Interest income	22,236,940
Dividend income	2,208,128
Net appreciation in fair value of investments	17,424,828
Commission recapture	77,887
	<u>41,947,783</u>
Less investment expense:	
Investment advisory fee	1,394,976
Custodian fee and bank charges	146,128
	<u>1,541,104</u>
Net investment income	<u>40,406,679</u>
Other Additions:	
Transfers from other retirement systems	895,010
Gain on sale of equipment	92
Total other additions	<u>895,102</u>
Total Additions	<u>77,574,367</u>
DEDUCTIONS: (Note 1)	
Benefits	17,639,911
Refund of contributions	3,546,409
Transfers to other state retirement systems	87,919
Administrative expenses (Page 17)	525,453
Depreciation	18,224
Total deductions	<u>21,817,916</u>
NET INCREASE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	55,756,451
Cumulative effect on prior years resulting from changes in accounting principles (Note 12)	<u>28,174,426</u>
NET INCREASE	83,930,877
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	399,291,542
END OF YEAR	<u>\$ 483,222,419</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

The Sheriffs' Pension and Relief Fund (Fund) is a public corporation created in accordance with the provisions of Louisiana Revised Statute 11:2171 to provide retirement, disability and survivor benefits to employees of sheriffs' offices throughout the State of Louisiana. Before passage of legislation in 1995 allowing noncommissioned employees to be members of the Fund, sheriffs and deputies were the only sheriffs' office employees eligible to participate in the Pension Fund. Employees of the Louisiana Sheriffs' Association (LSA) and the Sheriffs' Pension Fund office are also members of the Fund.

The Fund is governed by a Board of Trustees composed of 14 elected members and two ex-officio members, all of whom are voting members consisting of a president, secretary-treasurer, three active, participating sheriffs; and three full-time participating deputy sheriffs, three retired sheriffs and three retired deputy sheriffs participating in the fund, and the chairman of the Senate Finance and House Retirement Committee serve as ex-officio members. The president may be either an active or retired sheriff participating in the Fund, nominated by the Board of Trustees and approved by the Executive Committee of the LSA, for a four-year term. At the annual sheriffs' conference, the general membership of the LSA elects one active sheriff and one retired sheriff to serve three-year staggered terms on the Board. Active and retired deputy sheriff members are elected from their respective ranks to three-year staggered terms. The Secretary-Treasurer is elected annually at a joint meeting of the Pension Fund Board and the Executive Committee of the LSA. Office personnel and retained professionals serve as authorized by the Board.

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).

Basis of Accounting:

The Fund'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 the plan.

Interest and dividend income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year appropriated by the legislature. Insurance premium tax income is recorded in the period received.

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.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property, Plant and Equipment:

Property, plant and equipment are accounted for and capitalized in the Pension Fund. Depreciation of fixed assets is recorded as an expense in the Pension Fund. All fixed assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation.

2. PLAN DESCRIPTION:

The Sheriffs' Pension and Relief Fund, State of Louisiana, is the administrator of a cost-sharing multiple-employer plan. The Sheriffs' Pension and Relief Fund received a favorable determination from the IRS regarding its status as a qualified plan in August 1995. The determination applied to plan years beginning after December 31, 1988.

The Sheriffs' Pension and Relief Fund, State of Louisiana, provides retirement benefits for employees of sheriffs' offices throughout the State of Louisiana. There are sixty-four contributing sheriff offices, with employees of the Louisiana Sheriffs' Association office and the Sheriffs' Pension Fund staff also contributing. At June 30, 1996 statewide retirement membership consists of:

Current retirees and beneficiaries	1,557
DROP participants	168
Members, terminated with deferred vested benefits	159
Members, terminated, nonvested with contributions remaining on deposit with the fund	1,294
Fully vested, partially and nonvested active employees covered	<u>8,823</u>
 TOTAL PARTICIPANTS AS OF THE VALUATION DATE	 <u>12,001</u>

Laws that govern the Fund are located in the Louisiana Revised Statutes beginning with 11:2171 et seq. which deals specifically with the Sheriffs' Pension Fund, and 11:11 et seq., which governs all public retirement systems in Louisiana.

Eligibility Requirements:

Membership in the Fund is required for all eligible sheriffs and full time deputies. Court criers of specified courts may become members. A recent change allows nondeputized employees to be members. They are eligible immediately upon employment as long as they meet statutory criteria as to age and physical condition. All salaried employees of the Sheriffs' Pension and Relief Fund and the Louisiana Sheriffs' Association who meet certain requirements are also eligible to become members of the Fund. Members are vested after twelve years of service time.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits:

A member is eligible to retire after at least twelve years of service at age 55. The retirement allowance is equal to the appropriate retirement accrual rate multiplied by the number of years of creditable service multiplied by average monthly salary for the thirty-six highest successive months of employment. The service credit accrual rate is 2.5% for members with less than fifteen years of service, 2.75% for members with at least fifteen but less than twenty years of service, and 3% for members with twenty or more years of service. The annual accrual rate is increased by 0.25% for service rendered on or after January 1, 1980. After reduction for optional payment form (i.e. joint and survivor annuities), the benefit may not exceed 100% of average final compensation. Members with twenty or more years of service may retire with an actuarially reduced retirement at the age of fifty. Members who had twelve or more years of service credit and were at least age forty-five on September 1, 1985, are also eligible for an actuarially reduced early retirement.

Deferred Benefits:

The Fund does provide 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.

Disability Benefits:

A member is eligible to receive disability benefits if he has at least ten years of creditable service when a non-service related disability is incurred; there are no service requirements for a service related disability. Disability benefits shall be the lesser of 1) a sum equal to the greater of 45% of final average compensation or the members' accrued retirement benefit at the time of termination of employment due to disability or 2) the retirement benefit which would be payable assuming continued service to the earliest normal retirement age based on final average compensation at the time of termination of employment due to disability.

Survivor Benefits:

Survivor benefits for death solely as a result of injuries received in the line of duty are based on the following. For a spouse alone, a sum equal to 50% of the member's final average compensation with a minimum of \$150 per month. If a spouse is entitled to benefits and has a child or children under eighteen years of age (or over said age if physically or mentally incapacitated and dependent upon the member at the time of his death), an additional sum of 10% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not to exceed 80%. If a member dies with no surviving spouse, surviving children under age eighteen will receive monthly benefits of 15% of the member's final average compensation up to a maximum of 60% of final average compensation if there are more than four children. If a

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

member is eligible for normal retirement at the time of death, the surviving spouse receives an automatic option 2 benefit. The additional benefit payable to children shall be the same as those available for members who die in the line of duty. In lieu of receiving option 2 benefit, the surviving spouse may receive a refund of the member's accumulated contributions. All benefits payable to surviving children shall be extended through age twenty-three, if the child is a full time student in good standing.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twelve or more years of service and is at least age fifty-five, or who has thirty or more years of service and is at least age fifty-three, may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the system terminates. During participation in the plan, employer contributions are payable but employee contributions cease unless the member enters the DROP prior to age fifty-six. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. This fund does not earn interest until after termination of DROP participation, at which time interest is credited annually based on a rate established by the board of trustees. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the system has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan 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 any other method of payment if approved by the board of trustees. The monthly benefits that were being paid into the deferred retirement option plan fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the plan fund cease and the person resumes active contributing membership in the system.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions in the current year for all members are established by statute at 8.7% of earnable compensation and are deducted from the member's salary and remitted monthly by the participating parish.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

Gross employer contributions are determined by actuarial valuation and are subject to change each year in accordance with R.S. 11:103. For fiscal 1996, the employers contributed 6% of members' salaries. Also, the fund annually receives revenue sharing funds, .5% of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish, and additional funds as indicated by valuation and apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premium taxes described in RS 22:1419.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

Use of the term "reserve" by the Fund 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) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. 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 provide part of the benefits. The Annuity Savings as of June 30, 1996 is \$95,670,416. The Annuity Savings is fully funded.

B) Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income 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 other accounts. The Pension Accumulation Reserve as of June 30, 1996 is \$312,913,356. The Pension Accumulation Reserve is 73.50% funded.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) 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 June 30, 1996 is \$153,763,875. The Annuity Reserve is fully funded.

D) 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 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 by a true annuity. For those entering on July 1, 1991 or thereafter, only a lump sum payment is available. The deferred retirement option account as of June 30, 1996 is \$3,793,173. The Deferred Retirement Option account is fully funded.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method was used to calculate the funding requirements of the Fund. Funding of pension plans under this method consists of two components. The first of these components is the Employer Normal Cost of the plan. In addition, amortization payments on the Fund's unfunded liability must be made. The actuarial present value of future normal cost is called the actuarial accrued liability. Act 81 of the 1988 legislative session requires that the unfunded accrued liability be amortized over a forty year period beginning on July 1, 1989 with payments increasing at 3.5% per year.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 19-21.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Fund's deposits, cash equivalents and investments at June 30, 1996.

Deposits (bank balance)	\$ 1,847,258
Cash equivalents	26,506,121
Investments	<u>551,689,282</u>
	<u>\$580,042,661</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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

Deposits:

The Fund's bank deposits were fully insured or collateralized with securities held by the entity or its agent in the entity's name.

Cash Equivalents:

Cash equivalents consist of government backed pooled funds. The funds are held by a sub-custodian, are managed by separate money managers and are in the name of the Fund's custodian's trust department.

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. Pursuant to Louisiana Revised Statute 11:263(c), the Prudent-Man rule requires each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the Fund shall not invest more than fifty-five percent of the total portfolio in common stock.

The Fund's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. That is, the risk associated with the exposure to potential loss from unauthorized transfer of a financial instrument. Category 1 includes investments that are insured or registered or for which the securities are held by the retirement system or its agents in the retirement system'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 retirement system'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 retirement system's name.

	<u>Carrying Amount</u> <u>(Market Value)</u>	<u>Category</u>
Collateral held under Securities Lending Program	\$100,787,625	2
Bonds	231,097,143	1
Stocks	119,016,889	1
Investments held by broker- dealers in which collateral may be reinvested:		
Bonds	36,266,547	N/A
Stocks	30,655,101	N/A

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

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

Investments: (Continued)

	<u>Carrying Amount (Market Value)</u>	<u>Category</u>
Investments held by broker- dealers in which collateral may not be reinvested:		
Bonds	33,833,312	N/A
Stocks	<u>32,665</u>	N/A
	<u>\$551,689,282</u>	

7. SECURITY LENDING AGREEMENTS

Beginning during fiscal year end June 30, 1994, the Board of Trustees of the Fund authorized the Fund to enter into reverse repurchase agreements in the operation of its securities lending program. These agreements consist of the loan of securities with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral in excess of the market value of the securities underlying the reverse repurchase agreements. This excess provides the Fund with a margin against an increase in the market value of the transferred securities. If the dealers default on their obligations to retransfer these securities to the Fund or to provide securities or cash of equal value, the Fund is protected from an economic loss because of the margin required from the dealers.

In cases of security loans in which the collateral received by the Fund is cash, the Fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements; but the underlying securities are disclosed in footnote No. 6. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in footnote 6.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net amount of income received from the transactions is recorded on the financial statements in investment income.

8. EMPLOYEES DEFERRED COMPENSATION PLAN:

Effective November 19, 1992 the Sheriffs' Pension and Relief Fund accepted the National Association of Counties' Deferred Compensation Program and adopted an eligible deferred compensation plan, as defined in IRC Section 457, that covers all employees electing to participate. No contributions have been made to the plan by the Fund on behalf of the employees.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

8. EMPLOYEES DEFERRED COMPENSATION PLAN: (Continued)

The plan documents provide that assets of the plan remain the property of the Sheriffs' Pension and Relief Fund until paid, subject only to claims of the Fund's general creditors. No amounts are reflected in the financial statements for the plan since the Fund's investment is offset by the amount due to the participants as follows:

Amounts invested in plan by participants	\$40,780
Less:	
Amounts due to participants	<u>40,780</u>
Net investment by Fund	<u>\$ -0-</u>

9. ANNUAL AND SICK LEAVE:

The Board of Trustees adheres to Executive Order No. 56, which governs accrual of annual and sick leave for all officers and employees in the State service except department heads appointed by the governor, elected officials, and those positions covered by the Department of Civil Service. Employees' leave, cumulative without limitation, is accrued at rates of 12 to 24 days per year depending upon length of service. Upon separation employees are compensated for accumulated annual leave, not to exceed 300 hours. Employees are not compensated for accumulated sick leave upon termination.

The liability for annual leave accrued not exceeding 300 hours is \$27,539 at June 30, 1996.

10. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

11. USE OF ESTIMATES:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

During 1996, the Fund changed its method of accounting for investments. In prior years, bonds were recorded at the lower of amortized cost or market if the decline was deemed permanent. Stocks were recorded at the lower of cost or market if the decline was deemed permanent. In 1996, all investments were

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE: (Continued)

recorded at fair value to conform with new requirements of the Governmental Accounting Standards Board (GASB). The effect of this change was to increase income for the year by \$28,174,426. The financial statements for 1995 have not been restated and the cumulative effect of the change is shown as a one time credit to income in the statement of changes in plan net assets.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 1996

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION RESERVE	DEFERRED RETIREMENT OPTION PLAN (DROP)	UNFUNDED ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS	UNFUNDED ACTUARIAL LIABILITY	1996 TOTAL
BALANCES - BEGINNING OF YEAR	\$ 145,032,223	\$ 87,344,409	\$ 235,891,430	\$ 2,223,838	\$ (71,200,358)	--	\$ 399,291,542
REVENUES AND TRANSFERS:							
Contributions	--	16,604,067	19,668,519	--	--	--	36,272,586
Net income from investments	--	--	40,406,679	--	--	--	40,406,679
Annuities derived from accumulated savings	4,984,497	--	--	--	--	--	4,984,497
Gain on sale of assets	--	--	92	--	--	--	92
Contributions for purchased or transferred services	--	252,846	642,164	--	--	--	895,010
DROP pensions accumulated from Annuity Reserve	--	--	--	2,043,028	--	--	2,043,028
Actuarial transfer	22,956,401	--	--	--	--	--	22,956,401
Total revenues and transfers	27,940,898	16,856,913	60,717,454	2,043,028	--	--	107,558,293
EXPENSES AND TRANSFERS:							
Retirement allowances paid during the period	17,166,218	--	--	--	--	--	17,166,218
Transfer to Annuity Reserve	--	4,984,497	--	--	--	--	4,984,497
Refunds to members	--	3,546,409	--	--	--	--	3,546,409
Administrative expenses and depreciation	--	--	543,677	--	--	--	543,677
Funds transferred to another system	--	--	87,919	--	--	--	87,919
Pensions paid into DROP	2,043,028	--	--	473,693	--	--	2,043,028
Pensions paid out of DROP	--	--	--	--	--	--	473,693
Actuarial transfer	--	--	13,894,555	--	--	9,061,846	22,956,401
Total expenses and transfers	19,209,246	8,530,906	14,526,151	473,693	--	9,061,846	51,801,842
Net increase (decrease) before cumulative effect of changes in accounting principles	8,731,652	8,326,007	46,191,303	1,569,335	--	(9,061,846)	55,756,451
Cumulative effect on prior years resulting from changes in accounting principles	--	--	30,830,623	--	71,200,358	(73,856,555)	28,174,426
Net increase (decrease)	8,731,652	8,326,007	77,021,926	1,569,335	71,200,358	(82,918,401)	83,930,877
BALANCES - END OF YEAR	\$ 153,763,875	\$ 95,670,416	\$ 312,913,356	\$ 3,793,173	\$	\$ (82,918,401)	\$ 483,222,419

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 1996

<u>DESCRIPTION</u>	<u>FACE VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
Cash equivalents	\$ <u>26,662,851</u>	\$ <u>26,508,422</u>	\$ <u>26,506,121</u>
Bonds:			
Corporate bonds	57,150,000	57,678,414	56,580,250
U.S. Government and Agency Agency obligations	148,492,020	155,459,179	153,796,247
Mortgage pools	90,373,938	90,250,061	90,820,505
Total bonds	<u>296,015,958</u>	<u>303,387,654</u>	<u>301,197,002</u>
Stocks:			
Equity	125,739,766	125,739,766	149,055,440
Preferred	624,805	624,805	649,215
Total stocks	<u>126,364,571</u>	<u>126,364,571</u>	<u>149,704,655</u>
TOTAL INVESTMENTS	\$ <u>449,043,380</u>	\$ <u>456,260,647</u>	\$ <u>477,407,778</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 1996

Salaries and related cost	\$	249,801
Office supplies and expense		68,747
Professional retainers and legal fees		119,118
Travel expense and per diem		36,944
Telephone and telegraph		3,935
Payroll taxes		3,806
Group medical and bond insurance		32,420
Microfilming		2,164
Professional development		8,518
		<hr/>
	\$	<u>525,453</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
PER DIEM AND TRAVEL EXPENSES PAID TO BOARD OF TRUSTEES
FOR THE YEAR ENDED JUNE 30, 1996

	<u>PER DIEM</u>	<u>TRAVEL EXPENSES</u>	<u>TOTAL</u>
Belvin Bergeron	\$ 1,200	\$ 989	\$ 2,189
Harold Tridicio	--	45	45
R. R. Mitchell	750	1,064	1,814
Dan Page	375	296	671
Ray Gillard	1,275	2,452	3,727
Will Fletcher	675	852	1,527
Nathan Paxton	1,050	860	1,910
Laura Endsley	--	508	508
Don Rittenberry	--	45	45
	\$ <u>5,325</u>	\$ <u>7,111</u>	\$ <u>12,436</u>

SHERIFFS' PENSION AND RELIEF FUND
 STATE OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 1991 THROUGH 1996

<u>FISCAL YEAR</u>	<u>ACTUARIAL REQUIRED CONTRIBUTIONS EMPLOYER</u>	<u>ACTUARIAL REQUIRED CONTRIBUTIONS OTHER SOURCES</u>	<u>PERCENT CONTRIBUTED EMPLOYER</u>	<u>PERCENT CONTRIBUTED OTHER SOURCES</u>
1991	\$ 6,238,986	\$ 8,007,906	104.82 %	97.76 %
1992	6,887,194	9,444,063	104.04	99.38
1993	7,402,911	10,397,533	101.77	101.94
1994	7,997,786	9,692,581	98.44	100.22
1995	8,794,233	10,368,564	98.26	99.69
1996	11,742,869	8,145,702	99.09	98.61

SHERIFFS' PENSION AND RELIEF FUND
 STATE OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1991 THROUGH 1996

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE COVERED OF PAYROLL
June 30, 1991	\$ 242,289,549	\$ 315,478,095	\$ 73,188,546	76.80 %	\$ 132,140,099	55.39 %
June 30, 1992	276,453,520	351,388,303	74,934,783	78.67	143,161,742	52.34
June 30, 1993	309,503,828	386,180,737	76,676,909	80.15	152,926,043	50.14
June 30, 1994	359,751,169	438,160,732	78,409,563	82.10	164,772,539	47.59
June 30, 1995	421,381,226	501,508,002	80,126,776	84.02	184,751,059	43.37
June 30, 1996	484,318,898	566,140,820	81,821,922	85.55	194,878,004	41.99

SHERIFFS' PENSION AND RELIEF FUND
 STATE OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1991 THROUGH 1996

The information presented in the Schedule of Contributions - Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 1996
Actuarial Cost Method	Frozen Attained Age Normal Method
Amortization Method	In accordance with state statute, the payment amounts increase at 3.25% each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis)
Remaining Amortization Period	33 years
Asset Valuation Method:	
Bonds	Average of amortized cost and market value
Equities	Market value
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6% (3.25% Inflation, 2.75 Merit)
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.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1996

September 19, 1996

Board of Trustees
Sheriffs' Pension
and Relief Fund
State of Louisiana
Monroe, Louisiana

We have audited the financial statements of the Sheriffs' Pension and Relief Fund, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon, dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1996

(Continued)

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

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

Duplantier, Chapman, Hogan & Maher LLP

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 1996

September 19, 1996

Board of Trustees
Sheriffs' Pension
and Relief Fund
State of Louisiana
Monroe, Louisiana

We have audited the financial statements of the Sheriffs' Pension and Relief Fund, State of Louisiana, as of and for the year ended June 30, 1996 and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations, applicable to the Sheriffs' Pension and Relief Fund, is the responsibility of the retirement system's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the retirement system's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

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

Dunlante, Hapman, Hogan & Maki LLP