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REPORT

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS

DECEMBER 31, 1999

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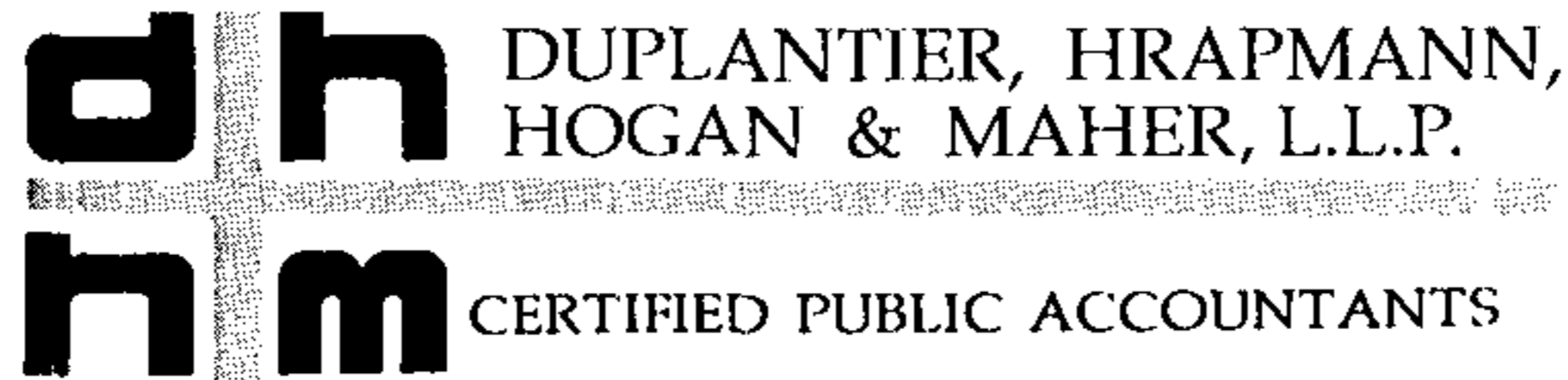
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**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS**

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INDEPENDENT AUDITOR'S REPORT

May 2, 2000

Honorable Mayor and Council of
the City of New Orleans, Louisiana

We have audited the statements of plan net assets of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 1999, and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. 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.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 1999, and the results of 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 Firefighters' Pension and Relief Fund New System and Old System for the year ending December 31, 1999 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 and the supplemental schedules listed in the index to the report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. We have not examined the financial statements of the Firefighters' Pension and Relief Fund New System and Old System for the year ended December 31, 1995. Accordingly, we do not express an opinion or any other form of assurance on the required statistical information and supplemental schedules relating to the year ended December 31, 1995. Such required statistical information and supplemental schedules for the years ending December 31, 1998, 1997, 1996 and 1994, 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 our report dated May 2, 2000 on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and our tests of its compliance with laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hepburn, Hogan & Maher LLP

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 1999

	New System			Old System		
	Regular Pensions	Restricted DROP	Total	Regular Pensions	Restricted DROP	Total
ASSETS:						
Cash (Note 5)	\$ 345,760	\$ 1,990	\$ 347,750	\$ 1,304,276	\$ 155,710	\$ 1,459,986
Prepaid insurance	--	--	--	58,362	--	58,362
Receivables:						
Accrued investment income	1,624,293	9,347	1,633,640	28,405	3,391	31,796
Assessments receivable	28,843	--	28,843	--	--	--
Due from other system	--	--	--	133,145	--	133,145
Investment receivable	377,030	2,170	379,200	--	--	--
Total current assets	<u>2,375,926</u>	<u>13,507</u>	<u>2,389,433</u>	<u>1,524,188</u>	<u>159,101</u>	<u>1,683,289</u>
INVESTMENTS (at fair value): (Notes 1 and 5) (Page 20)						
Cash equivalents	24,604,797	141,586	24,746,383	7,105,388	848,275	7,953,663
Collateral held under Securities Lending Program (Notes 5 and 10)	9,556,392	--	9,556,392	--	--	--
Bonds	57,101,364	328,585	57,429,949	--	--	--
Stock	69,310,474	398,840	69,709,314	34,771	4,151	38,922
Mutual funds	36,257,207	208,639	36,465,846	--	--	--
Notes receivable (Note 12)	4,732,766	27,234	4,760,000	--	--	--
Investment in partnerships (Note 13)	7,121,389	40,979	7,162,368	--	--	--
Total investments	<u>208,684,389</u>	<u>1,145,863</u>	<u>209,830,252</u>	<u>7,140,159</u>	<u>852,426</u>	<u>7,992,585</u>
Equipment, net of accumulated depreciation of \$25,927 (Note 1)	--	--	--	4,481	--	4,481
Total assets	<u>211,060,315</u>	<u>1,159,370</u>	<u>212,219,685</u>	<u>8,668,828</u>	<u>1,011,527</u>	<u>9,680,355</u>
LIABILITIES:						
Accounts payable	209,834	--	209,834	34,808	--	34,808
Payroll taxes payable	--	--	--	75,255	--	75,255
Investment payable	--	--	--	--	--	--
DROP withdrawal payable	--	--	--	147,522	--	147,522
Due to other system	133,145	--	133,145	--	--	--
Obligation under Securities Lending Program (Notes 5 and 10)	9,556,392	--	9,556,392	--	--	--
Total liabilities	<u>9,899,371</u>	<u>--</u>	<u>9,899,371</u>	<u>257,585</u>	<u>--</u>	<u>257,585</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS						
(A schedule of funding progress for the Old System is presented on Page 23)	\$ 201,160,944	\$ 1,159,370	\$ 202,320,314	\$ 8,411,243	\$ 1,011,527	\$ 9,422,770

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1999

	New System		Old System	
	Regular Pensions	Restricted DROP	Regular Pensions	Restricted DROP
ADDITIONS: (Note 1)				
Contributions:				
Member	\$ 877,143	\$ --	\$ 609	\$ --
City appropriations	3,518,964	--	16,749,999	--
Fire insurance rebate	--	--	874,616	--
Total contributions	<u>4,396,107</u>	<u>--</u>	<u>17,625,224</u>	<u>--</u>
Investment income:				
Recapture commission	17,479	--	--	--
Interest and dividends on investments	7,116,701	--	336,526	--
Net appreciation in fair value of investments	9,109,545	--	129,472	--
	<u>16,243,725</u>	<u>--</u>	<u>465,998</u>	<u>--</u>
Less investment expense:				
Investment management fees	1,073,373	--	6,244	--
Investment custodian fees	66,649	--	481	--
	<u>1,140,022</u>	<u>--</u>	<u>6,725</u>	<u>--</u>
Net investment income	<u>15,103,703</u>	<u>--</u>	<u>459,273</u>	<u>--</u>
Other:				
Transfer in from other retirement systems	11,875	--	--	--
Transfer in from New System	19,202	--	--	--
Transfer for excess DROP revocations	411,798	--	332,895	--
Donations	--	--	3,000	--
Total other additions	<u>442,875</u>	<u>--</u>	<u>335,895</u>	<u>--</u>
Total additions	<u>19,942,685</u>	<u>--</u>	<u>18,420,392</u>	<u>--</u>
DEDUCTIONS:				
Retirement benefits paid	5,393,074	--	16,294,916	--
Refund of contributions	106,197	--	--	--
Death benefits	9,000	--	45,000	--
Administrative expenses (Page 20)	276,321	--	334,103	--
DROP withdrawal	--	966,456	--	1,218,311
Transfer for excess DROP revocations	--	411,798	--	332,895
PLOP withdrawal	239,797	--	--	--
Transfer out to New System	--	--	19,202	--
Transfer to other retirement systems	13,155	--	4,445	--
Total deductions	<u>6,037,544</u>	<u>1,378,254</u>	<u>16,697,666</u>	<u>1,551,206</u>
NET INCREASE (DECREASE)	13,905,141	(1,378,254)	1,722,726	(1,551,206)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:				
Beginning of year	187,255,803	2,537,624	6,688,517	2,562,733
END OF YEAR	<u>\$ 201,160,944</u>	<u>\$ 1,159,370</u>	<u>\$ 8,411,243</u>	<u>\$ 1,011,527</u>
				<u>\$ 9,422,770</u>

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

The Firefighters' Pension and Relief Fund was created, pursuant to Louisiana Revised Statute 11:3361, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. The fund is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the board to elect coverage under the New System.

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. Fire insurance rebate monies are recognized when due.

Methods Used to Value and Report 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.

Investments of the Old and New Systems are allocated to the restricted DROP Fund based on total DROP deposits. The investments in the two funds are maintained in one account.

Futures Contracts:

The margin accounts for the purchase of the futures contracts are invested in cash equivalents and are included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Equipment:

Equipment is valued on the basis of historical cost and depreciated using the straight-line method of depreciation. Depreciation expense for the year ended December 31, 1999 is \$2,229.

2. PLAN DESCRIPTION:

The Firefighters' Pension and Relief Fund was established and placed under the management of the board of trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:3361 *et seq.* for active firefighters employed by the City of New Orleans.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the board to elect coverage under the New System.

At December 31, 1999, the Firefighters' Pension and Relief Fund's membership consisted of:

	<u>New System</u>	<u>Old System</u>
Current retirees and beneficiaries	291	856
Terminated with contributions on deposit with the System	17	--
Vested and nonvested active employees covered	<u>717</u>	<u>25</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>1,025</u>	<u>881</u>

Retirement Benefits

Members may retire with twelve years of creditable service at age fifty. The retirement benefit paid is two and one-half percent of average compensation for each year of creditable service during the best four consecutive years of service preceding the date of retirement. For members with more than twenty years of service, benefits are an additional two and one-half percent per year to be increased by one half percent for each year of service over twenty upon attaining age fifty-five. The maximum benefit payable is 100% of average compensation earned during any three highest average consecutive years of service preceding retirement.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits (Continued)

Members covered under the Old System may retire with twenty years of creditable service regardless of age. For the first twenty years of service, the retirement benefit paid is 50% of average compensation during the best year of service preceding the date of retirement. For each year of service in excess of twenty years, benefits are an additional 2.5% per year not to exceed 100%. In addition, if the member has attained age 50, his benefit is increased by .5% for each year of service over 25.

Disability Benefits

Under both systems, disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Nonservice related benefits are 30% of final compensation for those members with ten years of service or less; 40% of final compensation for those members with more than ten years but less than fifteen years of service; and 50% of final compensation for those members with more than fifteen years of service. Service related benefits for those unable to do any work are the greater of 2/3 of monthly compensation or a regular retirement benefit if the member is so eligible. For those unable to perform firefighting duties but able to do other work, service related benefits are equal to the greater of 1/2 of monthly compensation or a regular retirement benefit if the member is so eligible.

Survivor Benefits

Under the New System, survivor benefits are payable in accordance with each member's option elections under La. R.S. 11:3385. However, if a member dies from service-connected causes while actively employed, irrespective of his years of service or eligibility for pension by age, the member's surviving spouse receives a presumptive benefit based on twenty years of service, calculated as a husband-and-wife benefit. In addition, a \$3,000 lump sum benefit is payable to the firefighter's designated beneficiary.

Under the Old System, nonservice related survivor benefits of \$500 per month are payable to a spouse. Service related spousal death benefits are 50% of the firefighter's salary. In addition, survivor benefits of \$75 per month are payable for each dependent child under the age of eighteen, until each reaches age 18 or marries. If the child is mentally or physically handicapped, and totally and permanently disabled, the benefit is payable for life. If the firefighter is unmarried and leaves no dependent children at death, the service related survivor benefit is payable to the firefighter's widowed dependent parent. If the firefighter is unmarried and leaves no dependent children at death, nonservice related survivor benefits are payable to the firefighter's widowed parent. A \$3,000 lump sum benefit is payable upon the death of any active or retired member to the named beneficiary.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

2. PLAN DESCRIPTION: (Continued)

Refund Benefits

Under the New System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of accumulated contributions plus interest. For the Old System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of 80% of accumulated contributions.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twenty or more years of service may elect to participate in the Deferred Retirement Option Plan (DROP) for up to five years and defer the receipt of benefits. Upon commencement of participation in the plan, active membership in the system terminates. During participation in the plan, employer contributions cease. 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 during a member's DROP participation. 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 completion of participation in the DROP, and regardless of whether the member terminates employment, the DROP fund will earn interest annually based on a five-year rolling average of the composite rate of return of the Fund, minus an administrative fee of no more than two percent, to be deducted from the member's account each 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. 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.

PLOP Benefits

If a member has not participated in the DROP, upon application for retirement, he may elect to receive the actuarial equivalent of his retirement benefit as a reduced monthly benefit payable for life, plus an initial lump-sum benefit. The amount of the initial lump-sum benefit, as determined by the member, shall not exceed an amount equal to the member's normal retirement benefit times sixty. The member's monthly retirement benefit will be actuarially reduced based on the lump-sum amount withdrawn and the member's age at retirement. The partial lump-sum benefit, together with the member's reduced normal retirement benefit, must be actuarially equivalent to the member's normal retirement benefit. The cost-of-living adjustment granted by

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

2. PLAN DESCRIPTION: (Continued)

PLOP Benefits (Continued)

the Board of Trustees to retirees who elect to receive a reduced retirement benefit and a partial lump-sum benefit shall be based only on the reduced retirement benefit and not on the partial lump-sum benefit.

3. CONTRIBUTIONS AND RESERVES:

Contributions

The New System is funded by employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year.

The Old System is funded by employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment. Employer contributions are made monthly for the amount necessary to pay current expenses. Annual contributions to the Old System do not include amortization of past service cost. In effect, the Old System is being funded on a "pay-as-you-go" basis. No new participants have entered the Old System since December 31, 1967. In addition, the Old System receives fire insurance taxes amounting to 2% of the fire insurance premiums written in the City of New Orleans.

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) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and other benefits are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance of the New System is \$83,200,024 and it is fully funded. The Pension Reserve Balance of the Old System is \$164,227,930 and it is 5.0% funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
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NOTES TO FINANCIAL STATEMENTS
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

B) 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. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is \$17,159,417 and it is fully funded. The Annuity Savings balance of the Old System is \$19,993 and it is fully funded.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance of the New System is \$88,264,325 and it is fully funded. The Pension Accumulation balance of the Old System is \$1,419,311 and it is 0% funded.

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant or the participant may elect to leave the accumulated benefits on deposit in the DROP account. The DROP account balance of the New System is \$1,159,370 and it is fully funded. The DROP balance of the Old System is \$1,011,527 and it is fully funded.

E) Partial Lump-Sum Option Payment Account:

The Partial Lump-Sum Option Payment (PLOP) Account receives and holds until requested an initial lump-sum benefit which shall not exceed an amount equal to the member's normal retirement benefit times sixty, for those members who have not participated in the DROP, and who upon application for retirement, elect to receive

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

3. CONTRIBUTIONS AND RESERVES: (Continued)

E) Partial Lump-Sum Option Payment Account: (Continued)

the actuarial equivalent of their retirement benefit as a reduced monthly benefit plus an initial lump-sum benefit. The PLOP account balance of the New System is \$67,679 and it is fully funded. The PLOP balance of the Old System is \$210,899 and it is fully funded.

4. ACTUARIAL COST METHOD:

The Aggregate Level Normal Cost Method was used to calculate the funding requirements of the New System. This funding method allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces no unfunded accrued liability. Under the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Based on actual experience future normal costs will increase or decrease.

The Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System. Under this cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of the future normal cost is called the actuarial accrued liability. Gains and losses directly increase or decrease the unfunded accrued liability.

Although the Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System, it is funded on a "pay-as-you-go" basis, as more fully described in Footnote 3. Current contributions cover current expenses only.

The sole change for the 1999 valuation is the retirement assumption for the New System. It has been changed to be more directly tied to the service oriented eligibility provisions rather than the age specific rate used in the past.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Pension and Relief Fund's deposits, cash equivalents and investments at December 31, 1999:

	<u>NEW SYSTEM</u>	<u>OLD SYSTEM</u>
Deposits (Bank balance)	\$ 570,113	\$2,182,377
Cash equivalents	24,746,383	7,953,663
Investments	185,083,869	38,922

FIREFIGHTERS' PENSION AND RELIEF FUND
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

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

Deposits:

The Fund's bank account balances as of December 31, 1999 were entirely covered by federal depository insurance and pledged securities.

Cash Equivalents:

Cash equivalents of the New System and Old System consist of government backed pooled funds and commercial paper. The funds are held by the Fund's custodian's trust department in the Fund's name. The cash equivalents of the Old System also consist of repurchase agreements which are collateralized.

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. The Prudent Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of the system to act with 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 sixty-five percent of the total portfolio in common stock.

The Fund's investments are categorized to give an indication of the level of custodial credit 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 Fund or its agent in the Fund'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 Fund'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 Fund's name.

	<u>MARKET VALUE</u>	<u>CATEGORY</u>
<u>New System</u>		
Collateral held under Securities Lending Program	\$ 9,556,392	2
Bonds	53,056,831	1
Stocks	64,783,508	1
Mutual funds	36,465,846	N/A
Notes receivable	4,760,000	1
Investment in partnerships	7,162,368	N/A
Investments held by broker-dealers in which collateral may be reinvested:		
Bonds	4,373,118	N/A
Stocks	4,925,806	N/A
TOTAL	<u>\$185,083,869</u>	

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

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

Investments: (Continued)

	<u>MARKET VALUE</u>	<u>CATEGORY</u>
<u>Old System</u>		
Stocks	\$ <u>38,922</u>	1
TOTAL	\$ <u>38,922</u>	

Market values for the New System and Old System are furnished by the Fund's custodial bank and independent public sources.

6. PER DIEM PAID TO BOARD MEMBERS:

Board members are not paid per diem for attending board meetings.

7. OFFICE RENTAL:

During 1999, the Fund entered into a lease for office space retroactive to January 1, 1998. The five-year lease requires monthly payments of \$782. Prior to the signing of the lease, the Fund rented the office space on a month-to-month basis at \$782 per month. Total rent expense for the year ended December 31, 1999 was \$10,509. Future minimum rent payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 9,380
2001	9,380
2002	<u>9,380</u>
	<u>\$28,140</u>

8. 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.

9. 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 22 - 24.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

10. SECURITY LENDING AGREEMENTS:

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 stock and bonds 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 of 102% 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. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in footnote 5. At December 31, 1999 all collateral was cash collateral. The cash collateral was invested in cash equivalent and commercial paper at December 31, 1999. The maturities of these investments match the maturities of the securities loans.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net income received from the transactions in the amount of \$26,188 is recorded on the financial statements in investment income.

11. FUTURES CONTRACTS:

The Fund has entered into futures contracts for the purpose of trading. At December 31, 1999, the New System had outstanding seventy-nine index futures contracts, all maturing March 2000. The Old System had outstanding eleven treasury bond and note futures contracts and seven index futures contracts, all maturing March 2000. The notional value of the open contracts at December 31, 1999 was \$17,753,825 and \$3,494,117 for the New System and Old System, respectively. The fair value of the open contracts at December 31, 1999 was \$20,143,025 and \$3,643,507 for the New System and Old System, respectively.

The Fund is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the Fund does not anticipate nonperformance by the counterparties. The Fund is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the Fund is the notional value of the contracts. During the year ended December 31, 1999, the New System realized net gains of \$2,199,934 on futures trading. The Old System realized gains of \$128,194 on futures trading. The net gains are recorded on the financial statements in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

11. FUTURES CONTRACTS: (Continued)

The Fund is required to pledge a \$2,000,000 treasury note with a carrying value of \$2,000,000 as collateral for the trading account for the New System. At December 31, 1999, the pledged note's carrying value was \$2,000,000. The Fund is also required to maintain a margin account in the amount of \$2,000,000, to serve as the source of funds for any required variation margin, and is consistent with risk parameters agreed to. At December 31, 1999, the margin account's balance was \$11,106,017.

The Fund is required to pledge \$190,000 in treasury bills with a carrying value of \$190,000 as collateral for the trading account for the Old System. At December 31, 1999, the pledged treasury bills' carrying value was \$190,000. The Fund is also required to maintain a margin account in the amount of \$190,000, to serve as the source of funds for any required margin variation, and is consistent with the risk parameters agreed to. At December 31, 1999, the margin account's balance was \$4,253,663.

12. NOTES RECEIVABLE:

During the year ended December 31, 1999, the Fund had investments in three corporations. The terms and details of the notes are as follows:

- a) On October 1, 1997, the Fund loaned \$3,000,000 to Weston Lakes Country Club and Sierra Golf Corp. (the Corporations). The loan bears interest at 9% which is due in quarterly installments commencing from the date of the loan. Principal is to be paid in quarterly installments commencing January 31, 2003 and ending January 31, 2008.

The Fund may, by giving written notice of its desire to do so on or before July 31, 2002, accelerate the balance due under the loan and, in said event, the Corporations are required to pay the cumulative sum of all unpaid principal, accrued but unpaid interest, projected net cash flow not yet paid plus 35% of the net appraised value of the property and the improvements on or before January 31, 2003. In the event that the Fund does not elect to accelerate the loan, the Corporations may give written notice subsequent to July 31, 2002 but on or before October 31, 2002 of their desire to prepay the loan under the same terms as the Fund's acceleration.

The note is collateralized by a deed of trust granting a mortgage ranking in first position on the property and improvements of Weston Lake Country Club. Additional interest of the greater of 35% of net cash flow (gross income of the property less operating expenses of the property) or projected net cash flow (as detailed in the loan agreement) is due in annual installments commencing January 31, 1999, until the note is paid in full. For the year ended December 31, 1999, the Fund earned interest (including additional interest) of \$371,698 which is recorded as investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

12. NOTES RECEIVABLE: (Continued)

- b) On February 4, 1999, the Fund loaned \$1,750,000 to BSL Golf of California, Inc.. (BSL), in addition to \$10,000 loaned to BSL previously. The total loan bears interest at 8.5%, due in quarterly installments. Principal is to be paid in quarterly installments commencing January 31, 2004 until the balance due is \$10,000. The remaining \$10,000 will be due on January 14, 2037.

The Fund may, by giving written notice of its desire to do so on or before July 31, 2004, accelerate the balance due under the loan, and in said event, BSL is required to pay, on January 31, 2005, all unpaid amounts of principal, interest, 20% of net cash flow or projected net cash flow (whichever is greater) and 20% of the amount by which the appraised value of the property and improvements exceed the aggregate value of the sum due under this note and the senior indebtedness. In the event the Fund does not elect to accelerate the loan, BSL may give written notice of its desire to do so after July 31, 2004 but on or before October 31, 2004, to prepay this note as of January 31, 2005 under the same terms as the Fund's acceleration.

The note is collateralized by a deed of trust granting a mortgage ranking in second position on property and improvements for BSL's golf course facilities. As of December 31, 1999, the first mortgage on the property and improvements was \$15,000,000. As additional collateral, the Fund holds a security interest in 1,000 shares of the stock of BSL. Additional interest of the greater of 20% of net cash flow (gross income of the property less operating expenses of the property) or projected net cash flow (as detailed in the loan agreement) is due in annual installments commencing January 31, 2000, until the note is paid in full. For the year ended December 31, 1999, the Fund earned interest (including additional interest) of \$251,254 which is recorded as investment income.

13. INVESTMENT IN PARTNERSHIPS:

During the year ended December 31, 1999, the Fund had investments in three partnerships as follows:

- a) During 1998, the Fund invested \$7,500,000 as a limited partner in the Scott's Cove Special Credits Fund I, L.P. (the partnership). The partnership seeks capital appreciation and current income, primarily through investment in debt and equity securities and other obligations of entities which are highly leveraged or involved in a reorganization. The partnership also invests in other financial instruments believed by the investment manager to be undervalued. All investments made by the partnership are in the equity and debt obligations issued or guaranteed by U.S. corporate entities or otherwise subject to U.S. bankruptcy law.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999

13. INVESTMENT IN PARTNERSHIPS:

Net income or loss is allocated on a quarterly basis to the capital accounts of the partners, based upon each partner's percentage of partnership capital at the beginning of the quarter. The Fund's share of partnership income for 1999 was \$27,728. The Fund liquidated its investment in Scott's Cove in 1999.

- b) During 1999, the Fund invested \$4,821,115 as a limited partner in the South Peters Hotel Investors, L.P. (the partnership). The partnership was formed for the purpose of acquiring, developing and operating a hotel and parking garage complex.

Net income or loss is allocated at least annually to the capital accounts of the partners, based upon each partner's capital contributions in relation to the total capital contributions made or required to be made by all of the partners. The partnership earned no income for 1999 as it is in the pre-operating stage. In addition, the Fund is entitled to an annual return of seven and one-half percent on its capital contribution which shall accrue from the date of investment of the capital contribution. The Fund's income for 1999 totalled \$173,362.

- c) During 1999, the Fund invested \$2,449,822 as a limited partner in First America Asia Fund I, L.P. (the partnership). The partnership was formed to achieve significant long-term capital gains through investment in holding companies owned by companies which will use the funds to invest in private joint ventures in Asia, excluding Japan.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their respective capital accounts. The Fund's share of partnership loss for 1999 was \$108,570.

Income or loss earned on all partnership investments is recorded in investment income on the financial statements.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 1999

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Excess Net Assets	Total
BALANCES, JANUARY 1, 1999	\$ 57,358,880	\$ 17,223,673	\$ 2,537,624	--	\$ 99,880,312	\$ 12,792,938	\$ 189,793,427
REVENUES AND TRANSFERS:							
Contributions:							
Members	--	864,706	--	--	12,437	--	877,143
Employers	--	--	--	--	3,518,964	--	3,518,964
Net income from investments and other resources	--	--	--	--	14,827,382	--	14,827,382
Interest on accumulated savings	--	562,230	--	--	--	--	562,230
Transfers from annuity savings	1,399,683	--	--	--	--	--	1,399,683
Transfer from Old System	--	19,202	--	--	--	--	19,202
DROP Revocations	1,995,836	--	--	--	--	--	1,995,836
Transfer from other systems	--	329	--	--	11,546	--	11,875
Pensions transferred from pension reserve	--	--	1,584,038	307,476	--	--	1,891,514
Actuarial transfers	29,739,213	--	--	--	--	--	29,739,213
Total revenues	33,134,732	1,446,467	1,584,038	307,476	18,370,329	--	54,843,042
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	5,393,074	--	966,456	239,797	--	--	6,599,327
Refunds to members	--	106,197	--	--	--	--	106,197
Transfers to pension reserve	--	1,399,683	--	--	--	--	1,399,683
Pensions transferred to DROP	1,584,038	--	--	--	--	--	1,584,038
DROP Revocations	--	--	1,995,836	--	--	--	1,995,836
Pensions transferred to PLOP	307,476	--	--	--	--	--	307,476
Death benefits	9,000	--	--	--	--	--	9,000
Interest transferred to annuity savings	--	--	--	--	562,230	--	562,230
Transfer to other systems	--	4,843	--	--	8,312	--	13,155
Actuarial transfer	--	--	--	--	29,415,774	323,439	29,739,213
Total expenditures	7,293,588	1,510,723	2,962,292	239,797	29,986,316	323,439	42,316,155
NET INCREASE (DECREASE)	25,841,144	(64,256)	(1,378,254)	67,679	(11,615,987)	(323,439)	12,526,887
BALANCES - DECEMBER 31, 1999	\$ 83,200,024	\$ 17,159,417	\$ 1,159,370	\$ 67,679	\$ 88,264,325	\$ 12,469,499	\$ 202,320,314

FIREFIGHTERS' PENSION AND RELIEF FUND
 OF THE CITY OF NEW ORLEANS
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Pension Reserve	Annuity Savings	DROP	PLOP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JANUARY 1, 1999	\$ 156,134,844	\$ 84,487	\$ 2,562,733	--	\$ 14,730,977	\$ (164,261,791)	\$ 9,251,250
REVENUES AND TRANSFERS:							
Contributions:							
Members	--	179	--	--	430	--	609
Employers	--	--	--	--	16,749,999	--	16,749,999
Net income from investments and other resources	--	--	--	--	128,170	--	128,170
Fire insurance rebate	--	--	--	--	874,616	--	874,616
Transfers from annuity savings	45,292	--	--	--	--	--	45,292
DROP Revocations	1,180,851	--	--	--	--	--	1,180,851
Pensions transferred from pension reserve	--	--	847,956	210,899	--	--	1,058,855
Actuarial transfers	24,265,714	--	--	--	--	6,794,901	31,060,615
Total revenues	25,491,857	179	847,956	210,899	17,753,215	6,794,901	51,099,007
EXPENDITURES AND TRANSFERS:							
Retirement benefits paid	16,294,916	--	1,218,311	--	--	--	17,513,227
Transfers to pension reserve	--	45,292	--	--	--	--	45,292
Pensions transferred to DROP	847,956	--	--	--	--	--	847,956
Death benefits	45,000	--	--	--	--	--	45,000
DROP Revocations	--	--	1,180,851	--	--	--	1,180,851
Transfer to New System	--	19,202	--	--	--	--	19,202
Transfer to other systems	--	179	--	--	4,266	--	4,445
Pensions transferred to PLOP	210,899	--	--	--	--	--	210,899
Actuarial transfer	--	--	--	--	31,060,615	--	31,060,615
Total expenditures	17,398,771	64,673	2,399,162	--	31,064,881	--	50,927,487
NET INCREASE (DECREASE)	8,093,086	(64,494)	(1,551,206)	210,899	(13,311,666)	6,794,901	171,520
BALANCES - DECEMBER 31, 1999	\$ 164,227,930	\$ 19,993	\$ 1,011,527	\$ 210,899	\$ 1,419,311	\$ (157,466,890)	\$ 9,422,770

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SCHEDULE OF INVESTMENTS
DECEMBER 31, 1999

	<u>PAR VALUE OF BONDS</u>		<u>ORIGINAL COST</u>		<u>MARKET VALUE</u>	
	<u>New System</u>	<u>Old System</u>	<u>New System</u>	<u>Old System</u>	<u>New System</u>	<u>Old System</u>
Cash equivalents	\$ --	\$ --	\$ 24,746,383	\$ 7,952,283	\$ 24,746,383	\$ 7,953,663
Bonds:						
U.S. Government and Agency Issues	16,873,640	--	16,750,388	--	16,337,434	--
Corporate bonds	41,297,637	--	39,491,373	--	39,350,423	--
Foreign bonds	1,675,000	--	1,755,004	--	1,742,092	--
Stocks	--	--	60,142,964	51,779	69,709,314	38,922
Notes receivable	--	--	4,760,000	--	4,760,000	--
Investment in partnerships	--	--	7,162,368	--	7,162,368	--
Mutual Funds	--	--	26,503,273	--	36,465,846	--
			<u>\$ 181,311,753</u>	<u>\$ 8,004,062</u>	<u>\$ 200,273,860</u>	<u>\$ 7,992,585</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
 OF THE CITY OF NEW ORLEANS
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>New System</u>	<u>Old System</u>
Accounting, auditing and legal	\$ --	\$ 117,562
Actuary fees	--	35,477
Advertising - legislative	--	14,108
Depreciation	--	2,229
Insurance	--	70,261
Interfund allocation	256,500	(256,500)
Office supplies and printing	--	17,563
Other	19,821	2,162
Payroll and payroll taxes	--	191,903
Pension seminars and education	--	107,521
Postage	--	7,316
Professional - medical	--	12,000
Rent	--	10,509
Telephone	--	1,992
TOTAL	<u>\$ 276,321</u>	<u>\$ 334,103</u>

FIREFIGHTERS' PENSION AND RELIED FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS
DECEMBER 31, 1994 THROUGH 1999

YEAR	NEW SYSTEM	
	Actuarial Required Contributions Employer	Percent Contributed Employer
1994	\$ 3,157,080	96.93 %
1995	2,432,808	100.00
1996	3,156,216	100.00
1997	2,856,000	105.16
1998	2,897,928	85.72
1999	2,887,752	121.86

YEAR	OLD SYSTEM	
	Actuarial Required Contributions Employer and Other Sources	Percent Contributed Employer and Other Sources
1994	\$ 18,718,644	79.55 %
1995	18,630,960	79.31
1996	18,400,260	93.59
1997	17,878,316	102.99
1998	18,978,384	90.99
1999	19,035,820	92.59

FIREFIGHTERS' PENSION AND RELIED FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OLD SYSTEM
DECEMBER 31, 1994 THROUGH 1999

OLD SYSTEM						
Actuarial Valuation Date	Actuarial Valuation ASSETS	Actuarial Accured Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
December 31, 1994	\$ 3,622,853	\$ 154,575,834	\$ 150,952,981	2.34 %	\$ 2,617,351	5,767.40
December 31, 1995	3,769,588	165,740,271	161,970,683	2.27	2,505,605	6,464.33
December 31, 1996	5,628,192	166,906,068	161,277,876	3.37	556,263	28,993.10
December 31, 1997	8,548,009	172,848,372	164,300,363	4.95	336,872	48,772.34
December 31, 1998	9,251,250	173,513,041	164,261,791	5.33	207,315	79,232.95
December 31, 1999	9,422,770	166,889,660	157,466,890	5.65	130,608	120,564.50

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULES OF CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 1994 THROUGH 1999

The information presented in the Schedules of Contributions 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	December 31, 1999
Actuarial Cost Method	<p>New System: The Aggregate Level Normal Cost Method.</p> <p>Old System: Entry Age Normal Cost Method.</p>
Asset Valuation Method	<p>New System: Market value adjusted to average realized and unrealized capital gains over a three year period.</p> <p>Old System: Market value.</p>
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Amortization Method:	The amortization period is for a specific number of years with payments at a level amount.
Remaining Amortization Period:	13 years
Change in Actuarial Assumptions:	The retirement assumption for the New System has been changed to be more directly tied to the service oriented eligibility provisions rather than the age specific rates used in the past.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

May 2, 2000

Honorable Mayor and Council of
the City of New Orleans, Louisiana

We have audited the financial statements of the Firefighters' Pension and Relief Fund of the City of New Orleans as of and for the year ended December 31, 1999, and have issued our report thereon dated May 2, 2000. 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 the Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firefighters' Pension and Relief Fund of the City of New Orleans' 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. However, we noted a matter involving the internal control over financial reporting that we have reported to management in a separate letter dated May 2, 2000.

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

Duslantier, Hupmann, Hogan & Maher LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, LLP
LEGISLATIVE AUDITOR

CERTIFIED PUBLIC ACCOUNTANTS
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BONNIE J. McAFFEE, C.P.A.

MICHELLE H. CUNNINGHAM, C.P.A.
KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER, JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

May 2, 2000

Honorable Mayor and
Council of the City of New Orleans

We have audited the financial statements of the Firefighters' Pension and Relief Funds of the City of New Orleans as of and for the year ended December 31, 1999, and have issued our report thereon dated May 2, 2000. 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.

As part of our examination, we have issued our report on the financial statements, dated May 2, 2000, and our report on internal control and compliance with laws, regulations, and contracts, dated May 2, 2000.

During the course of our examination, we became aware of the following matter which represents a suggestion for improved internal control.

99-1 Investments

During the audit, it was noted that the Fund's investments were not recorded and reconciled to the Bank One trust statements during the year. It is necessary to record the transactions during the year in order to locate and investigate possible discrepancies timely and also to have accurate financial statements available during the fiscal year.

The investments were recorded and reconciled to the Bank One Trust statements after year end and the audited balances were correctly stated at December 31, 1999.

We recommend that the Fund take the necessary steps to ensure that all investment transactions are recorded and reconciled to the Bank One trust statements in a timely manner.

We recommend management address the foregoing issue as an improvement to operations and the administration of public programs. We are available to further explain the suggestion or help implement the recommendation.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

William Stamm

William G. Stamm, CPA
Partner

WGS/fk

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2000 JUN 29 AM 10:14

BOARD OF TRUSTEES
- OF THE -
FIRE FIGHTER'S PENSION AND RELIEF FUND
FOR THE CITY OF NEW ORLEANS
329 SO. DORGENOIS STREET
NEW ORLEANS, LOUISIANA 70119
821-4671
827-1129 fax

June 27, 2000

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804- 9397

Dear Sir or Madam,

Following is the Corrective Action Plan for Audit Finding 99-1, reported in our management letter for the year ended December 31, 1999:

99-1

We will correct this situation by having our accountant prepare reconciliations of our investments per the Bank One trust statements to our books on a quarterly basis. The Fire Fighters Pension and Relief Fund and Bank One will investigate unusual transactions on a quarterly basis to ensure proper accounting.

Should you require further information , please do not hesitate to contact me.

Sincerely,



Richard J. Hampton, Jr.
Secretary -Treasurer