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REPORT

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA

JUNE 30, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

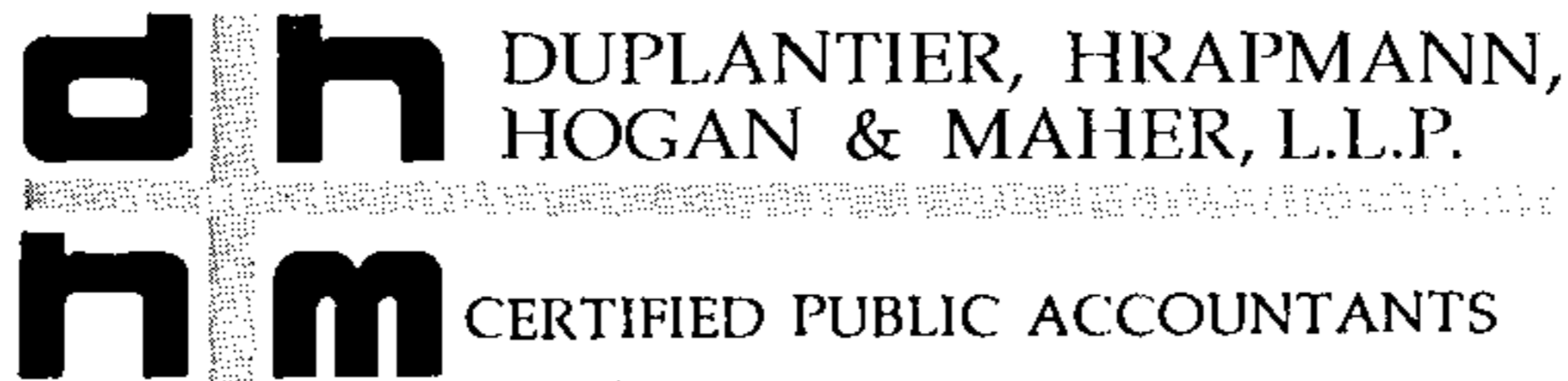
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SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

September 16, 1999

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

We have audited the statements of plan net assets of the Sheriffs' Pension and Relief Fund, State of Louisiana as of June 30, 1999 and 1998 and the related statements of changes in plan net assets for the years 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sheriffs' Pension and Relief Fund as of June 30, 1999 and 1998 and the results of its operations and changes in net assets for the years then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the Fund for the years ending June 30, 1999 and 1998, and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 20 – 23, the supplemental schedules on pages 16 - 19 and the Year 2000 issue supplementary information on page 24 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, 1994 - 1999 and supplemental schedules for the years ending June 30, 1999 and 1998, 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. The supplemental schedule on the Year 2000 has not been subjected to procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have issued a report dated September 16, 1999 on our consideration of Sheriffs' Pension and Relief Fund's internal control over financial reporting and on its compliance with laws and regulations.

Dunlavy, Hupmann, Hogan & Maher LLP

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
ASSETS:		
Cash	\$ <u>331,485</u>	\$ <u>410,020</u>
Receivables and prepaid expense:		
Member contributions	1,361,456	1,397,971
Employer contributions	807,279	824,285
Accrued interest and dividends	5,272,516	5,351,067
Sold investments receivable	4,263,298	445,290
Other receivables	14,274	157,498
Total	<u>11,718,823</u>	<u>8,176,111</u>
Investments (At fair value): (Notes 1 and 6) (Page 17)		
Cash equivalents	24,197,073	38,766,902
Collateral held under Securities Lending Program (Notes 6 and 7)	47,249,413	57,976,080
Bonds	346,226,325	340,016,821
Stocks	363,384,127	284,418,095
Total	<u>781,056,938</u>	<u>721,177,898</u>
Property, plant and equipment: (Notes 1 and 12)		
Office building, furnishings and equipment	378,159	373,199
Less: Accumulated depreciation	226,190	196,109
	<u>151,969</u>	<u>177,090</u>
Total assets	<u>793,259,215</u>	<u>729,941,119</u>
LIABILITIES:		
Obligation under Securities Lending Program (Notes 6 and 7)	47,249,413	57,976,080
Investments purchased payable	7,701,340	12,161,407
Refunds payable	206,611	203,278
Payroll and pension withholding payable	156,486	182,868
Accounts payable	699,348	717,265
Pension payable	64,096	55,934
DROP payable	--	10,337
Accrued leave payable	74,075	58,529
Total liabilities	<u>56,151,369</u>	<u>71,365,698</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 737,107,846</u>	<u>\$ 658,575,421</u>
(A schedule of funding progress for the plan is presented on Page 21)		

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
ADDITIONS:		
Contributions:		
Members	\$ 24,430,099	\$ 21,679,731
Employers	14,320,789	12,650,674
Ad valorem taxes and state revenue sharing	7,191,288	6,921,806
Total contributions	<u>45,942,176</u>	<u>41,252,211</u>
Investment income: (Note 1)		
Interest income	24,659,127	26,562,485
Dividend income	2,853,314	2,786,246
Net appreciation in fair value of investments	12,790,752	53,136,664
Commission recapture	105,652	72,167
Total investment income	<u>40,408,845</u>	<u>82,557,562</u>
Less investment expense:		
Investment advisory fee	2,427,341	1,920,723
Custodian fee and bank charges	57,778	55,984
Total investment expense	<u>2,485,119</u>	<u>1,976,707</u>
Net investment income	<u>37,923,726</u>	<u>80,580,855</u>
Other additions:		
Transfers from other retirement systems (Note 13)	26,540,548	1,564,653
Processing fees	137	102
Gain on sale of equipment	--	3,600
Total other additions	<u>26,540,685</u>	<u>1,568,355</u>
Total additions	<u>110,406,587</u>	<u>123,401,421</u>
DEDUCTIONS:		
Benefits	24,940,278	21,208,319
Refund of contributions	5,474,193	4,886,192
Transfers to other state retirement systems	572,819	504,738
Administrative expenses (Page 18)	856,791	855,896
Depreciation	30,081	24,138
Total deductions	<u>31,874,162</u>	<u>27,479,283</u>
NET INCREASE	78,532,425	95,922,138
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>658,575,421</u>	<u>562,653,283</u>
END OF YEAR	<u>\$ 737,107,846</u>	<u>\$ 658,575,421</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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 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, elected by the members of the LSA for a term of two years from the date of taking office. Reelection is permissible. 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 by the members 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, 1999 AND 1998

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-five contributing sheriff offices, with employees of the Louisiana Sheriffs' Association office and the Sheriffs' Pension Fund staff also contributing. At June 30, 1999 and 1998 statewide retirement membership consists of:

	<u>1999</u>	<u>1998</u>
Current retirees and beneficiaries	1,849	1,747
DROP participants	187	211
Members, terminated with deferred vested benefits	202	185
Members, terminated, nonvested with contributions remaining on deposit with the fund	1,800	1,617
Fully vested, partially and nonvested active employees covered	<u>11,898</u>	<u>10,932</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>15,936</u>	<u>14,692</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, 1999 AND 1998

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits:

Members with twelve years of creditable service may retire at age fifty-five. The retirement allowance is equal to three and one-third percent of the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Members with twenty or more years of service may retire with a reduced retirement at age fifty.

Cost of Living Increases:

The Fund is authorized under state law to grant a cost of living increase to members who have been retired for at least one full calendar year. The increase cannot exceed the lesser of 3.0% of the retiree's current benefit or an increase of \$100 per month, subject to a minimum of \$20 per month. State law allows the Fund to grant an additional cost of living increase to all retirees and beneficiaries over age sixty-five equal to 2% of the benefit received on October 1, 1977, or the original benefit, if retirement commenced after that date.

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 lessor 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. Members who become partially disabled receive 75% of the amount payable for total 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 15% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not to exceed 100%. 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

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

of 60% of final average compensation if there are more than four children. If a 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-two, if the child is a full time student in good standing enrolled at a board approved or accredited school, college, or university.

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-five. 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 remain in the fund, up to ten years, or 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% (9.7% for fiscal year ending June 30, 2000) 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, 1999 AND 1998

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 1999 and 1998, the employers contributed 5% (6% for fiscal year 2000) 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, 1999 is \$151,589,000. 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, 1999 is \$431,956,576. The Pension Accumulation Reserve is 86% funded.

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, 1999 is \$206,935,624. The Annuity Reserve is fully funded.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves:

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, 1999 is \$7,084,773. 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 20-23.

In accordance with GASB, the required schedule for the year 2000 information is on page 24.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Fund's deposits, cash equivalents and investments at June 30, 1999 and 1998.

	<u>1999</u>	<u>1998</u>
Deposits (bank balance)	\$ 2,919,235	\$ 2,467,907
Cash equivalents	24,197,073	38,766,902
Investments	<u>756,859,865</u>	<u>682,410,996</u>
	<u>\$783,976,173</u>	<u>\$723,645,805</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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>1999</u>		<u>1998</u>	
	Carrying Amount		Carrying Amount	
	(Market Value)	Category	(Market Value)	Category
Collateral held under Securities				
Lending Program	\$ 47,249,413	2	\$ 57,976,080	2
Bonds	297,577,959	1	279,059,596	1
Stocks	362,171,653	1	284,418,095	1

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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

Investments: (Continued)

Investments held by broker-dealers in which collateral may be reinvested:

Bonds	45,822,790	N/A	56,899,275	N/A
Stocks	1,212,474	N/A	--	N/A

Investments held by broker-dealers in which collateral may not be reinvested:

Bonds	<u>2,825,576</u>	1	<u>4,057,950</u>	1
	<u>\$756,859,865</u>		<u>\$682,410,996</u>	

7. SECURITY LENDING AGREEMENT:

State statutes and board of trustee policies authorize the Fund to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the Fund is allowed to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund enters into a contract with a company which acts as their third-party securities lending agent. The lending agent has access to the Fund's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has discretion over the selection of borrowers and continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them; however, the Fund may restrict borrowers. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit. Initial collateralization of loans will be 102% of the market value of the loaned securities plus accrued income for U.S. and 105% in all cases and at all times of non-U.S. loans, respectively. When collateral for U.S. issuers is less than 100% of market value of the loaned securities, additional collateral is required to bring the collateralization back to 102%. As a result of the required collateralization percentages, the Fund has no credit risk. The lending agent and the Fund enter into contracts with all approved borrowers. In the case of security loans in which the collateral received by the Fund is cash, the collateral is reported as an asset with a corresponding liability. When 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 number 6. In both cases, the loaned securities continue to be reported as an asset on the Statement of Plan Net Assets and in footnote number 6. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the Fund) in approved investments outlined in the contract between the agent and the Fund such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including tri-party. Acceptable collateral from approved borrowers for repurchase agreements (including tri-party) is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

7. SECURITY LENDING AGREEMENT: (Continued)

Securities on loan at June 30, 1999 and 1998 are presented as unclassified under footnote 6. The contracts with the lending agent requires the lending agent to indemnify the Fund if the borrower defaults and fails to return the securities (and if the collateral is inadequate to replace the securities lent). The Fund cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements with maturities of one to two days.

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 in 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.

During the prior fiscal year, the Plan was amended whereby all assets and income are held in a custodial trust account for the exclusive benefit of the participants and their beneficiaries.

9. ANNUAL AND SICK LEAVE:

Employees' leave 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. Employees are not compensated for accumulated sick leave upon termination.

During the current year, the Board of Trustees considered a change in policy relating to limiting accrued annual leave. However, the Board resolved that, since Fund employees were unable to take leave due to job requirements, no employee would lose annual leave.

The liability for compensatory time and annual leave accrued at June 30, 1999 and 1998 is \$74,075 and \$58,529, respectively.

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.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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. CHANGES IN PROPERTY, PLANT AND EQUIPMENT:

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>July 30, 1999</u>
Land and building improvements	\$ 80,950	\$2,355	\$ --	\$ 83,305
Vehicles	25,157	--	--	25,157
Office furniture and equipment	<u>267,092</u>	<u>2,605</u>	--	<u>269,697</u>
Total	<u>\$373,199</u>	<u>\$4,960</u>	<u>\$ --</u>	<u>\$378,159</u>

On April 4, 1999, the board of trustees resolved to exchange its land and building on Nicholson Drive in Baton Rouge for the Louisiana Sheriffs' Association land at the same location. The Fund intends to construct an office building on the land received in the exchange.

13. ORLEANS CRIMINAL SHERIFFS' OFFICE MERGER:

Effective July 1, 1997, new employees of the Orleans Parish Criminal Sheriff's Office began enrolling in the Louisiana Sheriffs' Pension and Relief Fund. Existing employees were allowed to elect membership in the Fund from July 1, 1997 through November 25, 1997. Prior to July 1, 1997, the Orleans Parish Criminal Sheriff's Office maintained a defined contribution pension plan for its employees. Both employees and the employer contributed a fixed percentage of payroll to the plan each year; the funds were invested and interest was credited to each member's account on an annual basis. All employees of the Orleans Parish Criminal Sheriff's Office who were members of the defined contribution plan prior to July 1, 1997, and who elected to join the Fund are included in the merger. Members who had balances in the defined contribution plan prior to July 1, 1997 and who elected to become members of the Fund were granted credit from most recent date of employment with the Orleans Parish Criminal Sheriff's Office (or April 1, 1974; whichever is later) through June 30, 1997. The merger was funded by the transfer of funds from the Orleans Parish Criminal Sheriff's Office defined contribution plan plus any additional funds necessary to offset the actuarial accrued liability assumed by the Fund as a result of the merger. At the completion of the merger, the annuity savings fund balance for each member merged was set equal to their defined contribution plan balance as submitted plus any additional employee contributions made while participating in the Sheriffs' Pension and Relief Fund after July 1, 1997.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

13. ORLEANS CRIMINAL SHERIFFS' OFFICE MERGER:: (Continued)

The total funds transferred to the Fund during the current fiscal year resulting from the merger agreement was \$25,357,423.

14. LEASE:

The Fund has entered into an operating lease for a building currently being used until an office building can be constructed in Baton Rouge. The minimum lease payments due under the lease are as follows:

Fiscal year:	2000	\$48,000
	2001	24,000

Total rent expense incurred during the fiscal year ended June 30, 1999 was \$10,363, none of which was associated with the Baton Rouge lease.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	JUNE 30, 1999				
	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION RESERVE	DEFERRED RETIREMENT OPTION PLAN (DROP)	UNFUNDED ACTUARIAL LIABILITY
BALANCES - BEGINNING OF YEAR	\$ 187,564,727	\$ 119,185,414	\$ 381,077,059	\$ 6,213,008	\$ (35,464,787)
REVENUES AND TRANSFERS:					
Contributions	--	24,430,099	21,512,077	--	--
Net income from investments	--	--	37,923,726	--	--
Processing fees	--	--	137	--	--
Annuities derived from accumulated savings	4,256,855	--	--	--	--
Gain on sale of assets	--	--	--	--	--
Contributions for purchased or transferred services	--	17,704,535	8,836,013	--	--
DROP pensions accumulated from Annuity Reserve	--	--	--	2,863,278	--
Actuarial transfer	40,926,082	--	--	--	--
Total revenues and transfers	<u>45,182,937</u>	<u>42,134,634</u>	<u>68,271,953</u>	<u>2,863,278</u>	<u>--</u>
EXPENSES AND TRANSFERS:					
Retirement allowances paid during the period	22,948,765	--	--	--	--
Transfer to Annuity Reserve	--	4,256,855	--	--	--
Refunds to members	--	5,474,193	--	--	--
Administrative expenses and depreciation	--	--	886,872	--	--
Funds transferred to another system	--	--	572,819	--	--
Pensions paid into DROP	2,863,278	--	--	--	--
Pensions paid out of DROP	--	--	--	1,991,513	--
Actuarial transfer	--	--	15,932,745	--	24,993,337
Total expenses and transfers	<u>25,812,043</u>	<u>9,731,048</u>	<u>17,392,436</u>	<u>1,991,513</u>	<u>24,993,337</u>
Net increase (decrease)	<u>19,370,894</u>	<u>32,403,586</u>	<u>50,879,517</u>	<u>871,765</u>	<u>(24,993,337)</u>
BALANCES - END OF YEAR	<u>\$ 206,935,621</u>	<u>\$ 151,589,000</u>	<u>\$ 431,956,576</u>	<u>\$ 7,084,773</u>	<u>\$ (60,458,124)</u>

JUNE 30, 1998

TOTAL	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION RESERVE	DEFERRED RETIREMENT OPTION PLAN (DROP)	UNFUNDED ACTUARIAL LIABILITY	TOTAL
\$ 658,575,421	\$ 175,179,926	\$ 105,208,955	\$ 340,719,976	\$ 3,692,158	\$ (62,147,732)	\$ 562,653,283
45,942,176	--	21,679,731	19,572,480	--	--	41,252,211
37,923,726	--	--	80,580,855	--	--	80,580,855
137	--	--	102	--	--	102
4,256,855	3,317,585	--	--	--	--	3,317,585
--	--	--	3,600	--	--	3,600
26,540,548	--	500,505	1,064,148	--	--	1,564,653
2,863,278	--	--	--	2,985,736	--	2,985,736
40,926,082	32,796,385	--	--	--	26,682,945	59,479,330
158,452,802	36,113,970	22,180,236	101,221,185	2,985,736	26,682,945	189,184,072
22,948,765	20,742,100	--	--	--	--	20,742,100
4,256,855	--	3,317,585	--	--	--	3,317,585
5,474,193	--	4,886,192	--	--	--	4,886,192
886,872	--	--	880,034	--	--	880,034
572,819	--	--	504,738	--	--	504,738
2,863,278	2,987,069	--	--	--	--	2,987,069
1,991,513	--	--	--	464,886	--	464,886
40,926,082	--	--	59,479,330	--	--	59,479,330
79,920,377	23,729,169	8,203,777	60,864,102	464,886	--	93,261,934
78,532,425	12,384,801	13,976,459	40,357,083	2,520,850	26,682,945	95,922,138
\$ 737,107,846	\$ 187,564,727	\$ 119,185,414	\$ 381,077,059	\$ 6,213,008	\$ (35,464,787)	\$ 658,575,421

SHERIFFS' PENSION AND RELIEF FUND
 STATE OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

<u>INVESTMENTS:</u>	JUNE 30, 1999		
	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
Cash equivalents	\$ 24,197,073	\$ 24,197,073	\$ 24,197,073
Bonds:			
Corporate and Aid bonds	167,236,000	169,491,553	163,792,019
U.S. Government Securities and Mortgage backed Securities	<u>188,396,871</u>	<u>182,849,075</u>	<u>182,434,306</u>
Total bonds	<u>355,632,871</u>	<u>352,340,628</u>	<u>346,226,325</u>
Stocks	<u>304,011,987</u>	<u>304,011,987</u>	<u>363,384,127</u>
TOTAL INVESTMENTS	<u>\$ 683,841,931</u>	<u>\$ 680,549,688</u>	<u>\$ 733,807,525</u>

	JUNE 30, 1998	
<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
\$ <u>38,766,902</u>	\$ <u>38,766,902</u>	\$ <u>38,766,902</u>
125,986,000	128,040,058	131,675,612
<u>204,226,015</u>	<u>200,220,406</u>	<u>208,341,209</u>
<u>330,212,015</u>	<u>328,260,464</u>	<u>340,016,821</u>
<u>237,303,189</u>	<u>237,303,189</u>	<u>284,418,095</u>
\$ <u><u>606,282,106</u></u>	\$ <u><u>604,330,555</u></u>	\$ <u><u>663,201,818</u></u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Salaries and related cost	\$ 403,065	\$ 356,833
Office supplies and expense	75,549	117,534
Professional retainers and legal fees	198,833	240,307
Travel expense and per diem	64,291	54,775
Telephone and telegraph	18,512	18,241
Payroll taxes	5,504	5,830
Group medical and bond insurance	36,070	36,868
Microfilming	3,429	--
Professional development	7,240	8,795
Liaison/representative education	76	509
Leases - office equipment	11,380	8,410
Equipment maintenance	10,168	290
Janitorial, garage, yard	5,517	3,768
Utilities	4,283	3,736
Building repairs	1,083	--
Moving expenses	9,450	--
Social security legislation	2,341	--
	<hr/>	<hr/>
Total administrative expenses	\$ <u>856,791</u>	\$ <u>855,896</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
PER DIEM AND TRAVEL EXPENSES PAID TO BOARD OF TRUSTEES
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	1999			1998		
	TRAVEL			TRAVEL		
	PER DIEM	REIMBURSEMENT	TOTAL	PER DIEM	REIMBURSEMENT	TOTAL
Belvin Bergeron	\$ 1,275	\$ 1,790	\$ 3,065	\$ 1,125	\$ 641	\$ 1,766
Harold Tridicio	--	--	--	75	25	100
R. R. Mitchell	75	144	219	1,050	1,757	2,807
Dan Page	--	--	--	75	141	216
Ray Gillard	1,275	3,196	4,471	1,200	1,735	2,935
Will Fletcher	750	1,250	2,000	825	1,647	2,472
Royce McMahan	825	870	1,695	--	--	--
Laura Endsley	--	824	824	--	293	293
J.R. Oakes	750	1,541	2,291	525	1,456	1,981
Richard Tompson	<u>300</u>	<u>191</u>	<u>491</u>	<u>675</u>	<u>396</u>	<u>1,071</u>
Totals	<u>\$ 5,250</u>	<u>\$ 9,806</u>	<u>\$ 15,056</u>	<u>\$ 5,550</u>	<u>\$ 8,091</u>	<u>\$ 13,641</u>

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 1994 THROUGH 1999

<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>
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
1997	10,326,267	6,069,800	124.49	105.48
1998	11,251,955	6,811,656	112.43	101.62
1999	13,878,797	7,489,284	103.18	96.02

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1994 THROUGH 1999

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
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
June 30, 1997	541,313,360	624,801,015	83,487,655	86.64	216,807,107	38.51
June 30, 1998	608,924,363	694,040,208	85,115,845	87.74	259,331,113	32.83
June 30, 1999	710,868,457	797,565,970	86,697,513	89.13	293,919,047	29.50

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1994 THROUGH 1999

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, 1999
Actuarial Cost Method	Frozen Attained Age Normal Method
Amortization Method	In accordance with state statute, the payment amounts increase at 3.5% each year for the remaining amortization period. The amortization period is for a specific number of years. (Closed Basis)
Remaining Amortization Period	30 years
Actuarial Asset Values:	
Bonds and Equities	Market value adjusted to reflect a three year smoothing of realized and unrealized capital gains.
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. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Change in Actuarial Assumptions:	
	Actuarial assumptions remain the same as for the prior year with the exception of those changes necessary to coordinate with the benefit changes outlined under the "Changes in Plan Provisions". These changes were increases in the assumed rates of DROP entry and retirement which were anticipated as a result of the increases in the fund's accrual rate.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1994 THROUGH 1999

Change in Plan Provisions:

Legislative changes in plan provisions established a minimum age (18) and salary (\$800) to join the fund, established a uniform accrual rate of 3 1/3% for the computation of retirement benefits, increased the employee contribution rate to 9.7%, established increased benefits for partial disability to 75% of benefit received for total disability, allows members having at least eighteen months creditable service to purchase credit for full-time law enforcement service rendered in other states for which credit has not been received by any other public retirement fund and provides for payment of benefits by electronic transfer, except in cases of hardship.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
SUPPLEMENTARY INFORMATION
YEAR 2000 ISSUE
(Unaudited)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that could adversely affect the Fund's operations as early as calendar year 1999.

The Fund has completed a process of identifying computer systems and other electronic equipment necessary for the conduct of the Fund's operation that may be affected by the year 2000 issue. The systems and equipment have been tested and results reviewed to determine that converted systems operate properly. The Fund's management believes that computer software and hardware are year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, however, its effect and the success of related efforts will not be fully determinable until after the new year begins. Management cannot unequivocally assure that the Fund is or will be 2000 ready, nor that parties with whom the Fund does business will be year 2000 ready, although inquiry, research and programming best efforts have taken place.

SHERIFFS' PENSION AND RELIEF FUND
STATE OF LOUISIANA
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

September 16, 1999

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

We have audited the general purpose financial statements of the Sheriffs' Pension and Relief Fund, State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 16, 1999. 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 Sheriffs' Pension and Relief Fund, State of Louisiana's 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 Sheriffs' Pension and Relief Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. 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 a material weakness.

This report is intended for the information of the Board of Trustees, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

D. J. Hapman, Hogan & Maher LLP