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EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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.

Release Date 09-2000

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EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

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LUTHER C. SPEIGHT & COMPANY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of net assets available for benefits of the City of New Orleans Employees' Retirement System Combination Defined Benefit and Defined Contribution Pension Plan as of December 31, 1999 and 1998, and the related statements of changes in net assets available for benefits for the years then ended and the statement of accumulated plan benefits as of December 31, 1999, and the related statement of changes in accumulated plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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. Those standards require that we plan and perform the audits 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, information regarding the City of New Orleans Employees' Retirement System's Defined Benefit/Defined Contribution Plan's net assets available for benefits as of December 31, 1999 and 1998, and changes therein for the years then ended and its financial status as of December 31, 1999 and 1998, and changes therein for the years then ended in conformity with generally accepted accounting principles.

New Orleans, Louisiana
June 16, 2000

New Orleans Office: 10001 Lake Forest Blvd Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 1999	December 31, 1998
ASSETS		
INVESTMENTS AT FAIR VALUE:		
Cash Equivalents	$ 27,967,734	$ 15,041,672
U.S. Government Obligations	66,196,968	57,175,510
Corporate Securities		
Bonds	21,156,374	61,573,889
Mortgages	50,024,061	17,587,519
Equities	207,271,809	202,482,353
TOTAL INVESTMENTS (at Fair Value)	372,616,946	353,860,943
RECEIVABLES:		
Contributions	536,107	392,024
Accrued Interest & Dividends	1,882,791	1,818,817
Due from broker for securities sold	0	159,529
TOTAL RECEIVABLES	2,418,898	2,370,370
PREPAID EXPENSES	733,716	466,034
CASH	576,789	17,478
TOTAL ASSETS	376,346,349	356,714,825
LIABILITIES		
Due to Terminated employees	272,580	141,087
Due to Broker for Securities Purchased	320,948	340,715
Due to City of New Orleans	115,698	74,754
Accrued Management and Custodial Fees	370,186	431,339
Accounts Payable	86,201	160,541
TOTAL LIABILITIES	1,165,613	1,148,436
NET ASSETS AVAILABLE FOR BENEFITS	$375,180,736	$355,566,389

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED

	December 31, 1999	1998
ADDITIONS TO NET ASSETS		
Investment Income:		
Interest & Dividends	$11,733,598	$12,640,045
Net Appreciation in fair value	16,377,070	28,291,582
Commission Recapture	74,172	98,964
Securities Lending	89,993	65,155
	28,274,833	41,095,746
Less: Investment Expenses	(1,659,998)	(1,311,793)
Net Investment Income	26,614,835	39,783,953
Contributions:		
Employer	6,162,035	8,739,480
Employees	3,717,531	3,481,930
Transfers from S&WB	10,999	69,039
Payments for Military Services	25,508	24,038
Transfers from State System	132,455	0
Total contributions:	10,048,528	12,314,487
TOTAL ADDITIONS TO NET ASSETS	36,663,363	52,098,440
DEDUCTIONS FROM NET ASSETS		
Retirement Allowances	10,729,174	10,508,391
Ordinary Disability Retirements	1,288,621	1,230,473
Accidental Disability Retirement	619,436	575,494
Separation Retirements	386,700	340,771
Refunds to Members	1,522,543	1,042,980
Transfers to the State Retirement System	50,943	97,442
Transfers to the Sewerage and Water Board	166,176	35,385
Transfer to M.P.E.R.S.	69,488	8,784
Lump Sum Benefits Due to Death of Members	296,295	298,884
Cost of Living Benefits	1,633,925	1,465,548
Drop Withdrawal	285,715	48,956
Transfers to the Firefighters Retirement System	0	20,954
TOTAL DEDUCTIONS FROM NET ASSETS	17,049,016	15,674,062
NET INCREASE	19,614,347	36,424,378
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of Year	355,566,389	319,142,011
END OF YEAR	$375,180,736	$355,566,389

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF ACCUMULATED PLAN BENEFITS
DECEMBER 31, 1999 AND 1998

	1999	1998
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS		
Vested benefits:		
Participants currently receiving payments	139,774,244	$136,470,701
Other participants	90,435,507	84,720,619
	230,209,751	221,191,320
Nonvested benefits	33,599,187	33,010,711
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS	$263,808,938	$254,202,031

The accompanying notes are an integral part of these financial statements.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN ACCUMULATED PLAN BENEFITS
YEAR ENDED DECEMBER 31, 1999

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR	$ 254,202,031
Increase (decrease) during the year attributable to:	
Plan Amendment	2,224,473
Benefits accumulated*	22,510,918
Benefits paid	(15,128,484)
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR	$ 263,808,938

* Includes interest and effects of actuarial gains and losses.

The accompanying notes are an integral part of these financial statements.

A. PLAN DESCRIPTION

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS (Retirement System) is a Combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 55 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees, and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the five member Board of Trustees of the Retirement System.

At December 31, 1999 and 1998, EMPLOYEES' RETIREMENT SYSTEM membership consisted of:

	December 31	
	1999	1998
Retirees and beneficiaries currently receiving benefits	1,734	1,714
Terminated employees entitled to benefits but not yet receiving them	104	113
	1,838	1,827
Current employees:		
Vested	1,566	1,508
Non-Vested	2,083	2,344
TOTAL CURRENT EMPLOYEES	3,649	3,852
TOTAL ACTIVE EMPLOYEES	5,487	5,679

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans regularly employed persons.
Membership includes:

1. Employees hired on or after July 1, 1947, who become members as a condition of employment, except for those over 65, unless they have 10 years prior service.

2. Employees hired before July 1, 1947 became members, unless they elected not to join.

3. Officials elected or appointed for fixed terms, however, membership is optional.

4. All officers and employees of various judicial and political offices, except those covered by another system and those for whom no contributions are made by respective offices.

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 irrespective of length of service are entitled to a retirement allowance, consisting of the following:

1. An annuity, which is the actuarial equivalent of the employee's accumulated contribution at the time of retirement; plus

2. An annual pension, which together with the above annuity, provides a total retirement allowance equal to 2% of average compensation times first 10 years, plus 2-1½% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years, maximum not to exceed 100% of average compensation. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62. The reduction no longer exists for persons retiring after January 1, 1997 with 30 years of service. For service retirement prior to age 55 with 30 years of service, this amount is reduced by 2% (1% for members who retire prior to January 1, 1983) for each year below age 55. For service retirements at age 55 with 30 or more years of service, this amount is not reduced.

Average compensation is defined as average annual earned compensation (which includes overtime earned prior to April 29, 1979 and tenure pay) of a member for the highest thirty-six successive months of service as a member, minus $1,200.

An additional pension equal to 2% of $1,200 times the first 10 years, plus 2-1½ % of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times creditable service over 30 years, for members who retired on or after January 1, 1983, will be provided if an employee retires on service retirement allowance after attaining age 55 while still a member. This ceases when the employee becomes eligible for Social Security. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62 (1% for each year below age 55) for service accrued prior to January 1, 1983.

If a member dies after retirement and before receiving the amount of this accumulated contributions in annuity and pension payments, the lump sum balance of his contributions is paid to his beneficiary.

When an active employee dies, a death benefit, equal to the employee's accumulated contributions, with interest, is paid to the beneficiary designated by the employee or, in the absence of such designation, to his estate. Should the employee have completed three or more years of creditable service, there shall be paid additionally a lump sum of benefit equal to one-fourth of the earnable compensation of such deceased employee for the year immediately preceding the date of death, plus 5% of said earnable compensation for each additional year of creditable service, excluding credit for military service purchased, and shall not exceed the earnable compensation of the employee for the year immediately preceding the date of death. If the employee at the date of his death was eligible for retirement and leaves a surviving spouse, the surviving spouse is entitled to elect to receive retirement benefits equal to the amount which would have been paid, had the member retired on the date he died and had he elected option 2 of a reduced retirement allowance payable throughout life with the provisions that, upon his death, his reduced retirement allowance would be continued throughout the life of his surviving spouse as beneficiary. The surviving spouse who elects this option will not be entitled a refund of the accumulated contributions, including interest, of the deceased member nor to additional lump sum death benefit.

Any amounts which may be paid or payable under the provisions of any Workmen's Compensation Statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the Retirement system on account of the same accidental disability or on account of death.

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if an physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance which will consist of:

a) An annuity which shall be the actuarial equivalent of the employee's accumulated contributions at the time of retirement; and

b) An annual pension, which together with the annuity in (a), shall be 75% of the service allowance that would have been payable upon service retirement at the age of sixty-five, had the member continued in service to the age sixty-five. Such allowance is to be computed on the average compensation, plus the sum of $1,200 provided, however, that the minimum annual retirement allowance will be $300 per year.

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated for duty as the natural and proximate result of an accident sustained in service as an active member and occurring while in the actual performance of his duty at some definite time and place without willful negligence on his part may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible, otherwise he will receive an accidental disability retirement allowance which will consist of:

a) An annuity which is the actuarial equivalent of his accumulated contributions at the time of retirement; and

b) An annual pension equal to the difference between his annuity and 65% of his earnable compensation

Any employee whose withdrawal from active service occurs prior to his attainment of the age of sixty, who has completed at least 10 years of creditable service, may remain a member of the Retirement System by permitting his accumulated contributions to remain on deposit with the System.

Should the member have served at least 10 years before such separation, he will be entitled to receive a full service retirement after sixty which he may elect, subject to the reductions applicable to retirement before the age of sixty-two, which will be based upon the amount earned and accrued at the date of withdrawal from service.

Upon withdrawal without 10 years of creditable service, the employee is entitled to the return of his accumulated contributions with interest or the employee may allow contributions to remain on deposit for a maximum of five years.

Effective July 16, 1974, provisions were made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of

New Orleans. In the event an employee transfers from one employer to the other, service credits are transferred from the employee's previous account plus earned interest and all employer contributions, plus agreed-upon interest, are transferred.

The Plan was amended on April 1, 1997. The Plan extended membership to the District Attorney's Office.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions and contribution requirements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the plan:

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed.

Method Used to Value Investments - The Plans equity and debt securities are reported at fair value. Investment income is recognized as earned gains and losses on sales and exchanges of fixed income securities and recognized on the transaction date.

C. PENSION BENEFIT OBLIGATION

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date.

The measure is intended to help assess the funding status of the Employees' Retirement System on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees' retirement systems.

The reason is independent of the actuarial funding method used to determine contributions to the Employees' Retirement System.

The pension benefit obligation was determined as part of the actuarial valuations at December 31, 1999 and 1998 based on reports dated January 1, 2000 and 1999 respectively. Significant actuarial assumptions used in the latest valuation are as follows:

- Life Expectancy of Participants - 1971 Group Annuity Mortality Table.
- Retirement Age Assumptions - Based on the results of the 1990-1995 periodic actuarial experience study.
- Investment Return - 7%
- Projected Salary Increases - Based on U.S. Department of Commerce, adjusted for projected increases in the standard of living.

D. CHANGE IN ACTUARIAL VALUATION

Beginning with the January 1, 1996 actuarial valuation, the actuarial valuations will be prepared using the "Frozen Entry Age Actuarial Cost Method" of funding. Prior to the change in the funding method, the Plan had been funded using the "Entry Age Normal Cost Method".

Under the Frozen Entry Age Actuarial Cost Method, the normal cost of the plan is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime of the participant is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date.

For the first year the actuarial accrued liability is the amount of total liability not covered by future entry age normal costs and is called the frozen actuarial liability since it is not affected by actuarial experience gains or losses in future years. This amount is composed of actuarial value of benefits already funded (assets) and those not yet funded (unfunded frozen actuarial liability).

Once established, and for valuations in subsequent years until fully amortized, the unfunded frozen actuarial liability is affected by the normal cost, the valuation interest rate and plan contributions. The normal cost must then become the balancing item as the allocated annual portion of the remaining actuarial present value of retirement benefits. As a result, normal cost will fluctuate from year to year to account for actuarial experience.

The amortization period, which ends December 31, 2003 is being maintained. Beginning with January 1, 1992 actuarial valuation, the amortization amount was "frozen" and is equal to the 13 years remaining amortization amount over the period January 1, 1992 through December 31, 2003.

E. CONTRIBUTIONS REQUIRED AND CONTRIBUTION MADE

The Employees' Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of employer payroll contribution rates are determined using the "Entry Age Normal Actuarial Funding Method". The Employees' Retirement System also uses the "Percentage of Payroll Method" to amortize the unfunded liability over a thirty year period effective July 1, 1974.

Employees contribute 4% of their earnable compensation in excess of $1,200 per year. Earnable compensation is the annual compensation paid to an employee which includes overtime and/or supplementary pay earned prior to April 29, 1979. Effective April 29, 1979, it is defined as annual compensation paid to an employee plus tenure pay.

Significant actuarial assumptions used to complete contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note C.

F. CASH

As of December 31, 1999, the Employees' Retirement System had the following cash accounts and related FDIC insurance and/or other types of collateral to secure the plans accounts:

Institution and Account	Book Balance	Bank Balance	Amount of Depository Ins. or Collateral
Bank One # 700301613	$ 576,370	$105,919	$576,370
Liberty Bank #2214369	$ 419	$ 419	$100,000
Total	$576,789	$106,338	$676,370

G. INVESTMENTS

The following table presents the fair values of investments at December 31, 1999 and 1998. Investments that represent 5% or more of the Plan's net assets are separately identified.

	1999	1998
Investments at Estimated Fair Value:		
Cash Equivalents	$ 27,967,734	$ 15,041,672
U.S. Government Obligations	66,196,968	57,175,510
Corporate Securities:		
Bonds	50,024,061	61,573,889
Mortgages	21,156,374	17,587,519
Equities	207,271,809	202,482,353
Total	$ 372,616,946	$ 353,860,943

During 1999 and 1998, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $ 15,472,358 and $ 28,291,582.

	Appreciation/(Depreciation)	
	1999	1998
Cash Equivalents	12,926,062	(160,239)
U.S. Government Obligations	9,021,458	7,843,900
Corporate Securities		
Bonds	(40,417,515)	16,345,499
Mortgages	30,057,609	(24,805,062)
Equities	4,789,456	29,067,484
Total	16,377,070	28,291,582

H. TREND INFORMATION

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, are presented on pages 15 and 16.

I. COST-OF-LIVING BENEFITS BONUS

Retired members, for 35 consecutive years were paid a cost-of-living bonus benefit. The 1999 bonus, which totaled $1,633,925 was calculated for each individual at the rate of 3% of the current benefit for the each year of retirement, with a maximum the greater of $600 or $75 times each year of retirement. It was provided from the earnings on investments in excess of 6%. The Board plans to continue the cost-of-living bonus benefit as long as interest earnings are sufficient.

J. COSTS OF PLAN ADMINISTRATION

The City of New Orleans absorbs significant costs of the plan administration. Those costs include salaries, fixed assets, office supplies etc. for the department administering Plan operations.

TREND INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
HISTORICAL TREND INFORMATION
(Unaudited)

Historical trend information since 1991 is designed to provide information about the EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS' progress made toward accumulating sufficient assets to pay benefits when due is presented in the following schedule:

SCHEDULE OF FUNDING PROGRESS

Year	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)*	Percent Funded by Employer (1÷2) (3)	Unfunded AAL (UAAL) (2-1) (4)	Annual Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (4÷5) (6)
1991	163,689,677	168,476,350	97.15	4,786,673	66,205,279	7.23
1992	174,340,893	174,852,648	99.70	511,755	70,163,161	0.01
1993	194,704,398	180,044,150	108.14	(14,660,248)	65,578,056	(22.35)
1994	205,126,988	185,685,601	110.47	(19,441,387)	66,910,493	(29.05)
1995	221,783,014	226,348,016	97.98	4,565,002	68,492,113	6.66
1996	278,446,227	247,902,452	112.32	(30,543,775)	70,480,255	(43.34)
1997	319,142,011	274,538,774	116.00	(44,603,237)	76,090,614	(59.00)
1998	355,566,389	309,660,485	114.00	(45,905,904)	76,199,531	(60.00)
1999	375,180,736	310,855,758	120.69	(64,324,978)	75,663,274	(85.01)

* Pension Benefit Obligation for 1998 includes Actuarial Adjustment of $47,046,820.

REVENUE BY SOURCE

Year	Employee Contributions	Actuarial Required Employer Contributions	Investment Income	Total
1992	2,904,482	9,258,071	12,006,674	24,169,227
1993	2,790,849	9,274,320	22,385,320	34,450,489
1994	2,646,225	9,238,967	13,367,184	25,252,376
1995	2,921,784	10,629,702	18,240,535	31,792,021
1996	2,761,098	9,858,968	20,421,903	33,041,969
1997	3,036,531	9,063,207	44,255,398	56,355,136
1998	3,481,930	8,739,480	39,783,953	52,005,363
1999	3,717,531	6,162,035	26,614,835	36,494,401

EXPENSE BY TYPE

Year	Benefits	Refunds	Other/Transfers	Total
1992	12,803,048	714,963	0	13,518,011
1993	12,862,616	1,037,761	186,607	14,086,984
1994	12,927,298	1,665,775	297,357	14,890,430
1995	13,345,749	1,141,519	863,462	15,350,730
1996	13,773,120	787,137	1,676,330	16,236,587
1997	14,414,971	828,724	460,082	15,703,777
1998	14,468,517	1,042,980	162,565	15,674,062
1999	15,239,866	1,522,543	286,607	17,049,016

LUTHER C. SPEIGHT & COMPANY

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Employees' Retirement System of the City of New Orleans (the Plan) as of December 31, 1999 and 1998, and for the years then ended, and have issued our report thereon dated June 16, 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 Plan's financial statements are free of material misstatement, we performed tests of the Plan's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those 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 Plan'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Plan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-1, 99-2, 99-3, 99-4, and 99-5.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions

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and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 99-1, 99-4, and 99-5 to be material weaknesses.

This report is intended for the information of the audit committee, management, and the City of New Orleans. However, this report is a matter of public record and its distribution is not limited.

Luther Speight & Company

New Orleans, Louisiana
June 16, 2000

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 1999

SCHEDULE OF FINDINGS

99-1 PARTICIPANT DATA

CONDITION: The Retirement system provides their Actuary with various participant statistical and financial data that is used in the Actuary's report related to the plan. We examined selected data from the participant information provided to the Actuary and noted significant errors and omissions existed in the data. A summary of the exceptions noted were as follows:

a) Employee/Employer contributions were materially understated on the information provided to the Actuary. This understatement resulted from the omission of accrued interest related to employee contributions.

b) The Actuary was not provided with current participant data related to several outside boards and agencies. The Actuary's report included participant data from the prior year that was presumed to be substantially unchanged.

c) We noted that the participant data provided to the Actuary omitted various employees that were included in the retirement plan.

The errors and omissions referred to above were redundantly included on several participant data submissions to the Actuary.

CRITERIA: The information provided to the actuary is utilized in many estimates that are critical to the funding progress of the retirement system. This data must be accurate to ensure the appropriate levels of funding required for the plan.

EFFECT: The exceptions noted above resulted in several revisions and re-issuances of the Actuary's report. We performed alternative audit tests to identify the corrections required to the data.

CAUSE: The retirement system did not have adequate administrative controls related to the maintenance and retrieval of participant data.

RECOMMENDATION: We recommend that the City of New Orleans Employee's Retirement System perform a comprehensive analysis of its' participant data. The analysis should include 1) an overview and enhancements to the administrative controls 2) participant data integrity checks 3) improved methods for participant data input and retrieval.

SUMMARY OF FINDINGS (CONTINUED)

99-2 INADEQUATE FILE MAINTENANCE

CONDITION: The City of New Orleans Employee's Retirement System did not have an adequate file maintenance system in place. The retirement office relocated from 2400 Canal Street to its' current location on Poydras Street. As a result of the move, there were various files including plan participant files, which were left at the previous location. We made various sample selections during our audit testwork that involved participant files that could not be located or were not located in a timely manner.

CRITERIA: Due to the volume of participant files maintained, the type of data collected, the need for confidentiality regarding the information contained in the files, as well as the nature of business conducted by the City of New Orleans Employee's Retirement System, there should be a central location for file maintenance that is conducive to having ready access to the files. Additionally, there should be administrative control procedures in place that document the person(s) requesting files, location files are to be maintained, and document person(s) returning files etc.

EFFECT: There were various participant files that were not located timely during our audit fieldwork. It caused delays in testwork and resulted in additional time spent by employees away from their daily duties to locate missing files. At times, the employees were unable to determine whether or not the files were at the new or old office locations.

CAUSE: The causes for this condition are as follows:

- Lack of central file location
- Lack of sign in/out log
- Lack of employee assigned to distribute and monitor file distribution
- Lack of locked file areas

RECOMMENDATION: The City of New Orleans Employee's Retirement System should develop and implement a comprehensive participant file maintenance system.

SUMMARY OF FINDINGS (CONTINUED)

99-3 UNTIMELY TRANSCRIPTION OF BOARD MINUTES

CONDITION: We requested all 1999 and 2000 (to date) Minutes of Board Meetings upon arrival for audit fieldwork and did not receive all of them until the final stages of fieldwork. We were informed that the 1999 minutes were not completely transcribed as well as two months in 2000.

CRITERIA: Minutes from Board Meetings should be transcribed immediately following the meetings and distributed appropriately for permanent record. Minutes are typically made available at the next scheduled Board Meeting for approval with regards to accuracy and content.

EFFECT: Minutes from Board Meetings are not available for review for months following the actual Board Meeting.

CAUSE: We were unable to determine the causes for this condition.

RECOMMENDATION: We recommend that minutes from Board Meetings are transcribed in a timely manner.

99-4 FINANCIAL REPORTING SYSTEM NOT IN PLACE

CONDITION: We noted that the City of New Orleans Employee's Retirement System is still recording financial statements and other data in a LOTUS spreadsheet and not in an accounting system that would result in a balanced set of books.

CRITERIA: It is industry standard to develop financial statements utilizing an accounting system or software package.

EFFECT: Financial data is not available to the management of the City of New Orleans Employee's Retirement System on a timely basis. Additional work is required at year-end to produce complete financial statements.

CAUSE: The installation of the new financial system is incomplete.

RECOMMENDATION: It is recommended that the Retirement System implement and utilize an accounting system to process financial data.

99-5 CONTRIBUTION RECONCILIATION

CONDITION: During our examination we noted that the employee/employer contribution revenue per the financial statements did not agree with supporting information provided by the City of New Orleans Finance department. Further analysis showed that the Retirement System did not perform periodic reconciliation of the information provided by Finance to the information recorded in their financial statements.

CRITERIA: There should be an audit trail for all information contained in the financial statements of the Retirement System.

EFFECT: The information provided as support for contribution revenue did not agree with the amounts in the financial statements.

CAUSE: Accounting personnel is not reconciling contributions received to the amounts in their financial statements on a periodic basis.

RECOMMENDATION: We recommend that the Retirement System reconcile contributions revenue with frequency throughout the fiscal year.

CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 1999

STATUS OF PRIOR YEAR FINDINGS

	UNRESOLVED	RESOLVED
1. Bank reconciliations were not prepared as of year-end. The reconciliations were prepared during the course of our audit fieldwork.		X
2. The retirement system does not have a comprehensive financial reporting system in place related to its accounting information	X	
3. There were no interim financial statements prepared within the audit period.	X	
4. Investment subsidiary ledgers were not adequate maintained		X

CITY OF NEW ORLEANS
EMPLOYEES' RETIREMENT SYSTEM

Marc H. Morial
Mayor

September 11, 2000

Mr. Daniel G. Kyle, Secretary
Legislative Audit Advisory Council
State of Louisians
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

In reference to the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, dated **June 16, 2000**, from our auditors, Luther Speight & Company, enclosed are our responses and corrective actions.

If you have any questions, do not hesitate to contact me at (504) 565-6600.

Sincerely,

Etta Reed Morris

Etta R. Morris
Director of Finance

ERM/BLJ/

xc: Board members
Luther C. Speight & Co.

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City of New Orleans
Employees' Retirement System
Corrective Actions and Responses to 1999 Audit Findings

99-1 Participant Data-Conditions noted by the auditors:

a. Condition: Employee/Employer contributions were materially understated on the information provided to the Actuary. This understatement resulted from the omission of the accrued interest related to employee contributions. **Please note: This condition was corrected prior to the issuance of the Actuary's final report.**

b. The Actuary was not provided with current participant data related to several outside boards and agencies. The Actuary's report included participant data from the prior year that was presumed to be substantially unchanged.

c. The participant data provided to the Actuary omitted various employees that were included in the retirement plan.

Response and corrective action:

The errors and omissions noted by the auditor should be corrected with the plan year 2000 because the Retirement system has installed a new Pension Accounting System, which has one database for all members of the system. The following is a list of the corrective actions taken to clear this finding.

- **Participant data for Active City employees is automatically updated from the City's payroll system.**
- **Change of status and payment of refunds or benefits are updated by staff for Terminated/retired members.**
- **Participant data for Outside Boards is currently being updated through manual input by Retirement Staff. The Retirement staff is working with staff of the outside boards to obtain enrollment forms for all active participants. Information will be input and/or verified in the system. To insure integrity of the data, printouts will also be forwarded to outside board participants for review.**
- **Retirement staff is also reviewing the database to insure that member's status is correct.**
- **Finally, the Board has asked the actuary, the auditor, and the PAS system programmer to run a participant data test report from the new system. This will occur at the beginning of November 2000.**

City of New Orleans
Employees' Retirement System
Corrective Actions and Responses to 1999 Audit Findings
Page Two

99-2 Inadequate File Maintenance- Condition: Various sample selections during the audit test work that involved participant files that could not be located or were not located in a timely manner. The following are causes noted by the auditor and responses and/or corrective actions by the Retirement System:

- Lack of central file location-Retirement files were located in old lektrievers which the System and Lack of locked file areas.
  Response and Corrective Action:

  Because of structural concerns, management decided not to install the old lektrievers in its new offices. However, the new filing system was not ready when the office moved to its new location. In order to insure that files were secure, only active participant files and retired member files were brought to the office and stored in locked file cabinets and/or secured areas of the office. After months of delays, the filing system has been installed and efforts are underway to transport all files from 2400 Canal Street by September 30, 2000.

- Lack of sign in/out log and lack of an employee assigned to distribute and monitor file distributions.
  Response and Corrective Action:

  Due to a staff shortage, Management has hired temporary staff to distribute and monitor files. Additionally, a system of using log out cards to replace distributed files has been implemented.

99-3 Untimely transcriptions of Board Minutes
- **Response and Corrective Action:**
-

  The lack of an adequate staff, has affected every aspect of Retirement. Staff will become current with Board Minutes by the October 2000 meeting.

99-4 Financial Reporting System Not in Place
- **Response and Corrective Action:**
-

  The software provider of the Pension Accounting System will install the general ledger package. A <u>tentative</u> date for installation of the general ledger is September 30, 2000. The new general ledger should be fully functional on January 1, 2001.

99-5 Contribution Reconciliation

- **Response and Corrective Action:**
-

Retirement System staff verifies each contribution check to the amounts listed in the City's Financial Management System; the accountant also uses this information to verify amounts updated in the general ledger.

Status of Prior findings

- The Retirement System does not have a comprehensive financial reporting system in place related to its accounting information.
  Response and Corrective Action:

  See finding 99-4.

- *There were no interim financial statements prepared within the audit period..*
  Response and Corrective Action:

  The accountant is working on updating the current General Ledger; it is anticipated that the Board will receive interim statements beginning with the October 2000 Board meeting.