384

96101905
4134

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
Baton Rouge, Louisiana

AUDIT REPORT
December 31, 1997

C O N T E N T S

BHS

BRUCE H. STAGG

CERTIFIED PUBLIC ACCOUNTANT

3206 MACARTHUR DRIVE
ALEXANDRIA, LOUISIANA 71301
PHONE: (318) 443-7297
FAX: (318) 442-2652

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

I have audited the Accompanying Statement of Plan Net Assets of the Parochial Employees' Retirement System (the "System") as of December 31, 1997, and the related statement of changes in Net Plan Assets for the year than ended. These financial statements are the responsibility of the System's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets available for benefits for Parochial Employee's Retirement System of Louisiana as of December 31, 1997 and the Changes in Net Plan Assets for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents as required supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Parochial Employees' Retirement System. Such statistical information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Bruce H. Stagg, CPA

June 6, 1998

B H S

BRUCE H. STAGG

CERTIFIED PUBLIC ACCOUNTANT

3206 MACARTHUR DRIVE
ALEXANDRIA, LOUISIANA 71301
PHONE: (318) 443-7297
FAX: (318) 442-2652

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

I have audited the financial statement of the Parochial Employees' Retirement System of Louisiana, as of and for the year ended December 31, 1997, and have issued my report thereon dated June 6, 1998.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Parochial Employees' Retirement System of Louisiana is the responsibility of the Parochial Employees' Retirement System of Louisiana's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, I performed test of the Parochial Employees' Retirement System of Louisiana's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

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

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

Bruce H. Stagg, CPA

June 6, 1998

B
H
S

BRUCE H. STAGG

CERTIFIED PUBLIC ACCOUNTANT

3206 MACARTHUR DRIVE
ALEXANDRIA, LOUISIANA 71301
PHONE: (318) 443-7297
FAX: (318) 442-2652

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

I have audited the financial statements of the Parochial Employees' Retirement System of Louisiana for the year ended December 31, 1997, and have issued my report thereon dated June 6, 1998.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

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

In planning and performing my audit of the general purpose financial statements of Parochial Employees' Retirement System of Louisiana, for the year ended December 71, 1997, I obtained an understanding of the internal control structure.

With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Parochial Employees' Retirement System of Louisiana, is a matter of public record.

Bruce H. Stagg, CPA

June 6, 1998

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
STATEMENT OF PLAN NET ASSETS
December 31, 1997

	PLAN A	PLAN B	TOTALS
ASSETS			
Cash and short term investments	$ 22,720,613	$ 1,168,526	$ 23,889,139
RECEIVABLES			
Contributions Receivable			
Employer	4,506,815	166,543	4,673,358
Employee	7,538,740	119,598	7,658,338
Taxing Bodies	2,512,229	318,124	2,830,353
Interest	2,114,291	138,779	2,253,070
Dividends	364,977	-	364,977
Due (to) From other funds	(20,390)	20,390	-
Total Receivables	$ 17,016,662	$ 763,434	$ 17,780,096
INVESTMENTS AT FAIR VALUE			
Government National Mortgage Associations	$ 74,297,520	$ 8,018,252	$ 82,315,772
Collateralized Mortgage Obligations	125,321,975	8,644,381	133,966,356
FHLMC REMIC-Z'S	121,846,163	11,465,883	133,312,046
US Zero Coupon Bonds	80,963,992	17,662,233	98,626,225
US Agency Zero Coupon Bonds	124,257,139	466,860	124,723,999
US Treasury Notes and Bonds	23,172,613	5,442,059	28,614,672
Government Guaranteed Bonds	4,539,826	-	4,539,826
Corporate Bonds	2,662,901	-	2,662,901
Government Guaranteed Mortgages	-	945,974	945,974
Domestic and International Stocks	391,554,651	13,565,377	405,120,028
Total Investments	$948,616,780	$66,211,019	$1,014,827,799
PROPERTIES AT COST, NET OF ACCUMULATED DEPRECIATION OF $184,601	20,071	2,349	22,420
OTHER ASSETS	56,168	6,339	62,507
TOTAL ASSETS	$988,430,294	$68,151,667	$1,056,581,961

See Notes to Financial Statements.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
STATEMENT OF PLAN NET ASSETS
December 31, 1997
(Continued)

	PLAN A	PLAN B	TOTALS
LIABILITIES			
Pensions Payable	$ 3,077,854	$ 142,097	$ 3,219,951
Refunds Payable	536,690	4,338	541,028
Accounts Payable and Accrued Leave	15,607	1,826	17,433
Deferred Compensation	51,909	6,075	57,984
TOTAL LIABILITIES	$ 3,682,060	$ 154,336	$ 3,836,396
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on Pages 21-22)	$984,748,234	$67,997,331	$1,052,745,565

See Notes to Financial Statements.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the year ended December 31, 1997

	PLAN A	PLAN B	TOTALS
ADDITIONS			
Contributions			
Employee	$ 28,681,295	$ 678,724	$ 29,360,019
Employer	21,413,588	870,523	22,284,111
Taxing Bodies	2,723,548	343,165	3,066,713
TOTAL CONTRIBUTIONS	$ 52,818,431	$ 1,892,412	$ 54,710,843
Transfer from other systems			
Employees	$ 286,095	$ 19,124	$ 305,219
Employers and Actuarial transfers	1,035,724	23,179	1,058,903
TOTAL TRANSFERS	$ 1,321,819	$ 42,303	$ 1,364,122
Miscellaneous Income	$ 30,862	$ 739	$ 31,601
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	$119,687,282	$ 7,024,953	$ 126,712,235
Interest	26,100,448	2,525,999	28,626,447
Dividends	5,636,312	-	5,636,312
TOTAL INVESTMENT INCOME	$151,424,042	$ 9,550,952	$ 160,974,994
Less Investment Expenses	1,065,140	11,420	1,076,560
NET INVESTMENT INCOME	$150,358,902	$ 9,539,532	$ 159,898,434
TOTAL ADDITIONS	$204,530,014	$11,474,986	$ 216,005,000

See Notes to Financial Statements.

PARAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
STATEMENT OF CHANGES IN PLAN NET ASSETS
For the year Ended December 31, 1997
(Continued)

	PLAN A	PLAN B	TOTALS
DEDUCTIONS			
Benefits	$ 38,692,380	$ 1,691,082	$ 40,383,462
Refunds of Contributions	10,703,341	416,966	11,120,307
Transfers to other systems	1,171,438	75,924	1,247,362
Administrative Expenses	635,141	73,517	708,658
TOTAL DEDUCTIONS	$ 51,202,300	$ 2,257,489	$ 53,459,789
NET INCREASE	153,327,714	9,217,497	162,545,211
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
Beginning of year	$831,420,520	$58,779,834	$ 890,200,354
End of year	$984,748,234	$67,997,331	$1,052,745,565

See Notes to Financial Statements.

The Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), is the administrator of two cost sharing multiple-employer plan that was established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The system was revised by Act No. 765 of 1979, effective January 1, 1980, to create the Plan A Fund and Plan B Fund to replace the "regular plan" and the "supplemental plan". Plan B Fund replaced the "regular plan". The system is administered by a Board of Trustees consisting of seven members.

The Retirement System is governed by the Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

Employers that may participate are: Any parish in the State of Louisiana, excepting Orleans and East Baton Rouge; the Police Jury or any other governing body of a parish which employs and pays persons serving the parish; the Police Jury Association of Louisiana; the Louisiana School Boards Association, and this Retirement System; members of School Boards at their option; any taxing district of a parish or any branch or section of a parish including a hospital district, water district, library, district indigent defender program in this state; and soil and water conservation districts.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the Parochial Employees' Retirement System of Louisiana are prepared on the accrual basis of accounting. Contributions from employers and employees are recognized as revenue in the period in which employees provide services to the employers. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Methods 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 the current exchange rates.

No investment in any one organization represents 5% or more of the net assets available for pension benefits.

There are no investments in, loans to, or leases with parties related to the Pension Plans.

Fixed assets of the Parochial Employees' Retirement System of Louisiana are carried at historical costs. Depreciation is recognized on the straight-line method over the useful lives of the assets which range from five to ten years for equipment.

2. PLAN DESCRIPTION

The Parochial Employee's Retirement System of Louisiana (PERS) administers two defined benefit pension plans (Plan A and Plan B). The assets of the plans are not comingled for investment purposes. Each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan. The system was established and provided for by R.S. 11:1901 of the Louisiana Revised Stature (LRS)

The system provides retirement benefits to employees as enumerated in the introductory comments of the notes to financial statements.

Membership of each plan consisted of the following at December 31, 1997, the date of the latest actuarial valuation.

	PLAN A	PLAN B
Retirees and beneficiaries currently receiving benefits	$ 4,091	$ 343
Terminated employees entitled to benefits but not receiving them	259	43
Terminated employees due a refund of contributions	4,711	960
Total	$ 9,061	$1,346
Active plan participants:		
Vested	$ 4,145	$ 445
Non-vested	8,838	1,240
Members participating in DROP	130	8
Total	$13,113	$1,693

Membership is mandatory for all employees of taxing districts of a parish or any branch or section of a parish including a hospital district, water district or library that is a member of the retirement system providing they meet the statutory criteria.

(A) Plan A Fund Benefits:

The following brief description of the Parochial Employees' Retirement System Pension Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

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

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years of creditable service, is not eligible for normal retirement and suffers disability which has been certified by the State Medical Disability Board. The rate is 3 per cent of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon the death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30 to 60 per cent of the member's final compensation.

(B) Plan B Fund Benefits:

Any member is eligible for normal retirement if he has at least 30 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 62 if the preceding requirements are met. Early retirement is allowed at age 60, provided that benefits are reduced by 3% for each year below age 62. The monthly amount of the retirement allowance is 2 per cent, subject to the provisions of the statutes, of the member's final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) less the amount of $1200.00 times his years of creditable service.

A member is eligible to retire and receive disability benefits if he has at least 10 years of creditable service, is not eligible for normal retirement and suffers disability. The disability must be certified by the State Medical Disability Board. The disability rate is 2 per cent of the member's final compensation, multiplied by his years of creditable service under certain conditions outlined in the statutes.

The Plan provides benefits for surviving spouses and minor children under certain provisions in the statutes.

(C) Deferred Retirement Option Plan

In lieu of terminating employment and accepting a service retirement allowance, any member who has been an active contributing member for one full year after becoming eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.

The duration of participation in the plan shall be specified and shall not exceed three years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan Fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his option, a lump sum payment from the Deferred Retirement Option Plan Fund equal to the payments made to that fund on his behalf, a true annuity based upon his account in that fund, or any other method of payment approved by the Board of Trustees.

(D) Both plans provide for deferred benefits for vested members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement benefits become payable. Benefits are based on statutes in effect at the time of withdrawal.

3. CONTRIBUTIONS

(A) *Member Contributions:*

Member contributions, established by Statute at 9.5% of total compensation for Plan A and at 2.0% of total compensation less $100 per month for Plan B, are deducted from the member's salary, and remitted by the participating employers. The Annuity Savings Fund of Plans A and B represents member contributions, less refunds, and less transfers to the Annuity Reserve Fund of Plans A and B.

(B) Employer Contributions:

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notice of these rates is provided to employers annually. In 1997, these employer rates were 7.75% for Plan A and 2.50% for Plan B.

(C) Taxing Bodies' Contributions:

The Sheriffs and ex-officio tax collectors of all parishes except Orleans and East Baton Rouge remit one-fourth of one per cent of the amount of taxes which are being collected. This contribution is pro-rated between the Plan A Fund and the Plan B Fund based on the salaries of members for the previous fiscal year.

4. ACTUARIAL COST METHOD

The actuary for the Pension Plans, G.S. Curran and Company, LTD, has determined the actuarially required contributions as established by state statute.

PLAN A

METHOD OF RECOGNIZING GAINS AND LOSSES: Under the Frozen Attained Age Normal Method, actuarial gains and losses are spread over future normal costs.

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year.

This payment method conforms to legislation passed during 1988 by the Louisiana Legislature. The resulting employers' net actuarially required contribution for 1998 is $15,645,261 or 4.20% of payroll. This plan currently receives employee contributions of 9.5% of payroll together with employer contributions of 7.75% of payroll. In addition, the System also receives a percentage of tax revenues from various taxing bodies.

Thus, the net employer contribution for fiscal 1998 is 4.20% of payroll or 3.55% of payroll more than the amount required to fund the plan according to the methods and assumptions stipulated in this report.

The actuarially required employer contribution as determined by the funding method and assumptions specified in the report for Plan B for 1998 is $937,698 or 1.68% of payroll. The Plan currently receives employee contributions amounting to 2.5% of payroll on salaries in excess of $100 per month and employer contributions of 2.5% of payroll. In addition, the System also receives a percentage of tax revenues from various taxing bodies. Thus, for Plan B the estimated net employer contribution for fiscal 1998 amounts to 2.50% of payroll or .82% of payroll more than the amount required to fund the plan according to the methods and assumptions stipulated in this report.

Contributions required and made during the year are as follows:

	PLAN A	PLAN B	TOTAL
Employer	$21,413,588	$ 870,523	$22,284,111
Employee	28,572,193	675,828	29,248,021
Taxing bodies	2,723,548	343,165	3,066,713
Total	$52,709,329	$1,889,516	$54,598,845

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedule is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits is presented on pages 21 - 22.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

State statutes and Board of Trustees policies permit the system to use investments of Plan A to enter into securities lending transactions - loans of securities to broker-dealers or other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The system's securities custodians are agents in lending the plan's domestic securities for cash or securities issued, or guaranteed as to principal and interest, by the United States Government, its agents or instrumentalities, as collateral of 102 percent. The cash received as collateral is invested in securities issued, or guaranteed as to principal and interest, by the United States Government, its agencies or instrumentalities and/or repurchase agreements collateralized by such investments and money market mutual funds which invest in those securities.

Securities on loan at year-end are presented as unclassified in the following schedule. At year-end, the system has no credit risk exposure to borrowers because the amounts the system owes the borrowers exceed the amounts the borrowers owe the system. Contracts with the lending agents require them to indemnify the system if the borrowers fail to return the securities (and the collateral is inadequate to replace the loaned securities) or fail to pay the system for income distributions by the securities' issuers while the securities are on loan.

Before the lending transactions and the investment of the cash collateral, the plans' aggregate investments are as shown in the following table. These investments are reported at fair value. The investments are classified in category 1 because the securities are held by the system's agent (which is not affiliated with or related to the investments brokers) in the system's name.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 1997
(Continued)

	PLAN A	PLAN B	TOTALS
INVESTMENTS AT FAIR VALUE			
Government National Mortgage Associations	$ 74,297,520	$ 8,018,252	$ 82,315,772
Collateralized Mortgage Obligations	125,321,975	8,644,381	133,966,356
FHLMC REMIC-Z'S	121,846,163	11,465,883	133,312,046
US Zero Coupon Bonds	80,963,992	17,662,233	98,626,225
US Agency Zero Coupon Bonds	124,257,139	466,860	124,723,999
US Treasury Notes and Bonds	23,172,613	5,442,059	28,614,672
Government Guaranteed Bonds	4,539,826	-	4,539,826
Corporate Bonds	2,662,901	-	2,662,901
Government Guaranteed Mortgages	-	945,974	945,974
Domestic and International Stocks	391,554,651	13,565,377	405,120,028
Total Investments	$948,616,780	$66,211,019	$1,014,827,799

The net amount earned by the system during the year from security lending transactions was $205,225, which is included in the financial statements as investment revenue.

The following represents the balances relating to the securities lending transactions at December 31, 1997:

Securities Loaned	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value	Type of Collateral
U.S. Government and Agency Securities	$16,988,555	$17,276,470	$17,276,470	Cash
Corporate Equities	12,736,927	12,979,600	12,979,600	
U.S. Government and Agency Securities	58,991,739	60,171,574	60,171,574	U.S. Gov't & Agency Securities
Totals	$88,717,221	$90,427,644	$90,427,644	

The Parochial Employees' Retirement System of Louisiana adopts an annual budget only for the Expense Fund. This budget is utilized only for forecasting purposes and is not legally binding on the System. Unspent allocations lapse at year end.

All demand deposits and time deposits (with the exception of the Expense Fund checking account) are held in trust. The Expense Fund checking account ($20,765) is covered by insurance and/or fully collateralized, while all trust accounts are fully collateralized.

Employees' leave, cumulative without limitation, is accrued at rates of 12 to 18 days per year depending upon length of service. Upon separation, employees are compensated for unused accumulated annual leave, not to exceed $800.00. Employees are not compensated for accumulated sick leave upon separation.

The liability for accrued annual leave at December 31, 1997, was $4,800 as shown on the balance sheet.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

1. During 1997, the retirement system changed its method of accounting for investments. In prior years, bonds were recorded at amortized cost and stock were recorded at cost. In 1997 all investments were recorded at fair value to conform with new requirements of the governmental accounting standards board (GASB). The effect of this change was to increase net change in net plan assets for the year by $60,755,778 for Plan A and $5,815,420 for Plan B.

The beginning balances for Net Assets held in trust for pension benefits was restated for this change and the cumulative effect of this change was to increase the net assets held in trust for pension benefits by $129,653,024 for Plan A and $4,424,530 for Plan B.

Therefore the total cumulative effect of the change in accounting principles at December 31, 1997 was $190,408,802 for Plan A and $10,239,950 for Plan B.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY(AAL) ENTRY AGE (b)	UNFUNDED (EXCESS) AAL UAAL (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL [(b-a)/c]
PLAN A	12/31/97	$874,023,941	$881,981,793	$ 7,957,852	99.10%	$291,212,401	2.73%
PLAN B	12/31/97	60,674,072	45,929,455	(14,744,617)	132.10%	34,092,285	(43.25)%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES

	EMPLOYER CONTRIBUTIONS				TAXING BODIES			
	PLAN A		PLAN B		PLAN A		PLAN B	
YEAR ENDED DECEMBER 31	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTION	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTION	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTION	ANNUAL REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTION
1992	$22,526,722	100.00%	$241,691	100.00%	$2,070,885	100.00%	$223,849	100.00%
1993	22,154,882	100.00%	519,455	100.00%	2,167,192	100.00%	230,572	100.00%
1994	21,427,858	100.00%	425,625	100.00%	2,220,970	100.00%	260,110	100.00%
1995	21,196,094	100.00%	300,372	100.00%	2,295,567	100.00%	261,693	100.00%
1996	20,078,053	100.00%	321,880	100.00%	2,514,891	100.00%	311,145	100.00%
1997	21,413,588	100.00%	870,523	100.00%	2,723,548	100.00%	343,165	100.00%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

The information presented in the required supplementary schedules was determined a part of the actuarial valuations at the dates indicated. Addition information as of the actuarial valuation follows:

	PLAN A	PLAN B
Valuation	12-31-97	12-31-97
Actuarial Cost Method	Frozen attained age normal	Aggregate Actuarial cost
Amortization Method	Frozen unfunded accrued liability	--
Remaining Amortization Period	30 years	--
Asset Valuation Method	(1)	--
Actuarial Assumptions Investment rate of return	8%	8%
Projected salary increases	5.5%	5.5%

1. Basis of Actuarial Asset Value: The actuarial value of assets was based on the amortized cost value for debt securities. Equity values was determined by adjusting market values to defer one- half of realized and unrealized capital gains or losses accrued during the fiscal year. A pro-rata share of expenses fund assets was allocated to each plan in proportion to current salaries.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
COST OF LIVING INCREASES
PLAN A AND PLAN B

Cost of living provisions for the system are detailed in R.S. 11:1937 and R.S. 11:246. R.S. 11:1937 allows the board of trustees to provide a cost of living increase to retiree's original benefit for each year from the effective date of the benefit.

PARAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE SCHEDULE OF FUNDING PROGRESS
AND SCHEDULE OF CONTRIBUTIONS FROM
EMPLOYERS AND OTHER CONTRIBUTING ENTITIES
(Continued)

In order to grant either increase, investment earnings must exceed the amount the system would earn under the valuation interest rate. R.S. 11:246 allows the board of trustees to grant an additional cost of living increase to all retirees and beneficiaries over age 65 equal to two percent of the benefit paid on October 1, 1997 (or the member's retirement date, if later).

In order to grant any cost of living increase, the ratio of the actuarial value of assets to the Pension Benefit Obligation must equal or exceed a statutory target ratio defined in R.S. 11:242. The funded ratio for Plan A is 99.10% which exceeds the target of 70.85%. Likewise, the 132.10% funded ratio of Plan B exceeds its target ratio of 100.00%. thus, for fiscal 1997, the target ratio was met by both plans. Investments produced $37.6 million of excess interest in Plan A and $1.6 million of excess interest in Plan B; these earnings are sufficient to grant the above described cost of living increases in both Plan A and Plan B.

Below is a summary of available cost of living increases and their respective costs.

COLA DESCRIPTION	PLAN	ANNUAL INCREASE IN BENEFITS	PRESENT VALUE OF INCREASE
2% to pre July 1, 1973 pensioners	A	$ 2,549	$ 11,571
	B	59	265
2% to pensioners over age 65	A	470,290	3,552,051
	B	25,487	195,960

In lieu of awarding the cost of living increases described above, RS 11:241B allows the board to grant a cost of living increase of an amount not to exceed $1 for every year of service plus the number of years since retirement. There is insufficient information available on the system's database to provide meaningful estimates of the costs associated with awarding this type of cost of living increase. During calendar 1997 the actual cost of living (as measured by the US Department of Labor CPI-U) increased by 1.70%.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

SUPPLEMENTAL INFORMATION
SCHEDULE OF OPERATING EXPENSES
BUDGET (GAAP BASIS) AND ACTUAL
Year ended December 31, 1997

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SALARIES AND RELATED EXPENSE:			
Salaries	$276,694	$274,868	$ 1,826
Retirement	21,444	21,302	142
Group Hospitalization	15,000	12,377	2,623
Medicare & P/R Taxes	2,959	2,814	145
	$316,097	$311,361	$ 4,736
PROFESSIONAL SERVICES:			
Actuarial Consultant	$ 42,720	$ 38,970	$ 3,750
Custodian Bank	118,000	135,654	(17,654)
Auditor	17,000	16,000	1,000
Legal Counsel	11,000	9,871	1,129
Investment Counseling	20,000	27,293	(7,293)
3) Computer Programing	10,000	4,063	5,937
Medical Board	5,200	3,093	2,107
	$223,920	$234,944	$(11,024)
COMMUNICATIONS:			
Printing	$ 14,750	$ 8,620	$ 6,130
Telephone	8,400	7,374	1,026
Postage	17,500	21,505	(4,005)
Travel	27,960	18,980	8,980
Per Diem	2,250	2,175	75
	$ 70,860	$ 58,654	$ 12,206
GENERAL OFFICE:			
Rent	$ 42,700	$ 43,227	$ (527)
Supplies	5,500	10,631	(5,131)
Dues & Subscriptions	4,800	2,699	2,101
Equipment Rental	19,000	14,259	4,741
Equipment Maintenance	13,000	15,162	(2,162)
Insurance	4,100	3,238	862
Microfilm	4,200	-	4,200
Training	1,000	-	1,000
Miscellaneous	-	52	(52)
	$ 94,300	$ 89,268	$ 5,032
DEPRECIATION	6,943	6,943	-
Total operating expenses	$712,120	$701,170	$ 10,950

Also included in Budget was $3,700 for Capital Items, of which $2,485 was expended.

See Notes to Financial Statements.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

SUPPLEMENTAL INFORMATION
PER DIEM PAID TRUSTEES
Year ended December 31, 1997

The per diem paid to the trustees is an expenditure of the Expense Fund. In accordance with the Louisiana Revised Statutes, Title 11, Section 182 A (1) the trustees receive per diem at the rate of $75.00 for each regularly scheduled and special meeting of the Board of Trustees that they attend. Particulars of the per diem paid to the trustees for the year ended December 31, 1997, are as follows:

TRUSTEE	NUMBER OF MEETINGS ATTENDED	PER DIEM
C. Reagan Sutton	6	$ 450
L. E. Buller	5	375
Terri Rodrigue	6	450
Ray Brignac	6	450
Gwen LeBlanc	6	450
Total		$2,175

B H S

BRUCE H. STAGG
CERTIFIED PUBLIC ACCOUNTANT
3206 MACARTHUR DRIVE
ALEXANDRIA, LOUISIANA 71301
PHONE: (318) 443-7297
FAX: (318) 442-2652

RECEIVED
LEGISLATIVE AUDITOR
98 JUL -6 AM 9:37

To the Board of Trustees
Parochial Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

This letter is intended to confirm that the Board is fully informed about significant matters relating to the conduct of the annual audit of the Parochial Employees' Retirement System of Louisiana so that you can appropriately discharge your oversight responsibility and so that I comply with my obligations to you under professional standards. This letter is intended solely for the use of the Board of Trustees of the Parochial Employees' Retirement System of Louisiana.

The following summarizes various matters which must be communicated to you under Generally Accepted Auditing Standards.

The Auditor's Responsibility Under Generally Accepted Auditing Standards

I originally communicated to the Board of Trustees in my arrangement letter dated September 8, 1995, that the audit would be conducted in accordance with Generally Accepted Auditing Standards. An audit, as such, is not designed to include a detailed audit of all transactions nor to discover all defalcations, irregularities or illegal acts, should any exist. An audit conducted in accordance with Generally Accepted Auditing Standards is designed to obtain reasonable rather than absolute assurance about the financial statements. I believe that my audit accomplished those objectives.

Significant Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies and procedures used by the System. (1) During 1997, the retirement system changed its method of accounting for investments. In prior years, bonds were recorded at amortized cost and stock were recorded at cost. In 1997 all investments were recorded at fair value to conform with new requirements of the Governmental Accounting Standards Board (GASB). The effect of this change was to increase net change in Net Plan Assets for the year by $60,755,778 for Plan A and $5,815,420 for Plan B.

The beginning balances for Net Assets held in trust for pension benefits was restated for this change and the cumulative effect of this change was to increase the net assets held in trust for pension benefits by $129,653,024 for Plan A and $4,424,530 for Plan B.

Therefore the total cumulative effect of the change in accounting principles at December 31, 1997 was $190,408,802 for Plan A and $10,239,950 for Plan B.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed me that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and I concur with the results of those estimate.

Significant Audit Adjustments

There were 45 audit adjustments other than routine year end adjustments made from the original trial balance presented to me to begin my audit.

Other Information in Documents Containing Audited Financial Statements

I have not been informed of any documents that contain your audited financial statements. If there were such documents, I have a responsibility to determine that financial information included in those documents is not materially inconsistent with the audited financial statements of the System.

Disagreements With Management

I encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements or on the wording of my report on the financial statements.

Consultation With Other Accountants

I am not aware nor have I been informed of any consultations management had with other independent accountants about accounting or auditing matters. Also, there were no major issues discussed regarding the application of accounting principles or auditing standards in connection with my engagement.

Difficulties Encountered in Performing the Audit

I encountered no difficulty with management relating to the performance of the audit.

However during the course of my audit I became aware of several matters that are opportunities for strengthening internal controls, operating efficiencies and/or other comments. The following summarizes my comments and recommendations regarding those materials.

1. There were several instances of errors in recording the purchases of securities, mostly in the planned amortization class and zero coupon Accretion - "Z" bonds.

Cause - These errors are caused by the Trust Department of the Bank providing the wrong information, ie, by including the accreted interest as part of the face of the instrument, thereby, give an incorrect cost factor.

Recommendation - A person involved in the recording of security transaction should compare the confirmation voucher with the entry provided by the Trust Department of the Bank. Even though the retirement system has change to fair value of investments, for reporting on assets, good cost numbers are still needed to calculate gain or loss on investment assets.

2. There were several misclassifications of securities in the general ledger.

Cause - There is no identifiable cause for this problem, but these misclassifications are very difficult to discover with the present system. The three systems that provide some checks and balances are set-up as follows: General Ledger, Investments are set up at face with an offset for unamortized premium or discount. Trust holdings ledger (TMAST) has entries for face, and inventory value (cost) but does not total the face amount. The banks Trust Department report includes Face, Cost, Book value and Market Value, but does not include a total for face value.

Recommendation - Contact should be made with the Trust Department of the Bank and request that they add totals for the column of face values. Also the programers of TMAST should be contacted to also add the totals for the face value column.

3. There were numerous problems with the cost basis of equity securities as recorded by the Trust Department of the bank. Also, as some of these errors were discovered by the retirement systems personnel they were convinced that the problem was with the Retirement System when in reality it was a Bank Trust Department error, resulting in both systems having incorrect information.

Cause - One of the main causes of this problem was a result of merging of tax lots on equity securities with a problem in the program causing cost figures that no one could explain other than a problem in the computer program. The cost of equity securities as certified by the Trust Department of he Bank was over $12 million different from the actual amounts.

Recommendation - This problem was brought to the attention of the Bank Trust Department personnel and correction were made and certifications were reissued on June 10 and June 15 1998. The Bank's Trust Department should be contacted and request that tax lots not be merged but be maintained by purchase as the retirement system uses the first in/first out method of recording gain or loss on investments.

I have previously reported on the systems's internal control structure in my report dated June 6, 1998, on the Financial Statement's of Parochial Employees Retirement System of Louisiana.

Material Contingencies

The financial statements reflect no disclosures associated with material contingencies and there were no matters I believe should be disclosed as such.

I will review the status of these comments during my next audit engagement. I have already discussed all of these comments and suggestions with Mr. Simms, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Bruce H. Stagg, CPA

June 6, 1998