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REPORT

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA**

JUNE 30, 1999

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

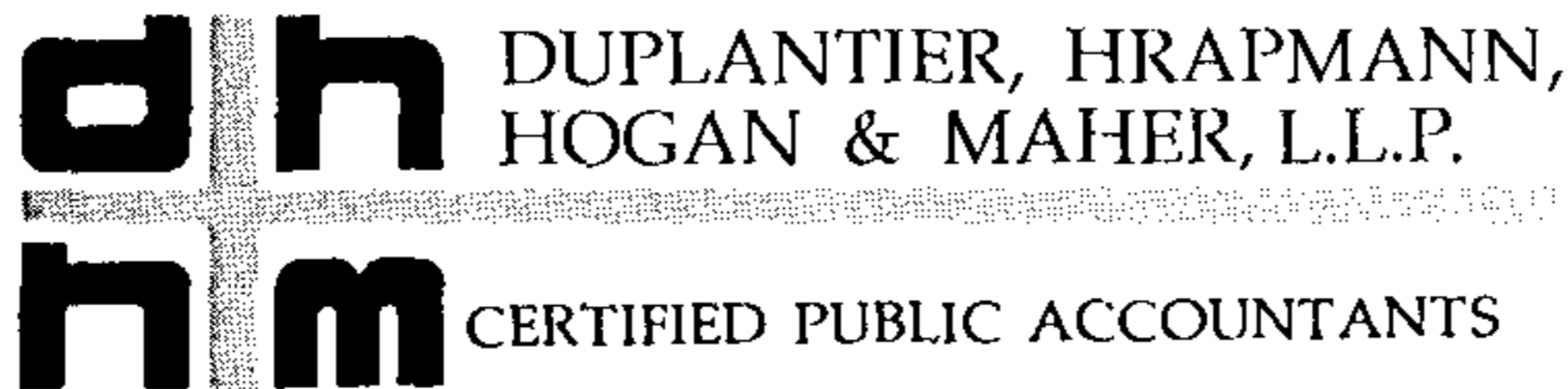
Release Date ~~July 2, 1999~~

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

September 17, 1999

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

We have audited the statement of plan net assets of the Municipal Employees' Retirement System of Louisiana as of June 30, 1999 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the Municipal Employees' Retirement System. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Employees' Retirement System of Louisiana as of June 30, 1999 and the results of its operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the System for the year ending June 30, 1999, and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 23 - 26, the supplemental schedules on pages 15 - 22 and the required year 2000 schedule on page 27 are presented for the purposes of additional analysis and are not a part of the basic financial statements. The required supplemental schedule on the year 2000 issue has not been subjected to the procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it; however, such required statistical information for the years ending June 30, 1994 - 1999 and supplemental schedules for the year ending June 30, 1999, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 1999 on our consideration of Municipal Employees' Retirement System of Louisiana's internal control over financial reporting and on its compliance with laws and regulations.

Duslantier, Hapman, Hagan & Maher LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENT OF PLAN NET ASSETS
JUNE 30, 1999

ASSETS:	
Cash	\$ <u>2,383,782</u>
Receivables:	
Member contributions	3,187,402
Employer contributions	2,120,531
Investment receivable	847,351
Accrued interest and dividends	4,066,111
Other	3,566
Total	<u>10,224,961</u>
Investments (At fair value): (Notes 1 and 6) (Pages 17 and 18)	
Cash equivalents	4,937,239
Repurchase agreements	1,187,615
Bonds	268,734,313
Equities	217,000,716
Mutual fund - foreign	27,864,698
Total	<u>519,724,581</u>
Property, plant and equipment: (Note 1)	
Land	389,547
Building	535,068
Office furnishings and equipment	508,038
	<u>1,432,653</u>
Less: Accumulated depreciation	<u>(575,840)</u>
	<u>856,813</u>
Total assets	<u>533,190,137</u>
LIABILITIES:	
Cash overdraft	17,334
Investment payable	497,431
Refunds payable	146,808
Payroll withholding payable	145,922
Accounts payable	364,884
	<u>1,172,379</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>532,017,758</u>
(A schedule of funding progress for the plan is presented on Page 24)	

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1999

ADDITIONS: (Note 1)

Contributions:	
Members'	\$ 13,370,512
Employers'	8,871,444
Ad valorem taxes and state revenue sharing funds	3,172,927
Total contributions	<u>25,414,883</u>
Investment income: (Note 1)	
Interest income	17,851,362
Dividend income	2,513,750
Net appreciation in fair value of investments	21,346,646
	<u>41,711,758</u>
Less investment expense:	
Investment advisory fee	1,615,520
Custodian and bank fees	64,345
	<u>1,679,865</u>
Net investment income	<u>40,031,893</u>
Other additions:	
Interest - other	69,932
Miscellaneous revenue	3,989
Transfers from other retirement systems	664,007
	<u>737,928</u>
Total additions	<u>66,184,704</u>
DEDUCTIONS: (Note 1)	
Benefits	26,763,112
Refund of contributions	4,205,717
Miscellaneous expense	3,174
Administrative expenses (Page 19)	651,978
Depreciation	34,372
	<u>31,658,353</u>
Total deductions	<u>31,658,353</u>
NET INCREASE	34,526,351
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>497,491,407</u>
END OF YEAR	<u>\$ 532,017,758</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

The Municipal Employees' Retirement System of Louisiana (System) was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the state, which did not have their own retirement system and which elected to become members of the System.

The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana.

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

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 System'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 each plan.

Interest income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year collected by the tax collector.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property, Plant and Equipment:

Property, plant and equipment acquired prior to June 30, 1991 is accounted for based on historical cost and capitalized in the Expense Fund. Property, plant and equipment acquired subsequent to June 30, 1991 is accounted for based on historical cost and capitalized as follows: All property and plant additions will be allocated between the two plans based on each plans' member earnings. All operating equipment additions will be recorded in the expense fund. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight line method. When property, plant and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account, are relieved and any gain or loss is included in operations.

2. PLAN DESCRIPTION:

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes (LRS).

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 1999, there were 75 contributing municipalities in Plan A and 53 in Plan B.

The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. At June 30, 1999 statewide retirement membership consists of:

	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Active members	5,555	2,105	7,660
Retirees and survivors	2,130	664	2,794
"Drop Plan" participants	151	47	198
Due deferred benefits	150	58	208
Due refunds	<u>2,010</u>	<u>702</u>	<u>2,712</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>9,996</u>	<u>3,576</u>	<u>13,572</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes

Retirement Benefits:

Any member of Plan A can retire providing he meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Under age 60 with five (5) years of creditable service eligible for disability benefits.
5. Survivor's benefits require five (5) years creditable service at death of member.
6. Effective June 11, 1999, any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Effective July 1, 1999 any member of Plan A can retire at any age with 25 or more years creditable service.

Any member of Plan B can retire providing he meets one of the following criteria:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require twenty (20) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A who is eligible for normal retirement at time of death, surviving spouse or, if none, surviving minor children shall receive benefits for as long as he/she lives as outlined in the statutes.

Upon death of any member of Plan B with twenty (20) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is not eligible for social security survivorship or retirement benefits, married no less than twelve (12) months immediately preceding death of member, shall be paid Option 2 benefits beginning at age 50 until he/she becomes eligible for social security survivorship or retirement benefits or until he/she marries.
2. Surviving spouse meets the above qualifications but is receiving survivorship benefits due to minor children, shall become eligible for benefits when he/she ceases to receive social security benefits.

Any member of Plan B who is eligible for normal retirement at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be 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 the member terminates employment. Interest earnings are based upon the average actual rate of return on the investments identified as DROP funds for the period. 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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

2. PLAN DESCRIPTION: (Continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account 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 DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service, but not less than forty-five percent of his final compensation or an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age and using those benefit computation factors which would be applicable to the member's normal retirement.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service, but not less than thirty percent of his final compensation, or an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement. The benefits shall be reduced by three percent for each year the member is younger than the age of sixty-two years at the time of retirement, up to a maximum reduction of six percent.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

2. PLAN DESCRIPTION: (Continued)

Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from interest income in excess of normal requirements. State law allows the system to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

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

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.25% of earnable compensation for Plan A and 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 1999, employer contributions were 5.75% of member's earnings for Plan A and 3.75% of member's earnings for Plan B. According to state statute, the System also receives 1/4 of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employees' Retirement System and the Employees' Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions.

Administrative costs of the retirement system are financed through employer contributions.

Reserves:

Use of the term "reserve" by the retirement system 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:

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

3. CONTRIBUTIONS AND RESERVES:(Continued)

A) Expense:

The Expense Fund Reserve provides for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the retirement funds and is made as needed.

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. 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 \$77,812,177 for Plan A and \$14,008,057 for Plan B. The Annuity Savings is fully funded for both plans.

C) 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 \$204,468,948 for Plan A and \$46,594,132 for Plan B. The Pension Accumulation Reserve is 82% funded for Plan A and 95% funded for Plan B.

D) 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 \$183,012,676 for Plan A and \$34,037,012 for Plan B. The Annuity Reserve is fully funded for both plans.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

E) 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. The deferred retirement option as of June 30, 1999 is \$7,360,079 for Plan A and \$1,518,834 for Plan B. The Deferred Retirement Option account is fully funded for both plans.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method was used to calculate the funding requirements of the System. 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 System'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 4.25% per year in Plan A and decreasing at 2% per year in Plan B.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 23 – 26.

In accordance with GASB, the required schedule on Page 27 is designed to provide information about the year 2000 issue.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

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

Deposits (bank balance)	\$ 3,724,519
Cash equivalents	4,937,239
Investments	<u>514,787,342</u>
	<u>\$523,449,100</u>

Deposits:

The Retirement System's bank deposits were fully covered by federal depository insurance.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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

Cash Equivalents:

Cash equivalents in the amount of \$4,128,615 consist of government backed pooled funds which are held by a sub-custodian, managed by a separate money manager, and are in the name of the Retirement System's custodian's trust department. Cash equivalents in the amount of \$808,624 consist of government backed pooled funds which are held and managed by the Retirement System's custodian bank and are held in the name of the Retirement System.

Investments:

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of 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 System shall not invest more than fifty-five percent of the total portfolio in common stock.

The Retirement System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Retirement System or its agent 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>MARKET VALUE</u>	<u>CATEGORY</u>
Repurchase agreements	\$ 1,187,615	1
Bonds	261,027,220	1
Bonds	7,707,093	3
Stocks	217,000,716	1
Mutual fund – foreign	<u>27,864,698</u>	N/A
	<u>\$514,787,342</u>	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

7. VACATION AND SICK LEAVE:

The employees of the Municipal Employees' Retirement System accumulate unlimited amounts of vacation and sick leave at varying rates as established by State regulations. Upon resignation or retirement, unused vacation leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, unused vacation leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours payable at June 30, 1999, is estimated to be \$40,335. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

8. USE OF ESTIMATES:

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

9. PROPERTY PLANT AND EQUIPMENT:

Changes in property plant and equipment are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$389,547	\$ --	\$ --	\$389,547
Building	535,068	--	--	535,068
Equipment	446,841	61,197	--	508,038
Accumulated depreciation	<u>(541,468)</u>	<u>(34,372)</u>	--	<u>(575,840)</u>
	<u>\$829,988</u>	<u>\$26,825</u>	<u>\$--</u>	<u>\$856,813</u>

The cost of the property, plant and equipment is being depreciated over its useful life using the straight line method. Depreciation expense for the year ended June 30, 1999 is \$34,372.

10. TAX QUALIFICATION:

Effective August 15, 1999, the System is a tax qualified plan under IRS Code Section 401(a).

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - PLAN "A"
FOR THE YEAR ENDED JUNE 30, 1999

	ANNUITY RESERVE	ANNUITY SAVINGS	DROP	PENSION ACCUMULATION	UNFUNDED ACTUARIAL LIABILITY	TOTAL
BALANCES, JULY 1, 1998	\$ 171,095,160	\$ 73,998,510	\$ 6,459,331	\$ 180,605,126	\$ (23,472,858)	\$ 408,685,269
REVENUES AND TRANSFERS:						
Contributions						
Members	--	11,349,100	--	--	--	11,349,100
Employers	--	--	--	7,297,558	--	7,297,558
Net income from investments and other sources	--	--	--	33,227,204	--	33,227,204
Ad valorem taxes and state revenue sharing funds	--	--	--	2,395,950	--	2,395,950
Transfers from members' savings	3,796,346	--	--	--	--	3,796,346
Pensions transferred from annuity reserve	--	--	2,183,778	--	--	2,183,778
Transfers from other systems	--	--	--	271,383	--	271,383
Actuarial transfers	31,292,068	--	--	--	--	31,292,068
Total revenues	<u>35,088,414</u>	<u>11,349,100</u>	<u>2,183,778</u>	<u>43,192,095</u>	<u>--</u>	<u>91,813,387</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	20,987,120	--	1,283,030	--	--	22,270,150
Refunds to members	--	3,719,508	--	--	--	3,719,508
Transfers to annuity reserve	--	3,796,346	--	--	--	3,796,346
Pensions transferred to DROP	2,183,778	--	--	--	--	2,183,778
Transfers to other systems	--	19,579	--	--	--	19,579
Transfer to expense fund	--	--	--	754,158	--	754,158
Depreciation	--	--	--	16,385	--	16,385
Actuarial transfer	--	--	--	18,557,730	12,734,338	31,292,068
Total expenditures	<u>23,170,898</u>	<u>7,535,433</u>	<u>1,283,030</u>	<u>19,328,273</u>	<u>12,734,338</u>	<u>64,051,972</u>
NET INCREASE (DECREASE)	<u>11,917,516</u>	<u>3,813,667</u>	<u>900,748</u>	<u>23,863,822</u>	<u>(12,734,338)</u>	<u>27,761,415</u>
BALANCES - JUNE 30, 1999	<u>\$ 183,012,676</u>	<u>\$ 77,812,177</u>	<u>\$ 7,360,079</u>	<u>\$ 204,468,948</u>	<u>\$ (36,207,196)</u>	<u>\$ 436,446,684</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - PLAN "B"
FOR THE YEAR ENDED JUNE 30, 1999

	ANNUITY RESERVE	ANNUITY SAVINGS	DROP	PENSION ACCUMULATION	(UNFUNDED) SURPLUS ACTUARIAL LIABILITY	TOTAL
BALANCES, JULY 1, 1998	\$ 31,498,353	\$ 13,002,586	\$ 1,357,334	\$ 41,537,509	\$ 187,139	\$ 87,582,921
REVENUES AND TRANSFERS:						
Contributions						
Members	--	2,021,412	--	--	--	2,021,412
Employers	--	--	--	1,573,886	--	1,573,886
Net income from investments and other sources	--	--	--	6,901,918	--	6,901,918
Ad valorem taxes and state revenue sharing funds	--	--	--	776,977	--	776,977
Transfers from members' savings	668,290	--	--	--	--	668,290
Transfer from other systems	--	138,558	--	273,645	--	412,203
Pensions transferred from annuity reserve	--	--	496,213	--	--	496,213
Actuarial transfer	6,524,831	--	--	--	--	6,524,831
Total revenues	<u>7,193,121</u>	<u>2,159,970</u>	<u>496,213</u>	<u>9,526,426</u>	<u>--</u>	<u>19,375,730</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	4,158,249	--	334,713	--	--	4,492,962
Refunds to members	--	486,209	--	--	--	486,209
Transfers to annuity reserve	--	668,290	--	--	--	668,290
Pensions transferred to DROP	496,213	--	--	--	--	496,213
Transfers to other systems	--	--	--	--	--	--
Transfer to expense fund	--	--	--	230,842	--	230,842
Depreciation	--	--	--	4,919	--	4,919
Actuarial transfer	--	--	--	4,234,042	2,290,789	6,524,831
Total expenditures	<u>4,654,462</u>	<u>1,154,499</u>	<u>334,713</u>	<u>4,469,803</u>	<u>2,290,789</u>	<u>12,904,266</u>
NET INCREASE (DECREASE)	<u>2,538,659</u>	<u>1,005,471</u>	<u>161,500</u>	<u>5,056,623</u>	<u>(2,290,789)</u>	<u>6,471,464</u>
BALANCES - JUNE 30, 1999	\$ <u>34,037,012</u>	\$ <u>14,008,057</u>	\$ <u>1,518,834</u>	\$ <u>46,594,132</u>	\$ <u>(2,103,650)</u>	\$ <u>94,054,385</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
JUNE 30, 1999

	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
<u>PLAN "A"</u>			
Bonds:			
Federal Home Loan Mortgage Corporation	\$ 12,653,828	\$ 12,638,726	\$ 12,609,125
Federal National Mortgage Assn.	31,763,163	30,991,989	31,753,841
Government National Mortgage Association	18,503,931	18,307,359	18,401,593
U.S. Treasury Notes, Bonds and Bills	27,301,113	26,945,884	26,974,450
Corporate Bonds	<u>131,537,939</u>	<u>132,162,317</u>	<u>131,877,806</u>
Total Bonds	<u>\$ 221,759,974</u>	<u>\$ 221,046,275</u>	<u>\$ 221,616,815</u>
		<u>COST</u>	<u>MARKET VALUE</u>
Equities		<u>\$ 121,901,473</u>	<u>\$ 178,516,281</u>
Mutual fund - foreign		<u>\$ 19,493,748</u>	<u>\$ 22,947,398</u>
Cash equivalents		<u>\$ 3,616,070</u>	<u>\$ 3,616,070</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
JUNE 30, 1999

	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
PLAN "B"			
Bonds:			
Federal Home Loan Mortgage Corporation	\$ 2,328,343	\$ 2,330,874	\$ 2,347,518
Federal National Mortgage Association	5,838,744	5,696,072	5,858,316
Government National Mortgage Association	3,007,585	2,911,404	3,004,427
U.S. Treasury Notes, Bonds and Bills	6,929,176	6,805,966	6,798,142
Corporate Bonds	<u>28,983,789</u>	<u>29,310,950</u>	<u>29,109,095</u>
Total Bonds	<u>\$ 47,087,637</u>	<u>\$ 47,055,266</u>	<u>\$ 47,117,498</u>
		<u>COST</u>	<u>MARKET VALUE</u>
Equities		<u>\$ 26,571,295</u>	<u>\$ 38,484,435</u>
Mutual fund - foreign		<u>\$ 4,177,232</u>	<u>\$ 4,917,300</u>
Cash Equivalents		<u>\$ 1,321,169</u>	<u>\$ 1,321,169</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
JUNE 30, 1999

	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>EXPENSE FUND</u>	<u>TOTAL</u>
Building and yard maintenance	\$ --	\$ --	\$ 20,170	\$ 20,170
Hospitalization	--	--	14,901	14,901
Insurance	--	--	8,374	8,374
Office equipment maintenance	--	--	23,622	23,622
Office supplies	--	--	25,593	25,593
Per diem and travel	--	--	59,312	59,312
Postage	--	--	12,937	12,937
Printing	--	--	6,148	6,148
Professional fees	--	--	41,059	41,059
Repairs and maintenance	31,693	9,701	--	41,394
Retainer fee	--	--	66,126	66,126
Retirement - employer portion	--	--	17,258	17,258
Salaries	--	--	302,634	302,634
Telephone	--	--	5,463	5,463
Utilities	--	--	6,987	6,987
 Total	 <u>\$ 31,693</u>	 <u>\$ 9,701</u>	 <u>\$ 610,584</u>	 <u>\$ 651,978</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM AND TRAVEL EXPENSES TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 1999

	<u>PER DIEM</u>	<u>TRAVEL EXPENSES</u>	<u>TOTAL</u>
Charles Powell	\$ 300	\$ 1,992	\$ 2,292
Dudley Dixon	300	2,245	2,545
Claire Sarradet	375	1,833	2,208
Johnny Berthelot	375	1,172	1,547
Joe Sampite	375	1,860	2,235
Robert Hebert	300	328	628
Julian Dufreche	<u>375</u>	<u>17</u>	<u>392</u>
TOTAL	<u>\$ 2,400</u>	<u>\$ 9,447</u>	<u>\$ 11,847</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS
JUNE 30, 1999

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	\$ 2,002,094	\$ 381,688	\$ --	\$ 2,383,782
Receivables:				
Due from (to) other funds	(305,336)	20,498	284,838	--
Member contributions	2,679,342	508,060	--	3,187,402
Employer contributions	1,726,975	393,556	--	2,120,531
Investment receivable	661,721	185,630	--	847,351
Accrued interest and dividends	3,317,832	748,279	--	4,066,111
Other	--	--	3,566	3,566
Total	<u>8,080,534</u>	<u>1,856,023</u>	<u>288,404</u>	<u>10,224,961</u>
Investments:				
Cash equivalents	3,616,070	1,321,169	--	4,937,239
Repurchase agreements	--	--	1,187,615	1,187,615
Bonds	221,616,815	47,117,498	--	268,734,313
Equities	178,516,281	38,484,435	--	217,000,716
Mutual fund - foreign	22,947,398	4,917,300	--	27,864,698
Total	<u>426,696,564</u>	<u>91,840,402</u>	<u>1,187,615</u>	<u>519,724,581</u>
Property, plant and equipment:				
Land	296,248	93,299	--	389,547
Building	410,442	124,626	--	535,068
Office furnishings and equipment	186,543	58,769	262,726	508,038
	<u>893,233</u>	<u>276,694</u>	<u>262,726</u>	<u>1,432,653</u>
Less accumulated depreciation	(275,472)	(85,771)	(214,597)	(575,840)
	<u>617,761</u>	<u>190,923</u>	<u>48,129</u>	<u>856,813</u>
Total assets	<u>437,396,953</u>	<u>94,269,036</u>	<u>1,524,148</u>	<u>533,190,137</u>
LIABILITIES:				
Cash overdraft	7,750	2,125	7,459	17,334
Investment payable	385,052	112,379	--	497,431
Refunds payable	123,874	22,934	--	146,808
Payroll withholding payable	134,218	11,704	--	145,922
Accounts payable	299,375	65,509	--	364,884
Total liabilities	<u>950,269</u>	<u>214,651</u>	<u>7,459</u>	<u>1,172,379</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 436,446,684</u>	<u>\$ 94,054,385</u>	<u>\$ 1,516,689</u>	<u>\$ 532,017,758</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 1999

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	\$ 11,349,100	\$ 2,021,412	\$ --	\$ 13,370,512
Employers'	7,297,558	1,573,886	--	8,871,444
Ad valorem taxes and state revenue sharing funds	2,395,950	776,977	--	3,172,927
Total contributions	<u>21,042,608</u>	<u>4,372,275</u>	<u>--</u>	<u>25,414,883</u>
Investment income:				
Interest income	14,723,805	3,084,422	43,135	17,851,362
Dividend income	2,068,086	445,664	--	2,513,750
Net appreciation in fair value of investments	17,704,680	3,641,966	--	21,346,646
	<u>34,496,571</u>	<u>7,172,052</u>	<u>43,135</u>	<u>41,711,758</u>
Less investment expense:				
Investment advisory fees	1,283,778	276,742	55,000	1,615,520
Custodian and bank fees	3,560	785	60,000	64,345
	<u>1,287,338</u>	<u>277,527</u>	<u>115,000</u>	<u>1,679,865</u>
Net investment income (expense)	<u>33,209,233</u>	<u>6,894,525</u>	<u>(71,865)</u>	<u>40,031,893</u>
Other additions:				
Interest - other	52,382	17,550	--	69,932
Miscellaneous revenue	--	--	3,989	3,989
Transfers from other retirement systems	251,804	412,203	--	664,007
Total other additions	<u>304,186</u>	<u>429,753</u>	<u>3,989</u>	<u>737,928</u>
TOTAL ADDITIONS	<u>54,556,027</u>	<u>11,696,553</u>	<u>(67,876)</u>	<u>66,184,704</u>
DEDUCTIONS:				
Benefits	22,270,150	4,492,962	--	26,763,112
Refund of contributions	3,719,508	486,209	--	4,205,717
Administrative expenses	31,693	9,701	610,584	651,978
Miscellaneous expense	2,718	456	--	3,174
Depreciation	16,385	4,919	13,068	34,372
Transfers from pension funds to expense fund	754,158	230,842	(985,000)	--
TOTAL DEDUCTIONS	<u>26,794,612</u>	<u>5,225,089</u>	<u>(361,348)</u>	<u>31,658,353</u>
NET INCREASE	27,761,415	6,471,464	293,472	34,526,351
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>408,685,269</u>	<u>87,582,921</u>	<u>1,223,217</u>	<u>497,491,407</u>
END OF YEAR	<u>\$ 436,446,684</u>	<u>\$ 94,054,385</u>	<u>\$ 1,516,689</u>	<u>\$ 532,017,758</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 1994 THROUGH 1999

PLAN A

YEAR	ACTUARIAL REQUIRED CONTRIBUTIONS EMPLOYER	ACTUARIAL REQUIRED CONTRIBUTIONS OTHER SOURCES	PERCENT CONTRIBUTED EMPLOYER	PERCENT CONTRIBUTED OTHER SOURCES
1994	\$ 5,612,002	\$ 1,804,000	113.55 %	108.27 %
1995	6,923,164	1,898,000	83.86	99.91
1996	6,828,174	1,979,000	112.26	98.48
1997	6,893,767	2,056,000	106.40	104.20
1998	6,815,694	2,292,117	97.26	102.52
1999	5,965,809	2,525,707	122.32	94.86

PLAN B

YEAR	ACTUARIAL REQUIRED CONTRIBUTIONS EMPLOYER	ACTUARIAL REQUIRED CONTRIBUTIONS OTHER SOURCES	PERCENT CONTRIBUTED EMPLOYER	PERCENT CONTRIBUTED OTHER SOURCES
1994	\$ 1,012,714	\$ 593,000	130.91 %	73.83 %
1995	1,219,973	608,000	85.49	98.27
1996	1,174,566	632,000	113.36	98.69
1997	964,433	627,000	125.80	110.12
1998	1,404,870	724,853	75.41	99.23
1999	1,693,636	798,723	92.93	97.28

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 1994 THROUGH 1999

PLAN A							
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL		UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
		ACCRUED LIABILITY (AAL)					
June 30, 1994	\$ 270,725,765	\$ 326,696,611	\$ 55,970,846	82.87%	\$ 102,250,546	54.74%	
June 30, 1995	288,135,401	345,626,503	57,491,102	83.37%	105,755,181	54.36%	
June 30, 1996	318,271,740	377,279,030	59,007,290	84.36%	112,212,880	52.59%	
June 30, 1997	344,213,563	404,727,303	60,513,740	85.05%	115,687,749	52.31%	
June 30, 1998	370,154,019	432,158,125	62,004,106	85.65%	116,609,501	53.17%	
June 30, 1999	409,182,585	472,653,880	63,471,295	86.57%	120,568,583	52.64%	

PLAN B							
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL		UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
		ACCRUED LIABILITY (AAL)					
June 30, 1994	\$ 57,464,395	\$ 66,254,195	\$ 8,789,800	86.73%	\$ 32,721,647	26.86%	
June 30, 1995	61,623,243	70,206,923	8,583,680	87.77%	33,750,064	25.43%	
June 30, 1996	67,276,177	75,655,433	8,379,256	88.92%	34,234,222	24.48%	
June 30, 1997	73,216,211	81,392,511	8,176,300	89.95%	36,584,814	22.35%	
June 30, 1998	79,421,207	87,395,782	7,974,575	90.88%	37,963,401	21.01%	
June 30, 1999	88,384,208	96,158,035	7,773,827	91.92%	41,646,939	18.67%	

**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS - PLANS A AND B
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 4.25% each year for the remaining amortization period for Plan A and the payment amounts decrease at 2% each year for the remaining amortization period for Plan B. The amortization period is for a specific number of years. (Closed Basis)
Remaining Amortization Period	30 years
Asset Valuation Method:	
Bonds	Amortized Cost
Equities	Market Value adjusted to reflect a three year smoothing of realized and unrealized capital gains.
	Expense fund assets are allocated to each plan in proportion to reported payroll.
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	5.5% (3.25% Inflation, 2.25 Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Changes in Actuarial Assumptions:	Plan A: The only changes made in assumptions were those which were required to coordinate with the change in benefit structure. Since the plan's retirement eligibility was changed to allow retirement with twenty-five years of service credit regardless of age, both retirement and DROP entry rates were re-scaled to accommodate this change. No explicit change in assumptions was made to account for the modified actuarially reduced early retirement made available to members with twenty years of service, since indications were that few members would avail themselves of this benefit.
	Plan B: None

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS - PLANS A AND B
JUNE 30, 1994 THROUGH 1999

Change in Plan Provisions:

Legislative changes in plan provisions for Plan A (1) provided early retirement with twenty years of service at any age with actuarially reduced benefits and (2) reduced the number of years required for normal retirement at any age to twenty five. Legislative changes in plan provisions for Plan A and Plan B (1) allowed secretaries of appointed or elected chiefs of police who were members of this System on or before August 30, 1986 the option of remaining a member of this System or transferring to Municipal Police Employees Retirement System, (2) provided for limitations on benefits, (3) directed rollover of eligible rollover distributions and other qualification requirements for compliance with the United States Internal Revenue Code and (4) established an excess benefit plan for payment of benefits which exceed the Internal Revenue Code Section 415 limits.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
YEAR 2000 ISSUE (UNAUDITED)
JUNE 30, 1999

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the System's operations.

Information necessary for the performance of actuarial valuations and the determination of contributions is maintained in the accounting and computer systems of the Municipal Employees' Retirement System of Louisiana and its trustee banks.

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

Every effort has been made to assure that the System is year 2000 compliant. However, because of the unprecedented nature of the year 2000 issue, its effect and the success of related efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the System is or will be year 2000 ready, or that parties with whom the System does business will be year 2000 ready.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
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 YEAR ENDED JUNE 30, 1999

September 17, 1999

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

We have audited the financial statements of the Municipal Employees' Retirement System of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated September 17, 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 Municipal Employees' Retirement System 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 Municipal Employees' Retirement System of Louisiana'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 one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Municipal Employees' Retirement System's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

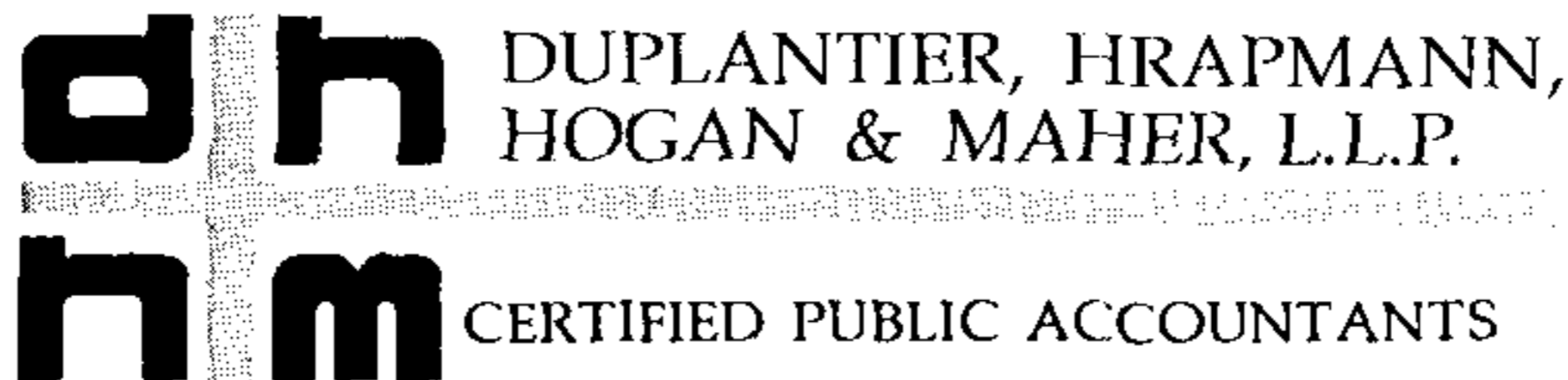
The Annuity Savings subsidiary ledger was not reconciled to the general ledger. A subsidiary ledger is the source of account transactions. It offers support to the general ledger accounts and should be balanced to the general ledger on a regular basis.

We recommend the System reconcile the Annuity Savings with the general ledger on a timely basis.

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 and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the use of the Board of Trustees and management of Municipal Employees' Retirement System of Louisiana and the office of 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.

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

September 17, 1999

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM

SECTION 1: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 1999 and have issued our report thereon dated September 17, 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. Our audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS:

Internal Control:

Material weaknesses - None noted
Reportable conditions - Yes

Compliance:

Noncompliance material to financial statements - None noted

C. FEDERAL AWARDS:

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS:

99-01 Plan Net Assets:

The plan net asset subsidiary ledger for Annuity Savings was not reconciled to the general ledger.

Subsidiary ledgers are the sources of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis.

We recommend that Municipal Employees' Retirement System reconcile the Annuity Savings subsidiary ledger with the general ledger on a timely basis.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

None

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

November 17, 1999

Mr. Dan Kyle, Legislative Auditor
Louisiana Legislative Auditor's Office
P. O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Kyle:

We are submitting this letter in connection with the audit of the financial statements of Municipal Employees Retirement System for the year ended June 30, 1999. The firm Duplantier, Hrapmann, Hogan and Maher, llp, CPA's conducted the audit, and had the following current year findings and recommendations:

The Annuity Savings subsidiary ledgers were not reconciled to the general ledger. Subsidiary ledgers are the sources of account transactions. They offer support to the general ledger accounts and should be balanced to the general ledger on a regular basis. We recommend reconciling the Annuity Savings subsidiary ledger with the general ledger on a timely basis.

Our plan of action to correct this reportable condition is as follows:

1. The Annuity Savings subsidiary ledgers shall be balanced to the general ledger accounts at the end of each quarter, beginning with September 30, 1999.
2. Any discrepancies between the general ledger and the subsidiary ledger shall be investigated and corrected immediately.
3. All corrections shall be fully documented, and explained so as to provide a clear audit trail.
4. The reconciliation of the annuity savings, along with the supporting documentation shall be prepared and submitted to the auditors by the start of audit fieldwork.

If you should have any questions or need additional information, please call or write our office.

Sincerely,



William C. Toadvin
Administrative Director/General Council