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PAROCHIAL EMPLOYEES' RETIREMENT  
SYSTEM OF LOUISIANA  
BATON ROUGE, LOUISIANA

AUDIT REPORT  
DECEMBER 31, 1999

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

Release Date AUG 08 2000

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## 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, 1999, and the related statement of changes in Net Plan Assets for the year then 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, 1999 and the Changes in Net Plan Assets for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated June 10, 2000 on my consideration of the Parochial Employees' Retirement System internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants.

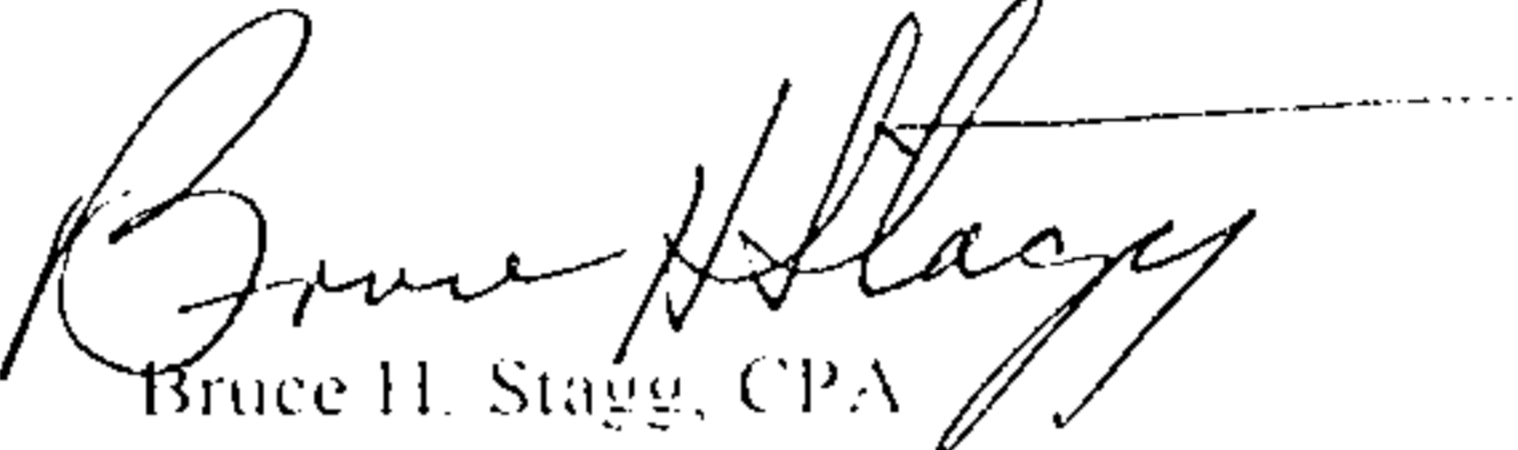
My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents as required supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Parochial Employees' Retirement System.

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MEMBER

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SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

Such statistical 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 10, 2000

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

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, 1999, and have issued my report thereon dated June 10, 2000. I conducted my 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

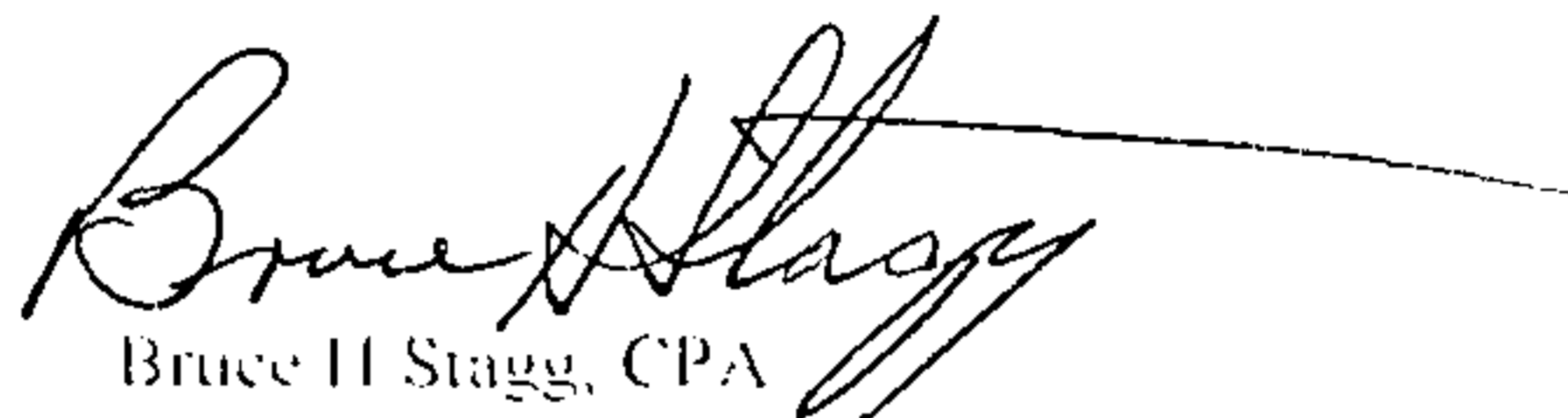
As part of obtaining reasonable assurance about whether Parochial Employees' Retirement System's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and 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*.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Parochial Employees' Retirement System's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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 10, 2000

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
STATEMENT OF PLAN NET ASSETS  
December 31, 1999

|   | PLAN A               | PLAN              | TOTALS               |
|---|----------------------|-------------------|----------------------|
| <b>ASSETS</b>   |                      |                   |                      |
| Cash and short term investments   | \$ 17,860,722        | \$ 484,872        | \$ 18,345,594        |
| <b>RECEIVABLES</b>  |                      |                   |                      |
| Contributions Receivable  |                      |                   |                      |
| Employer  | \$ 6,212,250         | \$ 204,578        | \$ 6,416,828         |
| Employee  | 7,475,253            | 159,966           | 7,635,219            |
| Taxing Bodies   | 2,753,337            | 338,574           | 3,091,911            |
| Interest  | 1,772,991            | 119,600           | 1,892,591            |
| Dividends   | 521,261              | -                 | 521,261              |
| Due (to) From other funds   | (8,171)              | 8,171             | -                    |
| <br>Total Receivables   | <br>\$ 18,726,921    | <br>\$ 830,889    | <br>\$ 19,557,810    |
| <b>INVESTMENTS AT FAIR VALUE</b>  |                      |                   |                      |
| Government National Mortgage Associations Collateralized Mortgage Obligations   | \$ 55,374,510        | \$ 3,640,373      | \$ 59,014,883        |
| FHLMC REMIC-Z'S   | 97,631,028           | 7,266,330         | 104,897,358          |
| US Zero Coupon Bonds  | 116,876,630          | 11,036,521        | 127,913,151          |
| US Agency Zero Coupon Bonds   | 83,335,899           | 18,846,437        | 102,182,336          |
| US Treasury Notes and Bonds   | 143,014,397          | 2,035,920         | 145,050,317          |
| US Treasury Notes and Bonds   | 17,704,430           | 2,610,285         | 20,314,715           |
| Government Guaranteed Bonds   | 3,862,274            | -                 | 3,862,274            |
| Corporate Bonds   | 13,981,888           | 2,864,418         | 16,846,306           |
| Government Guaranteed Mortgages   | 2,001,568            | 996,807           | 2,998,375            |
| Domestic and International Stocks   | 610,496,792          | 28,907,471        | 639,404,263          |
| <br>Total Investments   | <br>\$ 1,144,279,416 | <br>\$ 78,204,562 | <br>\$ 1,222,483,978 |
| <b>PROPERTIES AT COST,<br/>NET OF ACCUMULATED<br/>DEPRECIATION OF \$191,343</b> |                      |                   |                      |
|   | \$ 17,911            | \$ 2,201          | \$ 20,112            |
| <b>OTHER ASSETS</b>   |                      |                   |                      |
|   | 115,701              | 14,212            | 129,913              |
| <br><b>TOTAL ASSETS</b>   | <br>\$ 1,181,000,671 | <br>\$ 79,536,736 | <br>\$ 1,260,537,407 |

See Notes to Financial Statements.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
 STATEMENT OF PLAN NET ASSETS  
 December 31, 1999  
 (Continued)

|  | <u>PLAN A</u>           | <u>PLAN B</u>        | <u>TOTALS</u>           |
|--|-------------------------|----------------------|-------------------------|
| <b>LIABILITIES</b>   |                         |                      |                         |
| Pensions Payable   | \$ 3,730,615            | \$ 174,616           | \$ 3,905,231            |
| Refunds Payable  | 465,712                 | 39,876               | 505,588                 |
| Accounts Payable and<br>Accrued Leave  | 173,836                 | 2,035                | 175,871                 |
| Deferred Compensation  | 113,452                 | 13,936               | 127,388                 |
| <br>   |                         |                      |                         |
| <b>TOTAL LIABILITIES</b>   | <u>\$ 4,483,615</u>     | <u>\$ 230,463</u>    | <u>\$ 4,714,078</u>     |
| <br>   |                         |                      |                         |
| <b>NET ASSETS HELD IN TRUST FOR<br/>PENSION BENEFITS (A<br/>schedule of funding<br/>progress is presented<br/>on Page 18 )</b> | <u>\$ 1,176,517,056</u> | <u>\$ 79,306,273</u> | <u>\$ 1,255,823,329</u> |

See Notes to Financial Statements.



PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the year ended December 31, 1999

|   | PLAN A                | PLAN B              | TOTALS                |
|---|-----------------------|---------------------|-----------------------|
| <b>ADDITIONS TO NET ASSETS</b>  |                       |                     |                       |
| <b>Contributions</b>  |                       |                     |                       |
| Employee  | \$ 30,464,919         | \$ 810,912          | \$ 31,275,831         |
| Employer  | 25,189,057            | 1,000,238           | 26,189,295            |
| Taxing Bodies   | 2,913,135             | 377,981             | 3,291,116             |
| <b>TOTAL CONTRIBUTIONS</b>  | <b>\$ 58,567,111</b>  | <b>\$ 2,189,131</b> | <b>\$ 60,756,242</b>  |
| <b>Transfer from other systems</b>                                    |                       |                     |                       |
| Employees   | \$ 308,803            | \$ 9,962            | \$ 318,765            |
| Employers and<br>Actuarial transfers                                  | 826,571               | 19,807              | 846,378               |
| <b>TOTAL TRANSFERS</b>  | <b>\$ 1,135,374</b>   | <b>\$ 29,769</b>    | <b>\$ 1,165,143</b>   |
| Miscellaneous Income  | \$ 268,609            | \$ 2,774            | \$ 271,383            |
| <b>Investment Income</b>  |                       |                     |                       |
| Net Appreciation<br>(Depreciation) in<br>Fair Value of<br>Investments | \$ 19,041,849         | \$ 940,884          | \$ 19,982,733         |
| Interest  | 25,539,911            | 2,223,258           | 27,763,169            |
| Dividends   | 7,064,901             | -                   | 7,064,901             |
| <b>TOTAL INVESTMENT INCOME</b>  | <b>\$ 51,646,661</b>  | <b>\$ 3,164,142</b> | <b>\$ 54,810,803</b>  |
| Less Investment<br>Expenses   | \$ 2,274,376          | \$ 21,075           | \$ 2,295,451          |
| <b>NET INVESTMENT<br/>INCOME</b>                                      | <b>\$ 49,372,285</b>  | <b>\$ 3,143,067</b> | <b>\$ 52,515,352</b>  |
| <b>TOTAL ADDITIONS<br/>TO NET ASSETS</b>                              | <b>\$ 109,343,379</b> | <b>\$ 5,364,741</b> | <b>\$ 114,708,120</b> |

See Notes to Financial Statements.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
For the year Ended December 31, 1999  
(Continued)

|  | <u>PLAN A</u>        | <u>PLAN B</u>       | <u>TOTALS</u>        |
|--|----------------------|---------------------|----------------------|
| <b>DEDUCTIONS FROM NET ASSETS</b>        |                      |                     |                      |
| Benefits                                 | \$ 45,075,045        | \$ 2,140,835        | \$ 47,215,880        |
| Refunds of Contributions                 | 9,292,176            | 227,390             | 9,519,566            |
| Transfers to other systems               | 754,679              | 5,265               | 759,944              |
| Administrative Expenses                  | 705,843              | 79,496              | 785,339              |
| <b>TOTAL DEDUCTIONS FROM NET ASSETS</b>  | <u>\$ 55,827,743</u> | <u>\$ 2,452,986</u> | <u>\$ 58,280,729</u> |
| <b>NET INCREASE</b>                      | <b>\$ 53,515,636</b> | <b>\$ 2,911,755</b> | <b>\$ 56,427,391</b> |
| <b>NET ASSETS ABAILABLE FOR BENEFITS</b> |                      |                     |                      |
| Beginning of year                        | \$1,123,001,420      | \$76,394,518        | \$1,199,395,938      |
| End of year                              | \$1,176,517,056      | \$79,306,273        | \$1,255,823,329      |

See Notes to Financial Statements.

# PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
 For the Year Ended December 31, 1999  
 (Continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

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 commingled 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 Statute (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, 1999, the date of the latest actuarial valuation.

|  | PLAN A       | PLAN B       |
|--|--------------|--------------|
| Retirees and beneficiaries currently receiving benefits          | \$ 4,193     | \$ 371       |
| Terminated employees entitled to benefits but not receiving them | 273          | 43           |
| Terminated employees due a refund of contributions               | <u>4,977</u> | <u>1,000</u> |
| Total  | \$ 9,443     | \$1,414      |
| Active plan participants:  |              |              |
| Vested   | \$ 4,418     | \$ 521       |
| Non-vested   | 8,789        | 1,365        |
| Members participating in DROP                                    | 186          | 9            |
| Former drop Participants   | <u>36</u>    | <u>1</u>     |
| Total  | \$13,429     | \$1,896      |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

(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.*

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

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 2.5% 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 1999, these employer rates were 7.75% for Plan A and 2.0% 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.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

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.

**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 1999 is \$20,670,954 or 5.4% 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 1999 is 7.75% of payroll or 2.35% 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 1999 is \$1,600,408 or 2.73% of payroll. The Plan currently receives employee contributions amounting to 2.0% of payroll on salaries in excess of \$100 per month and employer contributions of 2.0% 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 1999 amounts to 2.0% of payroll or .73% of payroll less than the amount required to fund the plan according to the methods and assumptions stipulated in this report.



PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

Contributions required and made during the year are as follows:

|               | PLAN A       | PLAN B      | TOTAL        |
|---------------|--------------|-------------|--------------|
| Employer      | \$25,242,844 | \$1,000,238 | \$26,243,082 |
| Employee      | 30,242,844   | 809,721     | 31,052,565   |
| Taxing bodies | 2,913,135    | 377,981     | 3,291,116    |
| Total         | \$58,398,823 | \$2,187,940 | \$60,586,763 |

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 18 - 20.

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

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

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.

|  | <u>PLAN A</u>   | <u>PLAN B</u> | <u>TOTALS</u>   |
|--|-----------------|---------------|-----------------|
| INVESTMENTS AT FAIR VALUE                    |                 |               |                 |
| Government National<br>Mortgage Associations | \$ 55,374,510   | \$ 3,640,373  | \$ 59,014,883   |
| Collateralized Mortgage<br>Obligations       | 97,631,028      | 7,266,330     | 104,897,358     |
| FHLMC REMIC-Z'S                              | 116,876,630     | 11,036,521    | 127,913,151     |
| US Zero Coupon Bonds                         | 83,335,899      | 18,846,437    | 102,182,336     |
| US Agency Zero Coupon Bonds                  | 143,044,397     | 2,035,920     | 145,080,317     |
| US Treasury Notes and Bonds                  | 17,704,430      | 2,610,285     | 20,314,715      |
| Government Guaranteed Bonds                  | 3,862,274       | -             | 3,862,274       |
| Corporate Bonds                              | 13,981,888      | 2,864,418     | 16,846,306      |
| Government Guaranteed<br>Mortgages           | 2,004,568       | 996,807       | 2,998,375       |
| Domestic and International<br>Stocks         | 610,496,792     | 28,907,471    | 639,404,263     |
| Total Investments                            | \$1,444,272,416 | \$78,204,562  | \$1,222,483,978 |

The net amount earned by the system during the year from security lending transactions was \$240,607 which is included in the financial statements as investment revenue.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1999

(Continued)

The following represents the balances relating to the securities lending transactions at December 31, 1999:

| Securities Loaned                     | Securities    | Fair Value of Collateral Received | Collateral Investment Value | Underlying Type of Collateral  |
|---------------------------------------|---------------|-----------------------------------|-----------------------------|--------------------------------|
| U.S. Government and Agency Securities | \$79,597,266  | \$ 81,189,212                     | \$81,189,212                | Cash                           |
| Corporate Equities                    | 19,974,020    | 20,358,600                        | 20,358,600                  |                                |
| Corporate Bonds                       | 1,253,480     | 1,278,550                         | 1,278,550                   |                                |
| U.S. Government and Agency Securities | 13,320,784    | 13,622,318                        | 13,622,318                  | U.S. Gov't & Agency Securities |
| Totals                                | \$114,145,550 | \$116,448,680                     | \$116,448,680               |                                |

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 (\$36,490 ) 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, 1999, was \$4,752.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

| ACTUARIAL<br>VALUATION<br>DATE | ACTUARIAL<br>VALUE<br>OF ASSETS<br>(a) | ACTUARIAL<br>ACCRUED<br>LIABILITY (AAL)<br>ENTRY AGE<br>(b) | UNFUNDED<br>(EXCESS) AAL<br>UAL<br>(b-a) | FUNDED<br>RATIO<br>(a/b) | COVERED<br>PAYROLL<br>(c) | UAL AS A<br>PERCENTAGE OF<br>COVERED PAYROLL<br>_____<br>(b-a) c |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| <b>PLAN A</b>                  |  |   |  |                          |                           |  |
| 12-31-97                       | 874,023,941                            | 881,981,793   | 7,957,852                                | 99.10                    | 291,212,401               | 2.73   |
| 12-31-98                       | 960,159,912                            | 959,044,243   | 1,115,669                                | 100.12                   | 309,147,622               | 3.61   |
| 12-31-99                       | 1,082,379,053                          | 1,066,314,704   | (16,064,349)                             | 101.51                   | 323,096,742               | 5.19   |
| <b>PLAN B</b>                  |  |   |  |                          |                           |  |
| 12-31-97                       | 600,74,072                             | 45,929,455  | (14,744,617)                             | 132.10                   | 34,092,285                | 43.25  |
| 12-31-98                       | 60,212,388                             | 51,172,174  | (9,040,212)                              | 120.39                   | 37,979,985                | 29.69  |
| 12-31-99                       | 73,132,718                             | 57,344,048  | (15,888,670)                             | 128.83                   | 41,609,929                | 69.02  |

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA  
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS  
AND OTHER CONTRIBUTING ENTITIES

| YEAR ENDED DECEMBER 31 | EMPLOYER CONTRIBUTIONS       |                         |  |                              |                         |  | TAXING BODIES                |                         |  |                              |                         |  |
|------------------------|------------------------------|-------------------------|--|------------------------------|-------------------------|--|------------------------------|-------------------------|--|------------------------------|-------------------------|--|
|                        | PLAN A                       |                         |  | PLAN B                       |                         |  | PLAN A                       |                         |  | PLAN B                       |                         |  |
|                        | 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%                 |  | 309,372                      | 100.00%                 |  | 2,295,567                    | 100.00%                 |  | 261,693                      | 100.00%                 |  |
| 1996                   | 20,978,053                   | 100.00%                 |  | 321,880                      | 100.00%                 |  | 2,514,891                    | 100.00%                 |  | 311,145                      | 100.00%                 |  |
| 1997                   | 21,433,588                   | 100.00%                 |  | 870,523                      | 100.00%                 |  | 2,723,548                    | 100.00%                 |  | 343,165                      | 100.00%                 |  |
| 1998                   | 24,012,924                   | 100.00%                 |  | 891,537                      | 100.00%                 |  | 2,828,740                    | 100.00%                 |  | 330,838                      | 100.00%                 |  |
| 1999                   | 25,242,844                   | 100.00%                 |  | 1,000,218                    | 100.00%                 |  | 2,913,335                    | 100.00%                 |  | 377,281                      | 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. Additional information as of the actuarial valuation follows:

|                               | <u>PLAN A</u>                     | <u>PLAN B</u>            |
|-------------------------------|-----------------------------------|--------------------------|
| Valuation                     | 12-31-99                          | 12-31-99                 |
| Actuarial Cost Method         | Frozen attained age normal        | Aggregate Actuarial cost |
| Amortization Method           | Frozen unfunded accrued liability | --                       |
| Remaining Amortization Period | 29 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-third of realized and unrealized capital gains or losses accrued during the fiscal year. A pro-rata share of expense 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.

PAROCHIAL 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, 1977 (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 100.12% which exceeds the target of 68.46%. Likewise, the 129.39% funded ratio of Plan B exceeds its target ratio of 100%. Thus, for fiscal 1999, the target ratio was met by both plans. Investments produced \$ 12.3 million of excess interest in Plan A and \$ 1.0 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.*

| <u>COLA DESCRIPTION</u>                 | <u>PLAN</u> | <u>ANNUAL<br/>INCREASE IN BENEFITS</u> | <u>PRESENT VALUE<br/>OF INCREASE</u> |
|---|-------------|--|--------------------------------------|
| 2% to pre July<br>1, 1973<br>pensioners | A           | 1,815                                  | 8,382                                |
|   | B           | 59                                     | 245                                  |
| 2% to pensioners<br>over age 65         | A           | 525,172                                | 4,078,992                            |
|   | B           | 29,628                                 | 235,274                              |

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 1999 the actual cost of living (as measured by the US Department of Labor CPI-U) increased by 2.68%.

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

SUPPLEMENTAL INFORMATION  
 SCHEDULE OF OPERATING EXPENSES  
 BUDGET (GAAP BASIS) AND ACTUAL  
 December 31, 1999

|                                       | BUDGET     | ACTUAL     | VARIANCE<br>FAVORABLE<br>(UNFAVORABLE) |
|---------------------------------------|------------|------------|--|
| <b>SALARIES AND RELATED EXPENSES:</b> |            |            |  |
| Salaries                              | \$ 282,315 | \$ 284,330 | \$ (2,015)                             |
| Retirement                            | 21,879     | 22,016     | (137)                                  |
| Group Hospitalization                 | 12,450     | 11,323     | 1,127                                  |
| Medicare & P/R Taxes                  | 3,518      | 3,389      | 129                                    |
| Total Salaries and related expenses   | \$ 320,162 | \$ 321,058 | \$ (896)                               |
| <b>PROFESSIONAL SERVICES:</b>         |            |            |  |
| Actuarial consultant                  | \$ 48,000  | \$ 48,000  | \$ -                                   |
| Custodian Bank                        | 182,000    | 173,637    | 8,363                                  |
| Auditor                               | 19,000     | 18,000     | 1,000                                  |
| Legal Counsel                         | 19,000     | 13,148     | 5,852                                  |
| Investment Counseling                 | 8,000      | -          | 8,000                                  |
| Computer Programing                   | 8,000      | 5,925      | 2,075                                  |
| Job Skills Evaluation consultant      | 1,200      | 1,200      | -                                      |
| Medical Board                         | 4,000      | 1,340      | 2,660                                  |
| Investigation                         | 3,000      | 884        | 2,116                                  |
| Total Professional services           | \$ 292,200 | \$ 262,134 | \$ 30,066                              |
| <b>COMMUNICATIONS:</b>                |            |            |  |
| Printing                              | \$ 17,800  | \$ 14,390  | \$ 3,410                               |
| Telephone                             | 9,200      | 8,130      | 1,070                                  |
| Postage                               | 19,000     | 19,969     | (969)                                  |
| Travel                                | 22,775     | 15,601     | 7,171                                  |
| Per Diem                              | 2,625      | 1,500      | 1,125                                  |
| Total Communications                  | \$ 71,400  | \$ 59,593  | \$ 11,807                              |
| <b>GENERAL OFFICE:</b>                |            |            |  |
| Rent                                  | \$ 41,970  | \$ 40,309  | \$ 4,661                               |
| Supplies                              | 5,500      | 3,519      | 1,981                                  |
| Dues & subscriptions                  | 7,950      | 4,383      | 3,567                                  |
| Equipment Rental                      | 19,600     | 15,440     | 4,160                                  |
| Equipment Maintenance                 | 14,000     | 10,165     | 3,835                                  |
| Insurance                             | 2,500      | 2,969      | (469)                                  |
| Microfilm                             | 4,500      | 1,178      | 3,322                                  |
| Training                              | 5,450      | 5,099      | 351                                    |
| IRS Penalties                         | 51,590     | 53,892     | 698                                    |
| Miscellaneous                         | -          | 150        | (150)                                  |
| Total General office                  | \$ 159,060 | \$ 137,101 | \$ 21,956                              |
| DEPRECIATION                          | -          | 5,449      | (5,449)                                |
| Total Operating Expenses              | \$ 812,822 | \$ 785,338 | \$ 57,484                              |

Also included in Budget was \$ 7,500 for Capital Items, of which \$ 5,886 was expended.



PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

SUPPLEMENTAL INFORMATION

PER DIEM PAID TRUSTEES

Year ended December 31, 1999

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, 1999, are as follows:

| <u>DIEM</u> | <u>TRUSTEE</u>   | <u>NUMBER OF MEETINGS ATTENDED</u> | <u>PER</u> |
|-------------|------------------|------------------------------------|------------|
|             | C. Reagan Sutton | 5                                  | \$ 375     |
|             | L. E. Buller     | -                                  | -          |
|             | Terri Rodrigue   | 5                                  | 375        |
|             | Joseph C. Arabie | 5                                  | 375        |
|             | Gwen LeBlanc     | 5                                  | <u>375</u> |
|             | Total            |                                    | \$1,500    |

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S

## BRUCE H. STAGG

CERTIFIED PUBLIC ACCOUNTANT

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

RECEIVED  
LEGISLATIVE AUDITOR  
2000 JUN 30 AM 10:52

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

I have audited the financial statements of Parochial Employees' Retirement System of Louisiana for the year ended December 31, 1999, and have issued my report thereon dated June 10, 2000. Professional standards require that I provide you with the following information related to my audit.

### **My Responsibility Under Generally Accepted Auditing Standards**

I originally communicated to the Board of Trustees in my arrangement letter dated December 2, 1998, 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.

As part of my audit, I considered the internal controls of Parochial Employees' Retirement System of Louisiana. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal controls.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, I will advise management about the *appropriateness of accounting policies and their application*. The significant accounting policies used by Parochial Employees' Retirement System of Louisiana are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1999. I noted no transactions entered into by the Plan during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **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.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures.

### **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 Independent 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.

### **Material Contingencies**

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

This information is intended for the information and use of the Board of Trustees and management of the Plan and is not intended to be and should not be used by anyone other than the specified parties.



Bruce H. Stagg, CPA  
June 10, 2000