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## REPORT

### MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM (STATE OF LOUISIANA)

JUNE 30, 1999 AND 1998

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

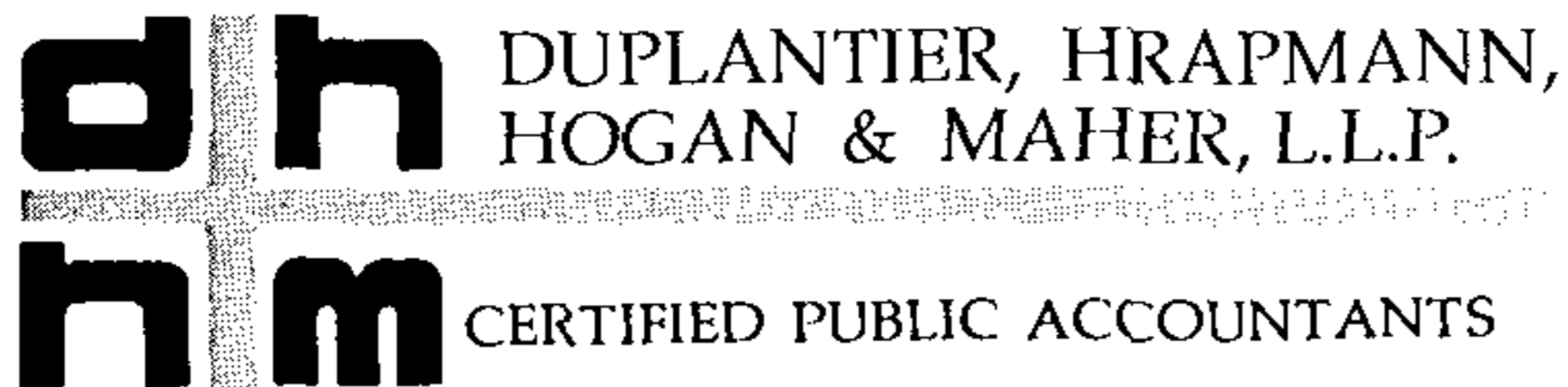
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
(STATE OF LOUISIANA)

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## INDEPENDENT AUDITOR'S REPORT

September 17, 1999

Board of Trustees of the Municipal  
Police Employees' Retirement System  
8401 United Plaza Blvd., Room 270  
Baton Rouge, Louisiana 70809

We have audited the accompanying statements of plan net assets of the Municipal Police Employees' Retirement System as of June 30, 1999 and 1998, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

We have audited the financial statements of the System for the year ending June 30, 1999 and 1998 and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 21 - 23, required schedule on year 2000 on page 24, and the supplemental schedules on pages 16 - 20 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 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 years ending June 30, 1999 and 1998, have been subjected to the auditing procedures applied in the audits 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 the Municipal Police Employees' Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

*Duplontier, Hapmann, Hogan & Maher LLP*

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<b>ASSETS:</b>		
Cash: (Note 6)		
In bank	\$ 1,237,631	\$ 357,691
Receivables:		
Member contributions (Note 1)	881,866	798,920
Employer contributions (Note 1)	1,047,439	1,167,050
Due from merged systems (Page 18 and Note 11)	33,610,227	12,420,050
Investment receivable	10,930,674	6,082,706
Accrued interest and dividends	5,515,840	6,343,433
Total receivables	<u>51,986,046</u>	<u>26,812,159</u>
Investments at fair value: (Notes 1 and 6) (Page 19)		
Bonds - domestic and foreign	381,531,047	371,771,890
Mutual funds - domestic	1,100,000	1,637,600
Foreign commingled trusts	134,057,053	121,907,585
Pooled Bond Fund	137,144,512	137,817,207
Marketable securities - domestic	447,645,786	388,970,479
Collateral held under securities lending program - repurchase agreement	87,000,000	144,500,000
Collateral held under securities lending program - money market account	4,919,838	3,000,352
Short-term cash equivalents - domestic	29,499,920	36,311,275
Short-term repurchase agreements	6,016,343	5,288,008
Total investments at fair value	<u>1,228,914,499</u>	<u>1,211,204,396</u>
Property, plant and equipment: (Notes 1 and 12)		
Net of accumulated depreciation \$117,504 in 1999; \$95,117 in 1998	129,564	81,023
Total assets	<u>1,282,267,740</u>	<u>1,238,455,269</u>
<b>LIABILITIES:</b>		
Accounts payable	742,079	574,986
Refunds payable - members	108,457	164,548
Deferred contributions	125,842	73,709
Other liabilities	7,184	4,081
Obligations under securities lending program	91,919,838	147,500,352
Investment payable	15,175,475	16,956,408
Total liabilities	<u>108,078,875</u>	<u>165,274,084</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 1,174,188,865</u>	<u>\$ 1,073,181,185</u>
(A schedule of funding progress for the plan is presented on page 22)		

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<b>ADDITIONS:</b>		
Contributions: (Note 1)		
Members	\$ 10,930,972	\$ 9,824,612
Employer	13,030,572	11,960,330
Insurance premiums	--	3,041,136
Total contributions	<u>23,961,544</u>	<u>24,826,078</u>
Investment income: (Note 1)		
Interest - repurchase agreements	125,977	168,013
Interest - cash equivalents	1,695,162	2,179,648
Interest - notes, bonds, etc.	24,574,919	19,385,749
Interest - securities lending (Note 7)	5,988,736	6,930,471
Dividends - stock	7,241,093	7,574,067
Dividends - mutual funds	1,771,195	1,333,283
Foreign currency gain	--	308,004
Miscellaneous	33,392	13,726
Net appreciation in fair value of investments	64,811,348	103,714,172
	<u>106,241,822</u>	<u>141,607,133</u>
Less investment expenses:		
Securities lending expense (Note 7)	5,692,227	6,708,508
Custodial	130,033	89,972
Investment advisor	2,213,573	2,087,423
Foreign currency loss	559,295	--
Foreign tax withheld	52,496	82,012
Miscellaneous	29,970	24,020
	<u>8,677,594</u>	<u>8,991,935</u>
Net investment income	<u>97,564,228</u>	<u>132,615,198</u>
Other additions:		
Contribution from merged system	30,248,342	--
Merger interest payment	1,915,690	7,052,442
Transfers from other systems	500,901	--
Interest income - State of Louisiana note	--	9,658
Interest income - refunds	46,398	147,209
Gain on sale of assets	--	74
Miscellaneous income	15,488	2,222
Total other additions	<u>32,726,819</u>	<u>7,211,605</u>
Total additions	<u>154,252,591</u>	<u>164,652,881</u>
<b>DEDUCTIONS:</b>		
Benefits	50,777,251	46,854,583
Refund of contributions	1,752,904	1,529,407
Administrative expenses (Page 20)	692,369	820,334
Transfers to other systems	--	324,834
Depreciation (Note 1)	22,387	16,934
Total deductions	<u>53,244,911</u>	<u>49,546,092</u>
Net increase	101,007,680	115,106,789
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -</b>		
BEGINNING OF YEAR	1,073,181,185	958,074,396
END OF YEAR	<u>\$ 1,174,188,865</u>	<u>\$ 1,073,181,185</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

The Municipal Police Employees' Retirement System (MPERS) was established as of July 1, 1973, by Act 189 of 1973. The System is a state retirement system which was created for full-time municipal police officers in Louisiana. The System is administered by a Board of Trustees and includes a representative from the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

Basis of Accounting:

MPERS' financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned. Dividends are recognized when declared. Insurance premiums are recognized in the year appropriated by the legislature.

Method Used to Value Investments:

All investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. MPERS reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well. Shares in external investment pools and mutual funds are equivalent to the fair value of the external investment pool and mutual funds.

Futures Contracts:

The merger account for the purchase of the futures contracts is invested in bonds and is included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs. A receivable or liability is recorded as the offset for the change in market value.

Equipment and Fixtures:

Equipment and fixtures of the Municipal Police Employees' Retirement System are accounted for and capitalized in the Pension Fund. Depreciation of fixed assets is recorded as an expense in the Pension Fund. All fixed assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation over the asset's estimated useful life.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999 AND 1998**

**2. PLAN DESCRIPTION:**

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan.

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. There are 152 contributing municipalities. At June 30, 1999 and 1998 statewide retirement membership consists of:

	<u>1999</u>	<u>1998</u>
Active members	4,912	4,605
Regular retirees	1,922	1,805
Disability retirees	199	187
Survivors	903	885
Vested and reciprocals	98	109
Due refunds	472	431
DROP participants	141	148
DROP to active	<u>125</u>	<u>126</u>
<b>TOTAL PARTICIPANTS AS OF THE VALUATION DATE</b>	<u><b>8,772</b></u>	<u><b>8,296</b></u>

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Any member is eligible for normal retirement after he has been a member of the System for one year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of the System, or if he is no longer a member but has 20 years creditable service established in the System, and suffers disability which has been certified by examination by a member of the State-wide Medical Disability Board. A service related disability requires no certain number of years of creditable service; however, a non-service connected disability requires five years of creditable service.



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

2. PLAN DESCRIPTION: (Continued)

The disability benefits are calculated at three percent of average final compensation multiplied by years of creditable service, but shall not be less than forty percent nor more than sixty percent of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current retirement, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA to all retirees, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Additionally, no COLA shall be authorized unless the actuary for the System and the legislative actuary certify that the funded ratio of the System, as of the end of the previous fiscal year, equals or exceeds the target ratio as of that date.

A member is eligible upon receiving 25 years of credit regardless of age or 20 years of credit and attaining the age of 50, to elect to enter the deferred retirement option plan (DRO). Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DRO, the employee and employer contributions cease. The amount to be deposited into the DRO account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DRO is specified for a period of three years or less. If employment is terminated after the three year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the system shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. DRO accounts shall earn interest subsequent to the termination of DRO participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by state statute at 7.50% of earnable compensation. The contributions are deducted from the member's salary and remitted by the participating municipality.

Contributions for all employers are established by state statute at 9% of the employee's earnable compensation excluding overtime but including state supplemental pay. In addition, according to state statute, the System receives the difference in the actuarially required employer contribution and the estimated actual employer contributions in insurance premium tax. This tax is appropriated by the legislature each year based on an actuarial study. The state did not appropriate any insurance premium tax for the System for the year ended June 30, 1999.

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:

A) 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 and 1998 is \$85,878,993 and \$76,148,617, respectively. The Annuity Savings is fully funded.

B) Pension Accumulation:

The Pension Accumulation 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 as of June 30, 1999 and 1998 is \$343,997,994 and \$317,168,849, respectively. The Pension Accumulation is fully funded.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to 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 and 1998 is \$568,410,568 and \$520,840,671, respectively. The Annuity Reserve is fully funded.

D) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 1999 and 1998 is \$40,182,341 and \$36,069,674, respectively. The Deferred Retirement Option Account is fully funded.

4. ACTUARIAL COST METHOD:

The individual "Entry Age Normal" cost method was used to calculate the funding requirements of the Retirement System. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of future normal cost is called the actuarial accrued liability.

5. REQUIRED SUPPLEMENTAL SCHEDULE INFORMATION:

Information in the required supplemental schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 21 - 23.

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Deposits (bank balance)	\$ 1,285,212	\$ 394,766
Cash equivalents – domestic	29,499,920	36,311,275
Investments	<u>1,199,414,579</u>	<u>1,174,893,121</u>
	<u>\$1,230,199,711</u>	<u>\$1,211,599,162</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and by securities pledged. The pledged securities are held in joint custody at the Federal Reserve Bank.

Cash Equivalents - Domestic:

Cash equivalents consist of government backed pooled funds. The funds are held by a sub-custodian, are managed by a separate money manager and are in the name of the System's custodian's trust department.

Investments:

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule as used herein means that in investing the governing authorities of the System shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

The 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 System or its agents in the 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 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 System's name.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

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

Investments: (Continued)

	1999 <u>MARKET VALUE</u>	1998 <u>MARKET VALUE</u>	<u>CATEGORY</u>
Repurchase agreements	\$ 6,016,343	\$ 5,288,008	1
Bonds, notes, and mortgages	335,883,144	270,280,922	1
Marketable securities –			
domestic	404,526,330	350,021,594	1
Foreign commingled trusts	134,057,053	121,907,585	N/A
Mutual funds - domestic	1,100,000	1,637,600	N/A
Pooled Bond Fund	137,144,512	137,817,207	N/A
Investments held by brokers- dealers in which collateral may be reinvested:			
US Government Securities	45,647,903	101,490,968	N/A
Marketable securities –			
Domestic	43,119,456	38,948,885	N/A
Collateral held under securities lending program – repurchase agreements	87,000,000	144,500,000	1
Collateral held under securities lending program – money market account	4,919,838	3,000,352	1
	<u>\$1,199,414,579</u>	<u>\$1,174,893,121</u>	

At June 30, 1999 and 1998, the investment in the Pooled Bond Fund with a fair value of \$137,144,4512 and \$137,817,207, respectively, represents five percent or more of the System's net assets.

7. SECURITY LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract as of August 1996 with a company which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the preapproved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

7. SECURITY LENDING AGREEMENTS: (Continued)

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of MPERS) in approved investments outlined in the contract between the agent and MPERS such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including tri-party. For tri-party repurchase agreements, party to such agreements must be an approved borrower. The collateralization percentage of tri-party agreements will vary depending upon the collateral received from the borrower. Acceptable collateral from approved borrowers for tri-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

MPERS has the following securities on loan:

	<u>June 30, 1999</u>		<u>June 30, 1998</u>	
	<u>Par/Cost (equities)</u>	<u>Market</u>	<u>Par/Cost (equities)</u>	<u>Market</u>
U.S. Government securities (notes and bonds)	\$44,755,000	\$45,647,903	\$ 96,975,000	\$101,490,968
Marketable securities - domestic (equities)	<u>32,558,295</u>	<u>43,119,456</u>	<u>29,577,515</u>	<u>38,948,885</u>
Totals	<u>\$77,313,295</u>	<u>\$88,767,359</u>	<u>\$126,552,515</u>	<u>\$140,439,853</u>

MPERS has the following collateral under securities lending program:

	<u>June 30, 1999</u>		<u>June 30, 1998</u>	
	<u>Par/Cost (equities)</u>	<u>Market</u>	<u>Par/Cost (equities)</u>	<u>Market</u>
Money market	\$ 4,919,838	\$ 4,919,838	\$ 3,000,352	\$ 3,000,352
Tri-party repurchase agreements	<u>87,000,000</u>	<u>87,000,000</u>	<u>144,500,000</u>	<u>144,500,000</u>
Totals	<u>\$91,919,838</u>	<u>\$91,919,838</u>	<u>\$147,500,352</u>	<u>\$147,500,352</u>

Securities on loan at June 30, 1999 and 1998 are presented as unclassified under footnote 6. The contracts with approved borrowers requires them to indemnify the System if they are in default (and if the collateral is inadequate to replace the securities lent). The System cannot pledge or sell collateral securities received unless the borrower defaults.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 1999 and 1998.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1999 AND 1998**

**8. OPERATING LEASE COMMITMENTS:**

The Municipal Police Employees' Retirement System leases office space from the Teachers' Retirement System under an operating lease. The current lease-term is for five years beginning July 1, 1995 and ending June 30, 2000. Rent expense for the years ended June 30, 1999 and 1998 is \$73,593 and \$71,429, respectively. The following is a schedule by years of the future minimum lease payments as of June 30, 1999:

<u>YEAR ENDING</u>	<u>AMOUNT</u>
JUNE 30, 2000	<u>\$73,593</u>
TOTAL	<u>\$73,593</u>

**9. OPERATING BUDGET:**

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

**10. TAX QUALIFICATION:**

The System is a tax qualified plan under IRS Code Section 401(a).

**11. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:**

Ten cities throughout Louisiana merged with the Municipal Police Employees' Retirement System between February 1990 and November 1998. The balances owed were amortized at 6% or 7% over periods ranging from 19 to 30 years with payments made either quarterly, semi-annually, or annually. During the year ended June 30, 1999, the City of Houma, the City of Lake Charles, and the City of Monroe prepaid their merger balance in the amount of \$2,155,657, \$3,545,727 and \$3,458,481, respectively. During the year ended June 30, 1998, the City of Alexandria, the City of New Orleans, and the City of Shreveport prepaid their merger balance in the amount of \$4,250,053, \$78,364,671, and \$20,986,423, respectively.

On November 1, 1998, the City of Lafayette entered into an agreement to merge its plan with Municipal Police Employees' Retirement System. The merger included all active, retired and survivors of the City of Lafayette's System. The merger amount of \$31,289,128 consists of \$30,248,342 for 60% of the accrued liability for those active people being merged and 100% of the accrued liability for retired members and beneficiaries and \$1,040,786 of accrued interest from November 1, 1998 to the first payment date of April 1999. The balance owed is amortized at 7% over a 30 year period with payments made semi-annually.

The total accounts receivable from all merged systems as of June 30, 1999 and 1998 is \$33,610,227 and \$12,420,050, respectively. The short term and long term portion of the accounts receivable as of June 30, 1999 is \$959,427 and \$32,650,770, respectively. The short term and long term portion of accounts receivable as of June 30, 1998 is \$4,492,655 and \$7,927,395, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

12. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures - at cost less accumulated depreciation:

	<u>1999</u>	<u>1998</u>
Equipment	\$ 82,856	\$ 73,121
Computer software	61,518	10,566
Furniture	85,631	75,390
Automobile	<u>17,063</u>	<u>17,063</u>
	247,068	176,140
Less accumulated depreciation	<u>117,504</u>	<u>95,117</u>
Total	<u>\$129,564</u>	<u>\$ 81,023</u>

Depreciation expense charged to operations was \$22,387 for 1999 and \$16,934 for 1998.

13. 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.

14. FUTURES CONTRACTS:

The System has entered into futures contracts for the purpose of trading. At June 30, 1999, the System had two hundred and seven outstanding S&P futures contracts, all maturing September 1999. At June 30, 1998, the System had two hundred and five outstanding S&P futures contracts, all maturing September 1998. The notional value of the open contracts at June 30, 1999 and 1998 was \$69,017,100 and \$57,222,600, respectively. The fair value of the open contracts at June 30, 1999 and 1998 was \$71,502,975 and \$58,578,750, respectively.

The System is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the System does not anticipate nonperformance by the counter parties. The System is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the System is the notional value of the contracts. During the years ended June 30, 1999 and 1998, the System realized net gains of \$9,944,920 and \$7,110,177, respectively, on futures trading. The net gains are recorded on the financial statements in net appreciation in fair value income.



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

14. FUTURES CONTRACTS: (Continued)

The System is required to pledge a treasury note as collateral for the trading account. The System is also required to maintain a margin account. The total market value of the treasury bill pledged and the margin account balance must be greater than or equal to the margin requirement. At June 30, 1999 and 1998, the margin requirements were \$3,881,250 and \$2,090,000, respectively. At June 30, 1999, a treasury bill with a market value of \$3,895,000 was pledged as collateral for the trading accounts. At June 30, 1999, the margin account's balance was \$1,293,750. At June 30, 1998, a treasury note with a market value of \$2,090,000 was pledged as collateral for the trading account. At June 30, 1998, the margin account's balance was \$1,791,775.

15. SUBSEQUENT EVENT:

The Louisiana Legislature passed Act 1370 of 1999 (Senate Bill No. 953) during the current year which becomes effective August 15, 1999. The Act states that any active, contributing member of the System can apply to purchase his active duty military service credit, up to four years, if time served was between January 1, 1960 and December 31, 1975. The amount necessary to purchase this credit is equivalent to the employee contributions that would have been paid to the System had the member been enrolled in the System during the period of active military duty. Employee contributions are calculated based on the annual rate of pay that the member was receiving when initially enrolled in the System if the active duty service preceded membership in the System. If the member was already enrolled in the System at the time the active duty began, his contributions will be calculated based on the annual rate of pay at the beginning of the active duty service.

16. CONTINGENCY:

Any active, contributing member of the System who previously purchased military service credit covering active duty served between January 1, 1960 and December 31, 1975 will be entitled to a refund without interest equal to the difference between the amount actually paid for the service credit and the amount that would have been paid under this Act. As of June 30, 1999, the System was unable to determine the potential liability for refunds of previously purchased military service credit; therefore, no liability was recorded.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES  
 YEARS ENDED JUNE 30, 1999 AND 1998

	JUNE 30, 1999				
	ANNUITY SAVINGS	ANNUITY RESERVE	DEFERRED RETIREMENT OPTION PLAN	PENSION ACCUMULATION	SURPLUS ACTUARIAL ACCRUED LIABILITY
BALANCE - BEGINNING	\$ 76,148,617	\$ 520,840,671	\$ 36,069,674	\$ 317,168,849	\$ 122,953,374
REVENUES AND TRANSFERS:					
Employee contributions	10,930,972	--	--	--	--
Employer contributions	--	--	--	13,030,572	--
Insurance premiums	--	--	--	--	--
Net investment income	--	--	--	97,564,228	--
Merger interest and penalty payment	--	--	--	1,915,690	--
Interest income - Louisiana - legal settlement	--	--	--	--	--
Income from purchase of prior service	--	--	--	46,398	--
Gain on sale of assets	--	--	--	--	--
Net miscellaneous income	--	--	--	15,488	--
Contribution from merged system	4,641,851	17,767,258	--	7,839,233	--
Transfers from other systems	146,915	--	--	353,986	--
Transfer from Annuity Savings	--	4,236,458	--	--	--
Pensions transferred from Annuity Reserve	--	--	8,307,068	--	--
Actuarial transfer	--	80,456,099	--	--	12,765,595
	<u>15,719,738</u>	<u>102,459,815</u>	<u>8,307,068</u>	<u>120,765,595</u>	<u>12,765,595</u>
EXPENDITURES AND TRANSFERS:					
Pensions paid	--	46,582,850	4,194,401	--	--
Refunds to members	1,752,904	--	--	--	--
Administrative expenses	--	--	--	692,369	--
Depreciation	--	--	--	22,387	--
Transfers to other systems	--	--	--	--	--
Transfer to Annuity Reserve	4,236,458	--	--	--	--
Pensions transferred to DROP	--	8,307,068	--	--	--
Actuarial transfer	--	--	--	93,221,694	--
	<u>5,989,362</u>	<u>54,889,918</u>	<u>4,194,401</u>	<u>93,936,450</u>	<u>--</u>
NET INCREASE/(DECREASE)	<u>9,730,376</u>	<u>47,569,897</u>	<u>4,112,667</u>	<u>26,829,145</u>	<u>12,765,595</u>
BALANCE - ENDING	<u>\$ 85,878,993</u>	<u>\$ 568,410,568</u>	<u>\$ 40,182,341</u>	<u>\$ 343,997,994</u>	<u>\$ 135,718,969</u>

JUNE 30, 1998

TOTAL	ANNUITY SAVINGS	ANNUITY RESERVE	DEFERRED RETIREMENT OPTION PLAN	PENSION ACCUMULATION	SURPLUS ACTUARIAL ACCRUED LIABILITY	TOTAL
<u>\$ 1,073,181,185</u>	<u>\$ 70,118,867</u>	<u>\$ 493,174,609</u>	<u>\$ 32,754,782</u>	<u>\$ 315,613,462</u>	<u>\$ 46,412,676</u>	<u>\$ 958,074,396</u>
10,930,972	9,824,612	--	--	--	--	9,824,612
13,030,572	--	--	--	11,960,330	--	11,960,330
--	--	--	--	3,041,136	--	3,041,136
97,564,228	--	--	--	132,615,198	--	132,615,198
1,915,690	--	--	--	7,052,442	--	7,052,442
--	--	--	--	9,658	--	9,658
46,398	--	--	--	147,209	--	147,209
--	--	--	--	74	--	74
15,488	--	--	--	2,222	--	2,222
30,248,342	--	--	--	--	--	--
500,901	--	--	--	--	--	--
4,236,458	--	2,265,455	--	--	--	2,265,455
8,307,068	--	--	7,696,263	--	--	7,696,263
93,221,694	--	75,570,082	--	--	76,540,698	152,110,780
<u>260,017,811</u>	<u>9,824,612</u>	<u>77,835,537</u>	<u>7,696,263</u>	<u>154,828,269</u>	<u>76,540,698</u>	<u>326,725,379</u>
50,777,251	--	42,473,212	4,381,371	--	--	46,854,583
1,752,904	1,529,407	--	--	--	--	1,529,407
692,369	--	--	--	820,334	--	820,334
22,387	--	--	--	16,934	--	16,934
--	--	--	--	324,834	--	324,834
4,236,458	2,265,455	--	--	--	--	2,265,455
8,307,068	--	7,696,263	--	--	--	7,696,263
93,221,694	--	--	--	152,110,780	--	152,110,780
<u>159,010,131</u>	<u>3,794,862</u>	<u>50,169,475</u>	<u>4,381,371</u>	<u>153,272,882</u>	--	<u>211,618,590</u>
<u>101,007,680</u>	<u>6,029,750</u>	<u>27,666,062</u>	<u>3,314,892</u>	<u>1,555,387</u>	<u>76,540,698</u>	<u>115,106,789</u>
<u>\$ 1,174,188,865</u>	<u>\$ 76,148,617</u>	<u>\$ 520,840,671</u>	<u>\$ 36,069,674</u>	<u>\$ 317,168,849</u>	<u>\$ 122,953,374</u>	<u>\$ 1,073,181,185</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 PER DIEM PAID TRUSTEES  
YEARS ENDED JUNE 30, 1999 AND 1998

The per diem paid to the trustees is an expenditure of the Expense Fund. For 1999 and 1998 the trustees receive per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attend. Particulars of the per diem paid to the trustees for the years ended June 30, 1999 and 1998 are as follows:

	NUMBER OF DAYS		AMOUNTS	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Bill Fields	15	15	\$1,125	\$1,125
Jeffrey Wesley	13	11	975	825
Larry Reece	15	11	1,125	825
Thomas Buell	14	14	1,050	1,050
Arthur Lawson	11	12	825	900
Melvin Ogburn	15	15	1,125	1,125
Willie Joe Greene	15	11	1,125	825
Danny Dison	12	--	900	--
Henry Dean	12	7	900	525
Steve Prator	--	15	--	<u>1,125</u>
			<u>\$9,150</u>	<u>\$8,325</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 ACCOUNTS RECEIVABLE - MERGED SYSTEMS  
YEARS ENDED JUNE 30, 1999 AND 1998

CITY	TERM	INTEREST RATE	PAYMENT TERM	PAYMENT AMOUNT	BALANCE 6-30-99	BALANCE 6-30-98	
Crowley	01-84	12-13	7 %	Quarterly	\$ 21,644	\$ 784,995	\$ 816,647
Houma	12-83	10-13	7 %	Quarterly	58,242	--	2,176,766
Lafayette	11-98	11-28	7 %	Semi-annual	1,198,189	30,605,796	--
Lake Charles	10-83	07-13	7 %	Quarterly	93,279	--	3,486,257
Monroe	09-83	06-13	7 %	Quarterly	93,442	--	3,511,775
Natchitoches	06-83	03-03	7 %	Quarterly	22,701	299,873	367,799
Opelousas	01-84	10-13	7 %	Quarterly	37,773	1,407,744	1,425,208
Ruston	09-83	06-03	7 %	Quarterly	22,669	316,840	383,533
Tallulah	01-84	10-13	7 %	Quarterly	5,376	194,979	202,841
West Monroe	02-80	03-99	6 %	Annual	51,151	--	49,224
TOTAL						<u>\$ 33,610,227</u>	<u>\$ 12,420,050</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENTS  
 YEARS ENDED JUNE 30, 1999 AND 1998

	JUNE 30, 1999		JUNE 30, 1998	
	PAR VALUE	ORIGINAL COST	PAR VALUE	ORIGINAL COST
<b>BONDS:</b>				
U.S. Treasury Notes and Bonds	\$ 60,285,000	\$ 60,990,038	\$ 99,311,000	\$ 101,679,470
Federal Home Loan Mortgage Corporation	19,588,844	19,817,452	28,745,924	29,054,491
Federal National Mortgage Association	53,800,039	53,947,632	17,651,390	17,855,334
Government National Mortgage Association	48,157,427	49,439,248	41,376,188	42,490,833
U. S. Government Agencies Bonds	570,404	570,404	3,906,908	3,910,140
Corporate Bonds	202,672,277	202,106,431	168,713,175	168,660,794
Foreign Bonds	1,400,000	1,396,250	3,600,000	3,423,840
<b>TOTAL BONDS</b>	<b>\$ 386,473,991</b>	<b>\$ 388,267,455</b>	<b>\$ 363,304,585</b>	<b>\$ 367,074,902</b>

	JUNE 30, 1999		JUNE 30, 1998	
	MARKET VALUE	COST	MARKET VALUE	COST
<b>MUTUAL FUNDS AND POOLED FUNDS:</b>				
Pooled Bond Fund	\$ 137,144,512	\$ 124,408,514	\$ 137,817,207	\$ 128,461,156
Domestic Mortgage Mutual Fund	1,100,000	2,206,980	1,637,600	4,000,000
<b>TOTAL MUTUAL FUNDS</b>	<b>\$ 138,244,512</b>	<b>\$ 126,615,494</b>	<b>\$ 139,454,807</b>	<b>\$ 132,461,156</b>
<b>DOMESTIC STOCKS</b>	<b>\$ 447,645,786</b>	<b>\$ 359,242,112</b>	<b>\$ 388,970,479</b>	<b>\$ 303,235,740</b>
<b>FOREIGN COMMINGLED TRUSTS</b>	<b>\$ 134,057,053</b>	<b>\$ 112,126,673</b>	<b>\$ 121,907,585</b>	<b>\$ 102,714,695</b>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 ACTUAL AND BUDGET  
 YEARS ENDED JUNE 30, 1999 AND 1998

	JUNE 30, 1999		JUNE 30, 1998		VARIANCE
	ACTUAL	BUDGET	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE)
<b>BUDGETED EXPENSES:</b>					
Personal Services:					
Staff salaries	\$ 233,887	\$ 244,710	\$ 205,113	\$ 200,660	\$ (4,453)
Group insurance	41,749	43,351	37,108	37,500	392
Retirement	17,773	19,325	12,395	14,500	2,105
Uniforms	3,978	4,000	2,880	3,000	120
Medicare & FICA	3,244	4,048	2,005	2,050	45
Board member - Per diem	9,150	10,125	8,325	10,125	1,800
Professional Services:					
Accountant	45,401	32,955	29,458	32,955	3,497
Actuarial	31,122	34,350	34,712	31,694	(3,018)
Advertising	32	1,000	2,067	2,100	33
Computer services	45,747	62,000	70,254	92,147	21,893
Risk management	1,868	3,300	2,355	3,190	835
Legal	37,009	46,836	40,755	44,472	3,717
Medical Board	6,268	6,500	6,013	6,000	(13)
Retirement Association fees	560	1,265	910	815	(95)
Communications:					
Postage, printing and supplies	43,168	62,100	46,770	44,000	(2,770)
Telephone	29,753	26,000	22,536	18,400	(4,136)
Travel	47,831	52,000	51,890	37,200	(14,690)
Other:					
Loss on computer software	--	--	149,585	--	(149,585)
Travel - educational conference fees	467	2,000	1,039	1,800	761
Equipment rental and repair	12,297	6,000	10,443	7,535	(2,908)
Miscellaneous	6,258	1,500	915	1,500	585
Office furniture (expensed)	1,076	1,076	2,673	2,673	--
Rent	73,593	73,593	71,429	71,429	--
Terminal leave payment	--	--	8,502	8,502	--
Vehicle maintenance	138	1,500	202	350	148
Total expenses budgeted	<u>\$ 692,369</u>	<u>\$ 739,534</u>	<u>\$ 820,334</u>	<u>\$ 674,597</u>	<u>\$ (145,737)</u>
<b>CAPITAL OUTLAYS</b>	<u>\$ 70,928</u>	<u>\$ 25,013</u>	<u>\$ 61,804</u>	<u>\$ 42,137</u>	<u>\$ (19,667)</u>

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

FISCAL YEAR	ACTUARIAL REQUIRED CONTRIBUTION EMPLOYER	ACTUARIAL REQUIRED CONTRIBUTION OTHER SOURCES	PERCENT CONTRIBUTED EMPLOYER	PERCENT CONTRIBUTED OTHER SOURCES
1994	\$ 9,038,711	\$ 2,751,785	100.42	100.00%
1995	8,943,351	3,569,803	103.28	100.00
1996	9,157,409	5,005,376	104.64	100.00
1997	9,547,753	1,498,487	108.84	100.00
1998	11,259,324	3,041,136	106.23	100.00
1999	10,401,344	--	125.28	--



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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	(SURPLUS)		FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
			UNFUNDED AAL (UAAL)	UNFUNDED AAL			
June 30, 1994	\$ 739,788,365	\$ 736,148,201	\$ (3,640,164)		100.49 %	\$ 98,105,573	-- %
June 30, 1995	766,365,130	772,983,748	6,618,618		99.14	100,454,990	6.59
June 30, 1996	839,234,664	812,078,530	(27,156,134)		103.34	104,741,407	--
June 30, 1997	929,844,233	911,661,730	(18,182,503)		101.99	123,501,876	--
June 30, 1998	1,018,384,354	950,227,811	(68,156,543)		107.17	131,639,692	--
June 30, 1999	1,148,895,773	1,038,469,896	(110,425,877)		110.63	143,669,670	--

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND  
 SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 1994 THROUGH 1999

The information presented in the Schedule of Employer Contributions and 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	Entry age normal
Amortization method	Level dollar - The amortization period is for a specific number of years. (Closed Basis).
Remaining amortization period	11 years
Asset valuation method:	The Actuarial Value of Assets is the market value of assets adjusted for a four year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7%
Projected salary increases	Technical paper No. 16 "Present Value of Estimated Lifetime Earnings". These rates are increased by 2% during the first ten years of employment.
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.
Change in actuarial assumptions:	The method of valuing bonds was changed from using amortized cost value to using the market value adjusted for a four year weighted average in the unrealized gain or loss in the value of the assets. This actuarial assumption change resulted in an increase of the actuarial value of assets in the amount of \$3,447,565.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
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 Police Employees' Retirement System and their 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 and that are necessary to 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 parties with whom the System does business will be year 2000 ready.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
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 Police Employees' Retirement System  
8401 United Plaza Blvd., Room 270  
Baton Rouge, Louisiana 70809

We have audited the financial statements of Municipal Police Employees' Retirement System 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

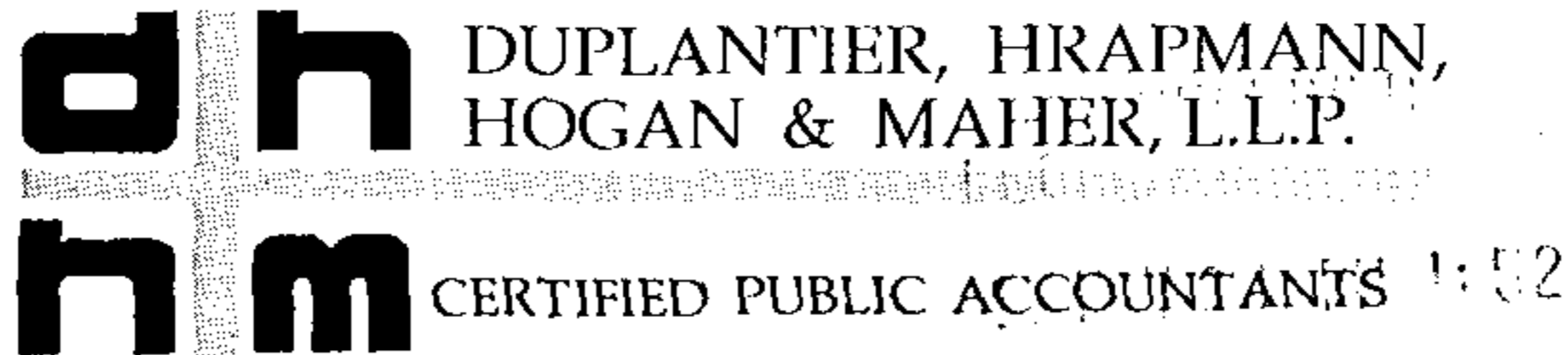
As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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 System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that we have reported to management in a separate letter dated September 17, 1999.

This report is intended for the use of the Board of Trustees and management of Municipal Police Employees' Retirement System and the Office of the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Duplante, Hapman, Hogan & Maher LLP*



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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

## 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 Police Employees' Retirement System 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 REPORTING:

##### 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 Check Signing Controls:

A signature stamp is used on operating checks, refund checks, and miscellaneous checks when the director is absent. The stamp is kept in a locked drawer in the director's desk. In addition, blank checks are kept locked in a credenza. One employee keeps the key to access the signature stamp and another employee keeps the key to access the blank checks. However, neither key is properly secured.

We recommend that the procedures for checks signed while the director is absent and control over blank checks be evaluated to ensure adequate internal control over the disbursement of funds. This could be accomplished by eliminating the signature stamp and designating an employee with the authority to sign checks in the director's absence and later approved by the director. As an additional control, the System should require that disbursement checks over a specific dollar value not signed by the director be signed by two employees and later approved by the director. If, however, the System does not want to eliminate the signature stamp, we recommend that the key to access the signature stamp be kept secure by limiting access to one employee.

Lastly, to strengthen controls over blank checks, we recommend that a log be kept noting disbursement of checks. The log should include the check number, reason for the disbursement and the person's signature who is taking the checks. In addition, we recommend that the key to access the blank checks be kept secure by limiting access to one employee.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

98-01 - Approval of Invoices:

During the examination of invoices, it was noted that the director did not approval of non-recurring invoices before payment was made. We recommended approval on non-recurring invoices and credit card bills prior to payment. The System has implemented this recommendation. During the current year audit, we did not discover any invoices that were not approved.

98-02 - Approval of Fixed Asset Purchases:

During the testing of fixed assets additions, we noted that the Board of Trustees was not approving most purchases of fixed assets. The Board of Trustees has taken action on this issue by approving a resolution which requires all non-budgeted fixed assets with a value greater than \$500.00 to be approved by the Board. During the audit, we did not discover any fixed assets with a value greater than \$500.00 not approved by the Board of Trustees.

SECTION 2: FINANCIAL STATEMENT FINDINGS (Continued)

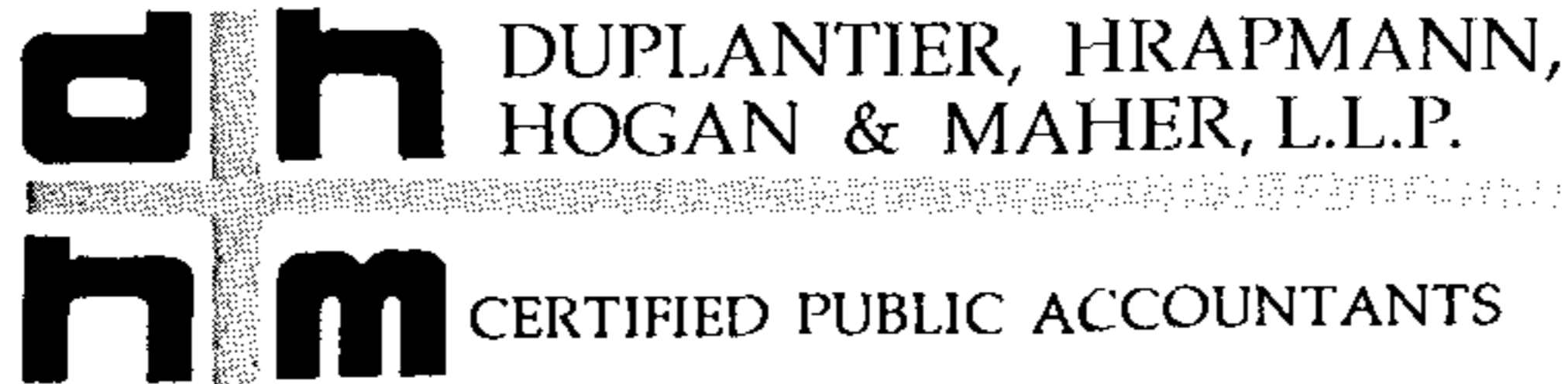
B. PRIOR YEAR FINDINGS (OTHER MATTERS): (Continued)

98-03 - Check Signing Controls:

During the audit, it was discovered that a signature stamp was used on operating checks and regular refund and miscellaneous checks. The stamp was locked in a cabinet where the checks were located. All employees knew where the key was kept for the cabinet. Only one signature was required for all operating and regular refund, and miscellaneous checks. We recommended that the check signing procedures for all checks be evaluated to ensure adequate internal control over disbursements. We also recommended that procedures should include safeguards to protect the signature stamp from unauthorized use. The System did place the blank checks in a different location from the signature stamp with a different employee responsible for the key. Also, the signature stamp is now only used when the director is absent. However, since all employees know where the keys for the cabinet or drawer containing blank checks and signature stamp are located, internal controls may not be adequate regarding check signing procedures and safeguarding of assets. A condition and recommendation have been included for the audit of the year ended June 30, 1999.

During the audit, it was discovered that a signature plate is released to an agency that generates all benefit checks. The signature plate is picked up from the System's offices, used in processing the benefit checks, and returned once all checks are written. We recommended that the System evaluate the check signing procedures on benefit checks to ensure proper security maintained. The System changed their policy concerning the release of the signature plate to include adequate controls.

*Duplante, Hapman, Hogan & Maher LLP*



DUPLANTIER, HRAPMANN,  
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MEMBERS  
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September 17, 1999

To the Board of Trustees of the  
Municipal Police Employees'  
Retirement System  
8401 United Plaza Blvd., Room 270  
Baton Rouge, Louisiana 70809

In planning and performing our audit of the financial statements of Municipal Police Employees' Retirement System for the year ended June 30, 1999 we considered its internal control 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.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

We noted one matter involving the internal control over financial reporting during the course of the audit which is not considered a material weakness; however, we felt this matter should be presented to management.

CHECK SIGNING PROCEDURES:

A signature stamp is used on operating checks, refund checks, and miscellaneous checks when the director is absent. The stamp is kept in a locked drawer in the director's desk. In addition, blank checks are kept locked in a credenza. One employee keeps the key to access the signature stamp and another employee keeps the key to access the blank checks. However, neither key is properly secured.



We recommend that the procedures for checks signed while the director is absent and control over blank checks be evaluated to ensure adequate internal control over the disbursement of funds. This could be accomplished by eliminating the signature stamp and designating an employee with the authority to sign checks in the director's absence and later approved by the director. As an additional control, the System should require that disbursement checks over a specific dollar value not signed by the director be signed by two employees and later approved by the director. If, however, the System does not want to eliminate the signature stamp, we recommend that the key to access the signature stamp be kept secure by limiting access to one employee.

Lastly, to strengthen controls over blank checks, we recommend that a log be kept noting the disbursement of checks. The log should include the check number, reason for the disbursement and the person's signature who is taking the checks. In addition, we recommend that the key to access the blank checks be kept secure by limiting access to one employee.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



---

William G. Stamm, CPA  
Partner

WGS/ct

# MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM



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November 22, 1999



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DIRECTOR

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Actuary

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**Dr. Daniel G. Kyle**  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In regards to a management letter issued by Duplantier, Hrapmann, Hogan & Maher on September 17, 1999, I would like to inform you of our corrective action plan regarding the findings.

1. In regard to a signature stamp which is used on operating checks, refund checks, and miscellaneous checks in the director's absence, it was discovered that the System should provide additional controls over a signature stamp which is used while the director is absent. Our auditors recommended eliminating the signature stamp and designating an employee with the authority to sign checks in the director's absence and later approved by the director. As an additional control, the System should require that disbursement checks over a specific dollar value not signed by the director be signed by two employees and later approved by the director. If, however, the System does not want to eliminate the signature stamp, we recommend that the key to access the signature stamp be kept secure by limiting access to one employee.

As of this date, the signature stamp has been discarded. The director will sign all operating checks, refund checks and miscellaneous checks.

2. To strengthen controls over blank checks, our auditors recommended that a log be kept noting the disbursement of checks. The log should include the check number, reason for the disbursement and the person's signature who is taking the checks. They also recommended that the key to access the blank checks be kept secure by limiting access to one employee.

We intend to implement this recommendation immediately.

PLEASE INCLUDE MEMBER'S SOCIAL SECURITY NUMBER WITH ALL CORRESPONDENCE

Dr. Daniel G. Kyle  
November 22, 1999  
Page Two

Should you have any questions or need additional information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Virginia S. Eckert".

Virginia S. Eckert  
Director

VSE:vsc