

Act

R E P O R T

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM  
(STATE OF LOUISIANA)

JUNE 30, 1996

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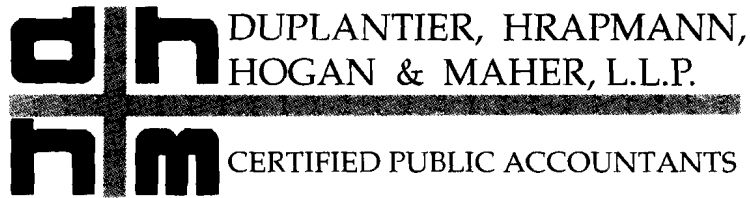
Release Date DEC 18 1996

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
(STATE OF LOUISIANA)

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### INDEPENDENT AUDITOR'S REPORT

September 12, 1996

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 statement of plan net assets of the Municipal Police Employees' Retirement System as of June 30, 1996, and the related statement of changes in plan net assets for the year 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 audit.

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

As discussed in Note 15 to the financial statements, the System changed its method of recording investments in 1996.

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, 1996 and the results of operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the System for the year ending June 30, 1996 and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 18 - 20 and the supplemental schedules on pages 13 - 17 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 1991 - 1996 and supplemental schedules for the year ending June 30, 1996, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 1996 on our consideration of the Municipal Police Employees' Retirement System's internal control structure and a report dated September 12, 1996 on its compliance with laws and regulations.

*Duplantier, Chapman, Hogan & Maher LLP*

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF PLAN NET ASSETS  
JUNE 30, 1996

## ASSETS:

Cash: (Note 6)	
In bank	\$ <u>114,006</u>
Receivables:	
Member contributions (Note 1)	716,256
Employer contributions (Note 1)	1,118,378
Due from merged systems (Page 15 and Note 12)	122,865,056
Notes receivable - State of LA (Note 9)	15,291,901
Accrued interest	6,219,083
Accrued interest - State of LA (Note 9)	1,146,892
Total receivables	<u>147,357,566</u>
Investments at fair value: (Notes 1 and 6) (Page 16)	
Bonds - domestic and foreign	390,586,784
Mutual funds	4,000,000
Marketable securities - domestic	228,359,030
Marketable securities - foreign	68,430,595
Short-term cash equivalents - domestic	19,301,288
Short-term cash equivalents - foreign	3,240,616
Short-term repurchase agreements	6,499,589
Total investments at fair value	<u>720,417,902</u>
Property, plant and equipment: (Notes 1 and 13)	
Net of accumulated depreciation \$85,784	<u>70,965</u>
Total assets	<u>867,960,439</u>
LIABILITIES:	
Accounts payable	614,166
Refunds payable - members	155,435
Other liabilities	6,889
Investment payable	3,760,624
Total liabilities	<u>4,537,114</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>863,423,325</u>
(A schedule of funding progress for the plan is presented on page 19)	

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 1996

## ADDITIONS:

Contributions: (Note 1)	
Members	\$ 8,168,543
Employer	9,582,485
Insurance premiums	5,005,376
Total contributions	<u>22,756,404</u>
Investment income: (Note 1)	
Interest - repurchase agreements	269,751
Interest - cash equivalents	934,038
Interest - notes, bonds, etc.	26,736,843
Interest - securities lending (Note 7)	4,567,119
Dividends - stock	6,113,931
Dividends - mutual funds	316,000
Foreign currency profit	917,797
Net appreciation in fair value of investments	40,684,260
	<u>80,539,739</u>
Less investment expenses:	
Securities lending expense (Note 7)	4,531,020
Custodial	54,710
Investment advisor	1,513,410
Miscellaneous	8,097
	<u>6,107,237</u>
Net investment income	<u>74,432,502</u>
Other additions:	
Merger interest payment	8,559,382
Interest income - State of Louisiana note (Note 9)	1,146,893
Interest income - refunds	246,425
Gain on sale of assets	124
Miscellaneous income	10,771
Total other additions	<u>9,963,595</u>
TOTAL ADDITIONS	<u>107,152,501</u>
DEDUCTIONS:	
Benefits	40,491,226
Refund of contributions	1,392,630
Administrative expenses (Page 17)	460,774
Depreciation (Note 1)	9,440
Total deductions	<u>42,354,070</u>
NET INCREASE BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	64,798,431
CUMULATIVE EFFECT ON PRIOR YEARS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES:	
To account for investments at fair market value (Note 15)	<u>43,160,156</u>
Net increase	107,958,587
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	<u>755,464,738</u>
END OF YEAR	<u>\$ 863,423,325</u>

*39,850,474*

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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 upon receipt. 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. Investments that do not have an established market value are reported using estimated future cash flows.

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.

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 187 contributing municipalities. At June 30, 1996 statewide retirement membership consists of:

Active members	4,233
Regular retirees	1,652
Disability retirees	191
Survivors	864
Vested and reciprocals	188
Due refunds	351
DROP participants	217
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>7,696</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

2. PLAN DESCRIPTION: (Continued)

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 Retirement 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.

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.

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 (DROP). Upon filing the application for the program, the employee's active membership in the system is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP 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 DROP 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. DROP accounts shall earn interest



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

2. PLAN DESCRIPTION: (Continued)

subsequent to the termination of DROP 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.

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.

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, 1996 is \$66,812,443. 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, 1996 is \$259,682,891. The Pension Accumulation is fully funded.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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, 1996 is \$457,949,071. 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, 1996 is \$27,634,125. 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 is presented on pages 18 - 20.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 1996:

Deposits (bank balance)	\$ 221,935
Cash equivalents - domestic	19,301,288
Cash equivalents - foreign	3,240,616
Investments	<u>697,875,998</u>
	<u>\$720,639,837</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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

Deposits:

The Retirement System's bank deposits were entirely covered by federal depository insurance and by securities pledged.

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 Retirement System's custodian's trust department.

Cash Equivalents - Foreign:

Cash equivalents consist of pooled funds in a commingled trust.

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. However, the Retirement System's internal investment policy states that the system shall not invest more than 45% of the total portfolio in common stock.

The Retirement System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Retirement System or its agents in the Retirement System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Retirement System's name.

	<u>MARKET VALUE</u>	<u>CATE- GORY</u>
Repurchase agreements	\$ 6,499,589	1
Bonds, notes, and mortgages	390,586,140	1
Marketable securities - domestic	228,291,813	1
Marketable securities - foreign	68,498,456	N/A
Mutual funds	4,000,000	N/A
	<u>\$697,875,998</u>	

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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

Investments: (Continued)

Beginning October 1993, the System entered into three commingled trusts which invest in foreign markets. The foreign markets consist of Europe, Asia, Canada, and the Far East. The foreign investments are presented on the balance sheet in the following amounts and classifications:

	<u>MARKET VALUE</u>
Cash equivalents	\$ 3,240,616
Stocks	68,498,456
Bonds	<u>12,737</u>
Total	<u>\$71,751,809</u>

7. SECURITY LENDING AGREEMENTS:

Beginning during fiscal year ended June 30, 1991, the Board of Trustees of the System authorized the System to enter into reverse repurchase agreements in the operation of its securities lending program. These agreements consist of the loan of securities with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The System requires the dealer to transfer cash or collateral in excess of the market value of the securities underlying the reverse repurchase agreements. This excess provides the System with a margin against an increase in the market value of the transferred securities. If the dealers default on their obligations to retransfer these securities to the System or to provide securities or cash of equal value, the System is protected from an economic loss because of the margin required from the dealers.

In cases of security loans in which the collateral received by the System is cash, the System is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the System receives collateral other than cash it may not reinvest the collateral. When this occurs, the System does not record the collateral on the financial statements, but the underlying securities are disclosed. In both cases, the loaned securities continue to be reported as an asset on the balance sheet. At year end, the System had no securities under this agreement.

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 year ended June 30, 1996 is \$49,587. The following is a schedule by years of the future minimum lease payments as of June 30, 1996:

<u>YEAR ENDING</u>	<u>AMOUNT</u>
JUNE 30, 1997	\$ 67,100
JUNE 30, 1998	71,429
JUNE 30, 1999	73,593
JUNE 30, 2000	<u>73,593</u>
TOTAL	<u>\$285,715</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

9. LAWSUIT SETTLEMENT:

During the year ended June 30, 1991, the System received a judgment in its favor against the State of Louisiana for monies collected pursuant to R.S. 22:1419(A). Specifically, the court ruled that the funds are exempt from the provisions of Act 5 of the First Extraordinary Session of 1988 (R.S. 49:308.3(B)) and therefore belong to the Retirement System. The amount of the judgment in favor of the system was \$31,156,428.

The Office of the Governor, Division of Administration, under the authority granted it under R.S. 39:339 settled the claim by issuing a promissory note to the System dated June 28, 1991 in the amount of \$31,156,428 with interest at 7.5% per annum. The note is to be paid in seven equal annual installments of \$5,883,525 including interest. The first installment was due and payable on July 1, 1992 and the last payment is due and payable on July 1, 1998. The Office of the Governor is to take the necessary action annually to place the funding in the executive budget to fund the annual installments due each year. All payments due have been received.

10. 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.

11. TAX QUALIFICATION:

The System is currently in the process of becoming a tax qualified plan under IRS Code Section 401(a).

12. ACCOUNTS RECEIVABLE - MERGED SYSTEMS:

Thirteen cities throughout Louisiana merged with the Municipal Police Employees' Retirement System between November 1978 and January 1984. 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. The total accounts receivable from merged systems as of June 30, 1996 is \$122,865,056.

13. EQUIPMENT AND FIXTURES:

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

Furniture	\$143,779
Automobile	<u>12,970</u>
	156,749
Less accumulated depreciation	<u>85,784</u>
Total	<u>\$ 70,965</u>

Depreciation expense charged to operations was \$9,440.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

14. 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.

15. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

During 1996, the Retirement System changed its method of accounting for investments. In prior years, bonds were recorded at the lower of amortized cost or market if the decline in market value is deemed permanent. Stocks and mutual funds were recorded at the lower of cost or market if the decline in market value is deemed permanent. In 1996, all investments were recorded at fair value to conform with new requirements of the Governmental Accounting Standards Board (GASB). The effect of this change was to increase income for the year by \$43,160,156. The financial statements for 1995 have not been restated and the cumulative effect of the change is shown as a one time credit to income in the statement of changes in plan net assets.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES  
YEAR ENDED JUNE 30, 1996

	ANNUITY SAVINGS	ANNUITY RESERVE	DEFERRED RETIREMENT OPTION PLAN	PENSION ACCUMULATION	SURPLUS ACTUARIAL ACCRUED LIABILITY	EXCESS ASSETS	TOTAL
BALANCE - BEGINNING	\$ 64,495,060	\$ 422,349,649	\$ 24,498,268	\$ 225,503,827	--	\$ 18,617,934	\$ 755,464,738
REVENUES AND TRANSFERS:							
Employee contributions	8,168,543	--	--	--	--	--	8,168,543
Employer contributions	--	--	--	9,582,485	--	--	9,582,485
Insurance premiums	--	--	--	5,005,376	--	--	5,005,376
Net investment income	--	--	--	74,432,502	--	--	74,432,502
Merger interest and penalty payment	--	--	--	8,559,382	--	--	8,559,382
Interest income - Louisiana - legal settlement	--	--	--	1,146,893	--	--	1,146,893
Income from purchase of prior service	--	--	--	246,425	--	--	246,425
Net miscellaneous income	--	--	--	10,895	--	--	10,895
Transfer from Annuity Savings	--	4,458,530	--	--	--	--	4,458,530
Pensions transferred from Annuity Reserve	--	--	7,473,911	--	--	--	7,473,911
Actuarial transfer	--	74,767,975	--	--	25,703,649	--	100,471,624
	8,168,543	79,226,505	7,473,911	98,983,958	25,703,649	--	219,556,566
EXPENDITURES AND TRANSFERS:							
Pensions paid	--	36,153,172	4,338,054	--	--	--	40,491,226
Refunds to members	1,392,630	--	--	--	--	--	1,392,630
Administrative expenses	--	--	--	460,774	--	--	460,774
Depreciation	--	--	--	9,440	--	--	9,440
Transfer to Annuity Reserve	4,458,530	--	--	--	--	--	4,458,530
Pensions transferred to DROP	--	7,473,911	--	--	--	--	7,473,911
Actuarial transfer	--	--	--	100,471,624	--	--	100,471,624
	5,851,160	43,627,083	4,338,054	100,941,838	--	--	154,758,135
NET INCREASE/(DECREASE) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	2,317,383	35,599,422	3,135,857	(1,957,880)	25,703,649	--	64,798,431
Cumulative effect on prior years resulting from changes in accounting principles	--	--	--	36,136,944	25,641,146	(18,617,934)	43,160,156
NET INCREASE/(DECREASE)	2,317,383	35,599,422	3,135,857	34,179,064	51,344,795	(18,617,934)	107,958,587
BALANCE - ENDING	\$ 66,812,443	\$ 457,949,071	\$ 27,634,125	\$ 259,682,891	\$ 51,344,795	--	\$ 863,423,325

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 PER DIEM PAID TRUSTEES  
YEAR ENDED JUNE 30, 1996

The per diem paid to the trustees is an expenditure of the Expense Fund. For 1996 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 year ended June 30, 1996 are as follows:

<u>TRUSTEES</u>	<u>NUMBER OF DAYS ATTENDING</u>	<u>AMOUNTS</u>
Jeffrey Wesley	12	\$ 900
Larry Reech	10	750
Jim Derrick	13	975
Thomas Buell	12	900
Arthur Lawson	9	675
Melvin Ogburn	12	900
Steve Prator	43*	<u>3,225</u>
		<u>\$8,325</u>

\* Member was paid in the current year for 31 meetings for fiscal years 1992-1995 in which this member was not previously paid.



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 ACCOUNTS RECEIVABLE - MERGED SYSTEMS  
YEAR ENDED JUNE 30, 1996

<u>CITY</u>	<u>TERM</u>	<u>INTEREST RATE</u>	<u>PAYMENT TERM</u>	<u>PAYMENT AMOUNT</u>	<u>BALANCE 6-30-96</u>
Alexandria	09-83 06-13	7%	Quarterly	\$ 111,808.00	\$ 4,504,900
Bastrop	11-78 05-98	6%	Semi-annual	42,475.00	159,607
Crowley	01-84 12-13	7%	Quarterly	21,644.00	873,873
Houma	12-83 10-13	7%	Quarterly	58,242.00	2,391,625
Lake Charles	10-83 07-13	7%	Quarterly	93,279.00	3,737,091
Monroe	09-83 06-13	7%	Quarterly	93,442.00	3,764,908
Natchitoches	06-83 03-03	7%	Quarterly	22,701.00	490,671
New Orleans	03-83 12-12	7%	Quarterly	1,978,526.00	78,446,993
New Orleans- Amendment	06-93 12-12	7%	Quarterly	103,236.06	4,093,228
Opelousas	01-84 10-13	7%	Quarterly	37,773.00	1,525,079
Ruston	09-83 06-03	7%	Quarterly	22,669.00	504,177
Shreveport	01-83 10-11	7%	Quarterly	563,113.25	22,016,387
Tallulah	01-84 10-13	7%	Quarterly	5,376.00	217,055
West Monroe	02-80 03-99	6%	Annual	51,151.00	<u>139,462</u>
TOTAL					<u>\$122,865,056</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENTS  
YEAR ENDED JUNE 30, 1996

	JUNE 30, 1996		
	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
<b>BONDS:</b>			
U.S. Treasury Notes and Bonds	\$ 195,510,000	\$ 198,715,564	\$ 198,137,125
Federal Home Loan Mortgage Corporation	15,254,200	15,070,052	15,083,775
Federal National Mortgage Association	17,287,841	17,353,915	17,254,255
Government National Mortgage Association	10,036,477	10,131,207	10,086,611
U. S. Government Notes and Mortgages	4,100,000	4,200,155	4,272,184
Corporate Bonds	147,994,600	149,327,723	144,862,170
Foreign Bonds	847,094	854,581	890,020
	<u>\$ 391,030,212</u>	<u>\$ 395,653,197</u>	<u>\$ 390,586,140</u>

	<u>COST</u>	<u>MARKET VALUE</u>
<b>MUTUAL FUNDS:</b>		
American Insured Mortgage	\$ 4,000,000	\$ 4,000,000
	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
<b>STOCKS:</b>		
Domestic stocks	\$ 183,385,127	\$ 228,291,813
Foreign stocks	56,033,132	68,498,456
	<u>\$ 239,418,259</u>	<u>\$ 296,790,269</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF ADMINISTRATIVE EXPENSES  
 ACTUAL AND BUDGET  
YEAR ENDED JUNE 30, 1996

	JUNE 30, 1996		
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b>BUDGETED EXPENSES:</b>			
<b>Personal Services:</b>			
Staff salaries	\$ 163,685	\$ 163,686	\$ 1
Group insurance	21,460	22,071	611
Retirement	13,575	13,662	87
Board member - Per diem	8,325	10,200	1,875
<b>Professional Services:</b>			
Accountant	25,817	31,440	5,623
Actuarial	29,340	29,340	—
Advertising	—	200	200
Computer services	34,512	40,000	5,488
Risk management	2,286	2,879	593
Legal	36,344	37,810	1,466
Medical Board	3,286	4,000	714
Retirement Association fees	200	520	320
<b>Communications:</b>			
Postage, printing and supplies	26,391	27,700	1,309
Telephone	9,880	12,000	2,120
Travel	13,203	14,500	1,297
<b>Other:</b>			
Educational conference fees	10,034	12,000	1,966
Equipment rental and repair	3,205	5,000	1,795
Miscellaneous	—	2,000	2,000
Office furniture (expensed)	6,094	6,266	172
Rent	49,587	36,568	(13,019)
Uniforms	2,890	2,900	10
Medicare	459	494	35
Vehicle maintenance	36	1,000	964
Educational - staff	165	600	435
Total budgeted expenses	\$ 460,774	\$ 476,836	\$ 16,062
 <b>CAPITAL OUTLAYS</b>	 \$ 54,067	 \$ 54,067	 \$ —

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES  
JUNE 30, 1991 THROUGH 1996

<u>FISCAL YEAR</u>	<u>ACTUARIAL REQUIRED CONTRIBUTION EMPLOYER</u>	<u>ACTUARIAL REQUIRED CONTRIBUTION OTHER SOURCES</u>	<u>PERCENT CONTRIBUTED EMPLOYER</u>	<u>PERCENT CONTRIBUTED OTHER SOURCES</u>
1991	\$9,739,365	\$1,529,221 *	87.42%	100.00%
1992	9,145,775	3,418,553	96.69	100.00
1993	9,502,667	2,822,166	93.67	100.00
1994	9,255,738	2,751,785	98.07	100.00
1995	9,981,405	3,569,803	92.54	100.00
1996	10,311,752	5,005,376	92.93	100.00

\* Actual insurance monies received was \$12,153,985. The excess of \$10,624,764 was kept as part of a lawsuit settlement.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 1991 THROUGH 1996

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE</u>	<u>(SURPLUS) UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>	<u>UAAL AS A COVERED PAYROLL</u>	<u>PERCENTAGE OF COVERED PAYROLL</u>
June 30, 1991	\$586,002,086	\$588,363,875	\$ 2,361,789	99.60%	\$ 94,497,720	2.50%
June 30, 1992	627,939,686	632,192,203	4,252,517	99.33	96,853,207	4.39
June 30, 1993	696,877,739	689,591,873	(7,285,866)	101.06	97,907,993	--
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	--

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 NOTES TO SCHEDULE OF CONTRIBUTIONS AND  
 SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 1991 THROUGH 1996

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, 1996
Actuarial cost method	Entry age
Amortization method	Level dollar - The amortization period is for a specific number of years. (Closed Basis).
Remaining amortization period	14 years
Asset valuation method:	
Equities	3 year smoothed market
Bonds	Amortization cost
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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 1996

September 12, 1996

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, 1996, and have issued our report thereon dated September 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In planning and performing our audit of the financial statements of Municipal Police Employees' Retirement System, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 1996

(Continued)

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Dyplante, Hapman, Hogan & Miller LLP*

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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 1996

September 12, 1996

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

We have audited the financial statements of the Municipal Police Employees' Retirement System as of and for the year ended June 30, 1996, and have issued our report thereon dated September 12, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

This report is intended for the information of the Board of Trustees, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Duplantier, Hapmann, Hogan & Maher LLP*

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