

R E P O R T

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA

JUNE 30, 2004 AND 2003

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA

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JUNE 30, 2004 AND 2003

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## INDEPENDENT AUDITOR'S REPORT

September 24, 2004

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

We have audited the statements of plan net assets of the Municipal Employees' Retirement System of Louisiana as of June 30, 2004 and 2003 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Municipal Employees' Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Employees' Retirement System of Louisiana as of June 30, 2004 and 2003 and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Municipal Employees' Retirement System of Louisiana adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, during the year ended June 30, 2003.

Management's Discussion and Analysis on Pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We have audited the financial statements of the System for the years ending June 30, 2004 and 2003, 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 supplemental schedules on pages 20 – 31 and the required statistical information on pages 32 - 35 are presented for the purposes of additional analysis and are not a part of the basic financial statements. The required statistical information for the years ending June 30, 1999 - 2004 and supplemental schedules for the years ending June 30, 2004 and 2003, 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 24, 2004 on our consideration of Municipal Employees' Retirement System of Louisiana's internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The Management's Discussion and Analysis of the Municipal Employees' Retirement System of Louisiana presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Municipal Employees' Retirement System of Louisiana's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

1. The Municipal Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2004 by \$580,360,995 which represents an increase from last year. The net assets held in trust for pension benefits increased by \$48,332,088 or 9%. The increase was primarily due to an improved investment performance.
2. Contributions to the System by members and employers totaled \$33,989,766, an increase of \$5,691,367 or 20%.
3. The investments of the System increased by \$45,862,810. The increase was due primarily to a recovery in the markets in 2004.
4. Pension benefits paid to retirees and beneficiaries increased by \$1,748,294 or 5%. This increase is due to an increase in the number of retirees and their benefit amounts.
5. Administrative expenses of the System totaled \$817,584, an increase of \$88,396 or 12%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

1. Statement of plan net assets
2. Statement of changes in plan net assets, and
3. Notes to the financial statements.

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statement of plan net assets reports the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2004 and 2003.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

The statement of changes in plan net assets reports the results of the system's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

FINANCIAL ANALYSIS OF THE SYSTEM

Municipal Employees' Retirement System provides benefits to employees of all incorporated villages, towns and cities within the State of Louisiana which do not have their own retirement system and which elected to become members of the System. Member contributions, employer contributions and earnings on investments fund these benefits.

Statement of Plan Net Assets  
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash	\$ 9,044,723	\$ 6,568,765
Receivables	11,091,537	10,500,177
Investments	588,559,767	514,813,787
Property and equipment	<u>804,905</u>	<u>754,180</u>
Total assets	609,500,932	532,636,909
Total liabilities	<u>29,139,937</u>	<u>608,002</u>
Net Assets Held in Trust		
For Pension Benefits	<u>\$ 580,360,995</u>	<u>\$ 532,028,907</u>

Plan net assets increased by \$48,332,088, or 9%. The increase in plan net assets was a result of the improved investment performance in 2004.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

Statement of Changes in Plan Net Assets  
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Additions:		
Contributions	\$ 38,246,620	\$ 32,323,190
Investment income	50,897,293	21,828,112
Other	<u>1,486,931</u>	<u>1,055,451</u>
Total additions	90,630,844	55,206,753
Total Deductions	<u>42,298,756</u>	<u>40,324,455</u>
Increase in Plan Net Assets	<u>\$ 48,332,088</u>	<u>\$ 14,882,298</u>

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions, ad valorem taxes and state revenue sharing funds, and investment income. Employer contributions increased \$5,296,870 or 38%, primarily due to an increase in the contribution rate during the current year. The System experienced a net investment return of \$50,897,293 as compared to a net investment return of \$21,828,112 in the previous year. The increase in investment return was primarily due to improved market performance in the current year.

	<u>2004</u>	<u>2003</u>	Increase (Decrease) Percentage
Member Contributions	\$ 14,796,945	\$ 14,402,448	3%
Employer Contributions	19,192,821	13,895,951	38%
Ad Valorem & State Revenue Sharing	4,256,854	4,024,791	6%
Net Investment Income	50,897,293	21,828,112	133%
Other	<u>1,486,931</u>	<u>1,055,451</u>	41%
	<u>\$ 90,630,844</u>	<u>\$ 55,206,753</u>	

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits and administrative expenses. Deductions from plan net assets totaled \$42,298,756 in fiscal year 2004. The increase of \$1,974,301 from the previous year is primarily due to an increase in the number of retirees and that newer retirees earn higher benefit amounts than older retirees.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>2004</u>	<u>2003</u>	Increase (Decrease) <u>Percentage</u>
Retirement Benefits	\$ 36,806,279	\$ 35,057,985	5%
Refunds of Contributions	3,581,631	3,410,335	5%
Administrative Expenses	817,584	729,188	12%
Depreciation	30,568	31,132	(2%)
Transfers to Other Systems	<u>1,062,694</u>	<u>1,095,815</u>	(3%)
	<u>\$ 42,298,756</u>	<u>\$ 40,324,455</u>	

### Investments

Municipal Employees' Retirement System is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments less collateral held under securities lending program in the amount of \$27,883,170 at June 30, 2004 amounted to \$560,676,597 as compared to \$514,813,787 at June 30, 2003 which is an increase of \$45,862,810 or 8.9%. The major contributing factor to this increase is the market improvement during 2004. The System's investments in various markets at the end of the 2004 and 2003 fiscal years are indicated in the following table:

	<u>2004</u>	<u>2003</u>	Increase (Decrease) <u>Percentage</u>
Cash Equivalents	\$ 13,828,843	\$ 20,728,750	(33%)
Bonds	259,929,146	275,092,720	(6%)
Equities	168,895,470	171,997,483	(2%)
Collateral held under securities lending program	27,883,170	-	100%
Mutual Funds	<u>118,023,138</u>	<u>46,994,834</u>	151%
	<u>\$ 588,559,767</u>	<u>\$ 514,813,787</u>	

### Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Robert Rust, Administrative Director, Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF PLAN NET ASSETS  
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>ASSETS:</b>		
Cash	\$ <u>9,044,723</u>	\$ <u>6,568,765</u>
Receivables:		
Member contributions	3,414,766	3,482,384
Employer contributions	4,478,843	3,427,206
Investment receivable	114,618	296,352
Accrued interest and dividends	3,083,310	3,131,922
Other	-	162,313
Total	<u>11,091,537</u>	<u>10,500,177</u>
Investments (At fair value): (Notes 1 and 6) (Pages 25-26)		
Cash equivalents	13,828,843	20,728,750
Bonds	259,929,146	275,092,720
Equities	168,895,470	171,997,483
Collateral held under securities lending program	27,883,170	-
Mutual funds	<u>118,023,138</u>	<u>46,994,834</u>
Total	<u>588,559,767</u>	<u>514,813,787</u>
Property, plant, and equipment: (Note 1)		
Land	389,547	389,547
Building	592,356	535,068
Office furnishings and equipment	<u>563,274</u>	<u>539,269</u>
	1,545,177	1,463,884
Less: Accumulated depreciation	<u>(740,272)</u>	<u>(709,704)</u>
	<u>804,905</u>	<u>754,180</u>
Total assets	<u>609,500,932</u>	<u>532,636,909</u>
<b>LIABILITIES:</b>		
Investment payable	247,181	142,341
Refunds payable	188,726	197,356
Ad valorem and revenue sharing payable to East Baton Rouge Parish	512,035	-
Obligations under securities lending program	27,883,170	-
Accounts payable	<u>308,825</u>	<u>268,305</u>
Total liabilities	<u>29,139,937</u>	<u>608,002</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 580,360,995</u>	<u>\$ 532,028,907</u>

(A schedule of funding progress for the plan is presented on page 34)

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ADDITIONS: (Note 1)		
Contributions:		
Members'	\$ 14,796,945	\$ 14,402,448
Employers'	19,192,821	13,895,951
Ad valorem taxes and state revenue sharing funds	4,256,854	4,024,791
Total contributions	<u>38,246,620</u>	<u>32,323,190</u>
Investment income: (Note 1)		
Interest income	14,707,579	16,690,607
Dividend income	1,925,936	2,265,774
Securities lending income	5,932	-
Net appreciation in fair value of investments	36,059,622	4,428,604
	<u>52,699,069</u>	<u>23,384,985</u>
Less investment expense:		
Investment advisory fee	1,681,103	1,459,799
Custodian and bank fees	120,673	97,074
	<u>1,801,776</u>	<u>1,556,873</u>
Net investment income	<u>50,897,293</u>	<u>21,828,112</u>
Other additions:		
Interest-other	202,001	121,704
Transfers from other retirement systems	1,217,636	896,614
Miscellaneous revenue	67,294	37,133
	<u>1,486,931</u>	<u>1,055,451</u>
Total additions	<u>90,630,844</u>	<u>55,206,753</u>
DEDUCTIONS: (Note 1)		
Benefits	36,806,279	35,057,985
Refund of contributions	3,581,631	3,410,335
Administrative expenses (Page 27)	817,584	729,188
Depreciation	30,568	31,132
Transfers to other retirement systems	1,062,694	1,095,815
Total deductions	<u>42,298,756</u>	<u>40,324,455</u>
NET INCREASE	48,332,088	14,882,298
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	532,028,907	517,146,609
END OF YEAR	<u>\$ 580,360,995</u>	<u>\$ 532,028,907</u>
See accompanying notes.		

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

In addition, these financial statements include the implementation of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards. This new standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

Basis of Accounting:

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

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property, Plant and Equipment:

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

2. PLAN DESCRIPTION:

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

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the years ended June 30, 2004 and 2003, respectively, there were 80 and 82 contributing municipalities in Plan A and 59 and 57 in Plan B.

The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. At June 30, 2004 and 2003 statewide retirement membership consists of:

	<u>2004</u>			<u>2003</u>		
	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Active members	5,123	1,998	7,121	5,331	2,007	7,338
Retirees and survivors	2,448	734	3,182	2,372	720	3,092
"Drop Plan" participants	202	54	256	202	57	259
Terminated due deferred benefits	193	74	267	192	63	255
Terminated due refunds	<u>2,266</u>	<u>820</u>	<u>3,086</u>	<u>2,185</u>	<u>790</u>	<u>2,975</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>10,232</u>	<u>3,680</u>	<u>13,912</u>	<u>10,282</u>	<u>3,637</u>	<u>13,919</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

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

Retirement Benefits:

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

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

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

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

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

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits:

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

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

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

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

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

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

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the average actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

2. PLAN DESCRIPTION: (Continued)

DROP Benefits: (Continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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2. PLAN DESCRIPTION: (Continued)

Cost of Living Increases:

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

Deferred Benefits:

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

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.25% of earnable compensation for Plan A and 5% of earnable compensation for Plan B for the years ended June 30, 2004 and 2003, respectively. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the years ended June 30, 2004 and 2003, the actuarially determined employer contribution rates were 14.61% and 10.78%, respectively, of member's earnings for Plan A. The actual contribution rates were 11% and 8.00% for the years ended June 30, 2004 and 2003, respectively. The actuarially determined employer contribution rates for Plan B for the fiscal years ending June 30, 2004 and 2003 were 9.22% and 7.53%, respectively. The actual contribution rates were 7.75% and 6.25% for the years ended June 30, 2004 and 2003, respectively. The actual rates for Plans A and B are less than the actuarially required rates due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

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) Expense:

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

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2004 and 2003 is \$94,344,877 and \$90,964,880, respectively, for Plan A and \$17,145,094 and \$16,112,269, respectively, for Plan B. The Annuity Savings is fully funded for both plans.

C) Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve as of June 30, 2004 and 2003 is \$180,866,800 and \$186,115,372, respectively, for Plan A and \$31,956,195 and \$32,416,955, respectively, for Plan B. The Pension Accumulation Reserve is 72% and 58% funded for Plan A and 92% and 73% funded for Plan B as of June 30, 2004 and 2003, respectively.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2004 and 2003 is \$246,618,452 and \$231,889,543, respectively, for Plan A and \$44,065,867 and \$41,929,941, respectively, for Plan B. The Annuity Reserve is fully funded for both plans.

E) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2004 and 2003 is \$13,749,158 and \$12,796,616, respectively, for Plan A and \$2,450,931 and \$2,156,468, respectively, for Plan B. The Deferred Retirement Option Account is fully funded for both plans.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method was used to calculate the funding requirements of the System. Funding of pension plans under this method consists of two components. The first of these components is the Employer Normal Cost of the plan. In addition, amortization payments on the System's unfunded liability must be made. The actuarial present value of future normal cost is called the actuarial accrued liability. Act 81 of the 1988 legislative session requires that the unfunded accrued liability be amortized over a forty year period beginning on July 1, 1989 with payments increasing at 4.25% per year in Plan A and decreasing at 2% per year in Plan B.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 33 – 35.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Deposits (bank balance)	\$ 9,192,525	\$ 7,258,472
Cash equivalents	13,828,843	20,728,750
Investments	<u>574,730,924</u>	<u>494,085,037</u>
	<u>\$ 597,752,292</u>	<u>\$ 522,072,259</u>

Deposits:

The Retirement System's bank deposits were fully covered by federal depository insurance and pledged securities. The pledged securities are held in joint custody with the System's bank.

Cash Equivalents:

For the years ended June 30, 2004 and 2003, cash equivalents in the amount of \$13,562,261 and \$20,667,150, respectively, consist of government backed pooled funds which are held by a sub-custodian, managed by a separate money manager, and are in the name of the Retirement System's custodian's trust department. For the years ended June 30, 2004 and 2003, cash equivalents in the amount of \$266,582 and \$61,600, respectively, consist of government backed pooled funds which are held and managed by the Retirement System's custodian bank and are held in the name of the Retirement System.

Investments:

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System shall not invest more than fifty-five percent of the total portfolio in common stock.

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

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

Investments: (Continued)

	2004		2003	
	<u>Market Value</u>	<u>Category</u>	<u>Market Value</u>	<u>Category</u>
Collateral held under Securities Lending Program	\$ 27,883,170	2	\$ --	--
Bonds	233,536,376	1	264,751,146	1
Bonds	10,931,020	3	10,341,574	3
Stocks	156,894,140	1	171,997,483	1
Mutual fund – domestic	58,261,816	N/A	--	--
Mutual fund – foreign	59,761,322	N/A	46,994,834	N/A
Investments held by broker-dealers in which collateral may be reinvested:				
Bonds	15,461,750	N/A	--	--
Stocks	11,819,060	N/A	--	--
Investments held by broker-dealers in which collateral may not be reinvested:				
Stocks	182,270	1	--	--
	<u>\$ 574,730,924</u>		<u>\$ 494,085,037</u>	

7. VACATION AND SICK LEAVE:

The employees of the Municipal Employees' Retirement System accumulate unlimited amounts of vacation and sick leave at varying rates as established by State regulations. Upon resignation or retirement, unused vacation leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, unused vacation leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours payable at June 30, 2004 and 2003, is estimated to be \$21,969 and \$39,948, respectively. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

8. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America 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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
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9. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2004 and 2003, are as follows:

<u>2004</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 389,547	\$ --	\$ --	\$ 389,547
Building	535,068	57,288	--	592,356
Equipment	539,269	24,005	--	563,274
Accumulated depreciation	<u>(709,704)</u>	<u>(30,568)</u>	--	<u>(740,272)</u>
	<u>\$ 754,180</u>	<u>\$ 50,725</u>	<u>\$ --</u>	<u>\$ 804,905</u>
<u>2003</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 389,547	\$ --	\$ --	\$ 389,547
Building	535,068	--	--	535,068
Equipment	537,650	1,619	--	539,269
Accumulated depreciation	<u>(678,572)</u>	<u>(31,132)</u>	--	<u>(709,704)</u>
	<u>\$ 783,693</u>	<u>\$ (29,513)</u>	<u>\$ --</u>	<u>\$ 754,180</u>

The cost of the property, plant and equipment is being depreciated over its useful life using the straight line method. Depreciation expense for the years ended June 30, 2004 and 2003 is \$30,568 and \$31,132, respectively.

10. TAX QUALIFICATION:

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

11. SECURITY LENDING AGREEMENTS:

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 stock and bonds 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 of 102% of the market value of the securities underlying the reverse repurchase agreements.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003

11. SECURITY LENDING AGREEMENTS: (Continued)

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. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in footnote 6. The cash collateral was invested in a money market fund at June 30, 2004. The maturities of these investments match the maturities of the securities loans. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The System cannot pledge or sell collateral securities received unless the borrower defaults.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net income received from the transactions in the amount of \$5,932 is recorded on the financial statements in investment income.

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Liability</u>	<u>Total</u>
BALANCES, JULY 1, 2003	\$ <u>231,889,543</u>	\$ <u>90,964,880</u>	\$ <u>12,796,616</u>	\$ <u>186,115,372</u>	\$ <u>(76,769,713)</u>	\$ <u>444,996,698</u>
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	12,439,581	-	-	-	12,439,581
Employers	-	-	-	15,440,343	-	15,440,343
Net income from investments and other sources	-	-	-	42,902,531	-	42,902,531
Ad valorem taxes and state revenue sharing funds	-	-	-	3,180,565	-	3,180,565
Transfer from annuity savings	6,163,097	-	-	-	-	6,163,097
Pensions transferred from annuity reserve	-	-	3,600,551	-	-	3,600,551
Transfers from other systems	-	296,191	-	721,872	-	1,018,063
Transfer from expense fund	-	-	-	352,488	-	352,488
Transfer from Plan B	116,663	-	-	-	-	116,663
Actuarial transfers	40,367,293	-	-	-	26,729,472	67,096,765
Total revenues	<u>46,647,053</u>	<u>12,735,772</u>	<u>3,600,551</u>	<u>62,597,799</u>	<u>26,729,472</u>	<u>152,310,647</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	28,317,593	-	2,648,009	-	-	30,965,602
Refunds to members	-	3,036,109	-	-	-	3,036,109
Transfers to annuity reserve	-	6,163,097	-	-	-	6,163,097
Pensions transferred to DROP	3,600,551	-	-	-	-	3,600,551
Transfers to other systems	-	156,569	-	735,173	-	891,742
Depreciation	-	-	-	14,433	-	14,433
Actuarial transfer	-	-	-	67,096,765	-	67,096,765
Total expenditures	<u>31,918,144</u>	<u>9,355,775</u>	<u>2,648,009</u>	<u>67,846,371</u>	<u>-</u>	<u>111,768,299</u>
NET INCREASE (DECREASE)	<u>14,728,909</u>	<u>3,379,997</u>	<u>952,542</u>	<u>(5,248,572)</u>	<u>26,729,472</u>	<u>40,542,348</u>
BALANCES-JUNE 30, 2004	\$ <u><u>246,618,452</u></u>	\$ <u><u>94,344,877</u></u>	\$ <u><u>13,749,158</u></u>	\$ <u><u>180,866,800</u></u>	\$ <u><u>(50,040,241)</u></u>	\$ <u><u>485,539,046</u></u>

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A  
FOR THE YEAR ENDED JUNE 30, 2003

	Annuity Reserve	Annuity Savings	DROP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2002, as previously reported	\$ 220,900,943	\$ 86,158,094	\$ 11,735,637	\$ 212,332,855	\$ (98,458,177)	\$ 432,669,352
Prior period adjustment	-	159,178	-	-	(159,178)	-
BALANCES, JULY 1, 2002, as restated	<u>220,900,943</u>	<u>86,317,272</u>	<u>11,735,637</u>	<u>212,332,855</u>	<u>(98,617,355)</u>	<u>432,669,352</u>
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	12,199,058	-	-	-	12,199,058
Employers	-	-	-	11,059,848	-	11,059,848
Net income from investments and other sources	-	-	-	18,838,014	-	18,838,014
Ad valorem taxes and state revenue sharing funds	-	-	-	3,005,876	-	3,005,876
Transfer from annuity savings	5,008,045	-	-	-	-	5,008,045
Pensions transferred from annuity reserve	-	-	3,602,845	-	-	3,602,845
Transfers from other systems	-	216,986	-	589,062	-	806,048
Transfer from Plan B	-	215,526	-	632,008	-	847,534
Actuarial transfers	<u>36,910,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,847,642</u>	<u>58,758,248</u>
Total revenues	<u>41,918,651</u>	<u>12,631,570</u>	<u>3,602,845</u>	<u>34,124,808</u>	<u>21,847,642</u>	<u>114,125,516</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	26,917,845	-	2,541,866	-	-	29,459,711
Refunds to members	-	2,777,389	-	-	-	2,777,389
Transfers to annuity reserve	-	5,008,045	-	-	-	5,008,045
Pensions transferred to DROP	3,602,845	-	-	-	-	3,602,845
Transfers to other systems	-	198,528	-	702,334	-	900,862
Transfer to Plan B	409,361	-	-	-	-	409,361
Transfer to expense fund	-	-	-	868,028	-	868,028
Depreciation	-	-	-	13,681	-	13,681
Actuarial transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,758,248</u>	<u>-</u>	<u>58,758,248</u>
Total expenditures	<u>30,930,051</u>	<u>7,983,962</u>	<u>2,541,866</u>	<u>60,342,291</u>	<u>-</u>	<u>101,798,170</u>
NET INCREASE (DECREASE)	<u>10,988,600</u>	<u>4,647,608</u>	<u>1,060,979</u>	<u>(26,217,483)</u>	<u>21,847,642</u>	<u>12,327,346</u>
BALANCES-JUNE 30, 2003	<u>\$ 231,889,543</u>	<u>\$ 90,964,880</u>	<u>\$ 12,796,616</u>	<u>\$ 186,115,372</u>	<u>\$ (76,769,713)</u>	<u>\$ 444,996,698</u>

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B  
FOR THE YEAR ENDED JUNE 30, 2004

	Annuity Reserve	Annuity Savings	DROP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2003	\$ 41,929,941	\$ 16,112,269	\$ 2,156,468	\$ 32,416,955	\$ (8,779,559)	\$ 83,836,074
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	2,357,364	-	-	-	2,357,364
Employers	-	-	-	3,752,478	-	3,752,478
Net income from investments and other sources	-	-	-	8,243,665	-	8,243,665
Ad valorem taxes and state revenue sharing funds	-	-	-	1,076,289	-	1,076,289
Transfer from annuity savings	779,319	-	-	-	-	779,319
Pensions transferred from annuity reserve	-	-	710,284	-	-	710,284
Transfers from other systems	-	42,400	-	157,173	-	199,573
Transfer from expense fund	-	-	-	117,496	-	117,496
Actuarial transfers	7,608,410	-	-	-	6,066,215	13,674,625
Total revenues	<u>8,387,729</u>	<u>2,399,764</u>	<u>710,284</u>	<u>13,347,101</u>	<u>6,066,215</u>	<u>30,911,093</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	5,424,856	-	415,821	-	-	5,840,677
Refunds to members	-	545,522	-	-	-	545,522
Transfers to annuity reserve	-	779,319	-	-	-	779,319
Pensions transferred to DROP	710,284	-	-	-	-	710,284
Transfers to other systems	-	42,098	-	128,854	-	170,952
Depreciation	-	-	-	4,382	-	4,382
Transfer to Plan A	116,663	-	-	-	-	116,663
Actuarial transfer	-	-	-	13,674,625	-	13,674,625
Total expenditures	<u>6,251,803</u>	<u>1,366,939</u>	<u>415,821</u>	<u>13,807,861</u>	<u>-</u>	<u>21,842,424</u>
NET INCREASE (DECREASE)	<u>2,135,926</u>	<u>1,032,825</u>	<u>294,463</u>	<u>(460,760)</u>	<u>6,066,215</u>	<u>9,068,669</u>
BALANCES-JUNE 30, 2004	<u>\$ 44,065,867</u>	<u>\$ 17,145,094</u>	<u>\$ 2,450,931</u>	<u>\$ 31,956,195</u>	<u>\$ (2,713,344)</u>	<u>\$ 92,904,743</u>

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B  
FOR THE YEAR ENDED JUNE 30, 2003

	Annuity Reserve	Annuity Savings	DROP	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2002	\$ 40,608,828	\$ 15,793,835	\$ 1,944,018	\$ 37,034,552	\$ (13,614,102)	\$ 81,767,131
Prior period adjustment	-	(159,178)	-	-	159,178	-
BALANCES, JULY 1, 2002, as restated	<u>40,608,828</u>	<u>15,634,657</u>	<u>1,944,018</u>	<u>37,034,552</u>	<u>(13,454,924)</u>	<u>81,767,131</u>
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	2,203,390	-	-	-	2,203,390
Employers	-	-	-	2,836,103	-	2,836,103
Net income from investments and other sources	-	-	-	3,100,941	-	3,100,941
Ad valorem taxes and state revenue sharing funds	-	-	-	1,018,915	-	1,018,915
Transfer from annuity savings	868,437	-	-	-	-	868,437
Pensions transferred from annuity reserve	-	-	657,148	-	-	657,148
Transfers from other systems	-	30,578	-	59,988	-	90,566
Transfer from Plan A	409,361	-	-	-	-	409,361
Actuarial transfers	5,854,039	-	-	-	4,675,365	10,529,404
Total revenues	<u>7,131,837</u>	<u>2,233,968</u>	<u>657,148</u>	<u>7,015,947</u>	<u>4,675,365</u>	<u>21,714,265</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	5,153,576	-	444,698	-	-	5,598,274
Refunds to members	-	632,946	-	-	-	632,946
Transfers to annuity reserve	-	868,437	-	-	-	868,437
Pensions transferred to DROP	657,148	-	-	-	-	657,148
Transfers to other systems	-	39,447	-	155,506	-	194,953
Transfer to expense fund	-	-	-	312,472	-	312,472
Depreciation	-	-	-	4,154	-	4,154
Transfer to Plan A	-	215,526	-	632,008	-	847,534
Actuarial transfer	-	-	-	10,529,404	-	10,529,404
Total expenditures	<u>5,810,724</u>	<u>1,756,356</u>	<u>444,698</u>	<u>11,633,544</u>	<u>-</u>	<u>19,645,322</u>
NET INCREASE (DECREASE)	<u>1,321,113</u>	<u>477,612</u>	<u>212,450</u>	<u>(4,617,597)</u>	<u>4,675,365</u>	<u>2,068,943</u>
BALANCES-JUNE 30, 2003	<u>\$ 41,929,941</u>	<u>\$ 16,112,269</u>	<u>\$ 2,156,468</u>	<u>\$ 32,416,955</u>	<u>\$ (8,779,559)</u>	<u>\$ 83,836,074</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENTS  
JUNE 30, 2004 AND 2003

	<u>2004</u>			<u>2003</u>		
	<u>PAR</u> <u>VALUE</u>	<u>ORIGINAL</u> <u>COST</u>	<u>MARKET</u> <u>VALUE</u>	<u>PAR</u> <u>VALUE</u>	<u>ORIGINAL</u> <u>COST</u>	<u>MARKET</u> <u>VALUE</u>
PLAN "A"						
Bonds:						
Federal Home Loan						
Mortgage Corporation	\$ 17,176,575	\$ 17,712,100	\$ 17,379,670	\$ 15,585,910	\$ 15,370,645	\$ 16,734,681
Federal Home Loan Bank	3,400,000	3,387,998	3,390,446	-	-	-
Federal National Mortgage Assn.	55,690,073	56,847,420	57,071,809	57,236,827	58,240,670	59,739,915
Government National Mortgage Assn.	2,857,368	2,868,648	3,050,524	5,710,096	5,729,581	6,111,270
U.S. Treasury Notes, Bonds and Bills	-	-	-	7,241,340	7,241,340	7,222,712
Corporate Bonds	<u>131,457,200</u>	<u>135,783,136</u>	<u>136,897,307</u>	<u>125,834,587</u>	<u>129,457,053</u>	<u>140,915,419</u>
Total Bonds	<u>\$ 210,581,216</u>	<u>\$ 216,599,302</u>	<u>\$ 217,789,756</u>	<u>\$ 211,608,760</u>	<u>\$ 216,039,289</u>	<u>\$ 230,723,997</u>
Equities		<u>\$ 133,364,262</u>	<u>\$ 143,750,326</u>		<u>\$ 141,188,168</u>	<u>\$ 143,952,578</u>
Cash equivalents		<u>\$ 11,252,080</u>	<u>\$ 11,252,080</u>		<u>\$ 17,714,728</u>	<u>\$ 17,714,728</u>
Mutual fund - domestic		<u>\$ 44,631,407</u>	<u>\$ 49,759,107</u>		<u>\$ -</u>	<u>\$ -</u>
Mutual fund - foreign		<u>\$ 40,090,284</u>	<u>\$ 50,233,416</u>		<u>\$ 40,215,661</u>	<u>\$ 39,512,965</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENTS  
JUNE 30, 2004 AND 2003

	2004			2003		
	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>	<u>PAR VALUE</u>	<u>ORIGINAL COST</u>	<u>MARKET VALUE</u>
PLAN "B"						
Bonds:						
Federal Home Loan						
Mortgage Corporation	\$ 3,629,646	\$ 3,748,560	\$ 3,702,539	\$ 1,220,404	\$ 1,252,223	\$ 1,268,971
Federal Home Loan Bank	525,000	523,147	523,525	-	-	-
Federal National Mortgage Assn.	10,960,258	11,200,721	11,256,994	11,881,722	12,097,849	12,395,264
Government National Mortgage Assn.	339,513	341,482	372,383	578,212	581,851	632,581
U.S. Treasury Notes, Bonds and Bills	-	-	-	3,251,756	3,254,207	3,329,893
Corporate Bonds	<u>25,516,253</u>	<u>26,250,258</u>	<u>26,283,949</u>	<u>24,398,715</u>	<u>25,021,271</u>	<u>26,742,014</u>
Total Bonds	<u>\$ 40,970,670</u>	<u>\$ 42,064,168</u>	<u>\$ 42,139,390</u>	<u>\$ 41,330,809</u>	<u>\$ 42,207,401</u>	<u>\$ 44,368,723</u>
Equities		<u>\$ 23,294,307</u>	<u>\$ 25,145,144</u>		<u>\$ 27,379,965</u>	<u>\$ 28,044,905</u>
Cash equivalents		<u>\$ 2,576,763</u>	<u>\$ 2,576,763</u>		<u>\$ 3,014,022</u>	<u>\$ 3,014,022</u>
Mutual fund - domestic		<u>\$ 7,677,813</u>	<u>\$ 8,502,709</u>		<u>\$ -</u>	<u>\$ -</u>
Mutual fund - foreign		<u>\$ 7,787,204</u>	<u>\$ 9,527,906</u>		<u>\$ 7,814,070</u>	<u>\$ 7,481,869</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004 Expense <u>Fund</u>	2003 Expense <u>Fund</u>
Building and yard maintenance	\$ 23,775	\$ 36,633
Hospitalization	38,335	31,038
Insurance	9,713	9,485
Miscellaneous	5,659	-
IRS penalties and interest	7,359	-
Office equipment maintenance	27,285	22,912
Office supplies	34,766	18,369
Per diem and travel	24,696	19,006
Postage	12,271	22,441
Printing	19,038	10,946
Professional fees	70,715	50,989
Retainer fee	61,835	82,129
Retirement - employer portion	39,851	29,647
Salaries	425,395	380,255
Telephone	7,238	6,760
Utilities	<u>9,653</u>	<u>8,578</u>
Total	\$ <u>817,584</u>	\$ <u>729,188</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PER DIEM AND TRAVEL EXPENSES TO BOARD MEMBERS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004			2003		
	PER DIEM	TRAVEL EXPENSES	TOTAL	PER DIEM	TRAVEL EXPENSES	TOTAL
Bobby Simpson	\$ 150	\$ -	\$ 150	\$ 375	\$ -	\$ 375
Ronnie Harris	750	15	765	-	-	-
Dudley Dixon	900	1,385	2,285	675	747	1,422
Joe Sampite	-	-	-	525	1,292	1,817
Claire Sarradet	1,050	602	1,652	675	511	1,186
Johnny Berthelot	1,050	285	1,335	675	455	1,130
Robert Hebert	900	709	1,609	675	511	1,186
William Mulkey	1,050	5,416	6,466	675	2,469	3,144
Edward Randolph	-	-	-	75	91	166
Gerald Johnson	900	738	1,638	-	-	-
TOTAL	\$ 6,750	\$ 9,150	\$ 15,900	\$ 4,350	\$ 6,076	\$ 10,426

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS  
JUNE 30, 2004

	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>EXPENSE FUND</u>	<u>TOTAL</u>
<b>ASSETS:</b>				
Cash	\$ 3,351,156	\$ 4,014,495	\$ 1,679,072	\$ 9,044,723
Receivables:				
Due from (to) other funds	602,918	(813,957)	211,039	-
Member contributions	2,865,689	549,077	-	3,414,766
Employer contributions	3,598,628	880,215	-	4,478,843
Investment receivable	94,515	20,103	-	114,618
Accrued interest and dividends	2,612,125	471,185	-	3,083,310
Total	<u>9,773,875</u>	<u>1,106,623</u>	<u>211,039</u>	<u>11,091,537</u>
Investments:				
Cash equivalents	11,252,080	2,576,763	-	13,828,843
Bonds	217,789,756	42,139,390	-	259,929,146
Equities	143,750,326	25,145,144	-	168,895,470
Collateral held under securities lending program	24,859,599	3,023,571	-	27,883,170
Mutual fund	99,992,523	18,030,615	-	118,023,138
Total	<u>497,644,284</u>	<u>90,915,483</u>	<u>-</u>	<u>588,559,767</u>
Property, plant, and equipment:				
Land	296,248	93,299	-	389,547
Building	454,388	137,968	-	592,356
Office furnishings and equipment	186,543	58,769	317,962	563,274
	<u>937,179</u>	<u>290,036</u>	<u>317,962</u>	<u>1,545,177</u>
Less: Accumulated depreciation	(344,630)	(106,770)	(288,872)	(740,272)
	<u>592,549</u>	<u>183,266</u>	<u>29,090</u>	<u>804,905</u>
Total assets	<u>511,361,864</u>	<u>96,219,867</u>	<u>1,919,201</u>	<u>609,500,932</u>
<b>LIABILITIES:</b>				
Investment payable	206,809	40,372	-	247,181
Refunds payable	115,721	73,005	-	188,726
Ad valorem and revenue sharing payable to East Baton Rouge Parish	382,510	129,525	-	512,035
Obligation under securities lending program	24,859,599	3,023,571	-	27,883,170
Accounts payable	258,179	48,651	1,995	308,825
Total liabilities	<u>25,822,818</u>	<u>3,315,124</u>	<u>1,995</u>	<u>29,139,937</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
	<u>\$ 485,539,046</u>	<u>\$ 92,904,743</u>	<u>\$ 1,917,206</u>	<u>\$ 580,360,995</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS  
JUNE 30, 2003

	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>EXPENSE FUND</u>	<u>TOTAL</u>
ASSETS:				
Cash	\$ <u>2,841,243</u>	\$ <u>538,353</u>	\$ <u>3,189,169</u>	\$ <u>6,568,765</u>
Receivables:				
Due from (to) other funds	1,498,789	(1,498,789)	-	-
Member contributions	2,923,060	559,324	-	3,482,384
Employer contributions	2,701,063	726,143	-	3,427,206
Investment receivable	244,063	52,289	-	296,352
Accrued interest and dividends	2,830,764	463,471	-	3,294,235
Total	<u>10,197,739</u>	<u>302,438</u>	<u>-</u>	<u>10,500,177</u>
Investments:				
Cash equivalents	17,714,728	3,014,022	-	20,728,750
Bonds	230,723,997	44,368,723	-	275,092,720
Equities	143,952,578	28,044,905	-	171,997,483
Mutual fund-foreign	39,512,965	7,481,869	-	46,994,834
Total	<u>431,904,268</u>	<u>82,909,519</u>	<u>-</u>	<u>514,813,787</u>
Property, plant, and equipment:				
Land	296,248	93,299	-	389,547
Building	410,442	124,626	-	535,068
Office furnishings and equipment	186,543	58,769	293,957	539,269
	893,233	276,694	293,957	1,463,884
Less: Accumulated depreciation	(330,197)	(102,388)	(277,119)	(709,704)
	<u>563,036</u>	<u>174,306</u>	<u>16,838</u>	<u>754,180</u>
Total assets	<u>445,506,286</u>	<u>83,924,616</u>	<u>3,206,007</u>	<u>532,636,909</u>
LIABILITIES:				
Investment payable	113,600	28,741	-	142,341
Refunds payable	179,233	18,123	-	197,356
Accounts payable	216,755	41,678	9,872	268,305
Total liabilities	<u>509,588</u>	<u>88,542</u>	<u>9,872</u>	<u>608,002</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u><u>444,996,698</u></u>	\$ <u><u>83,836,074</u></u>	\$ <u><u>3,196,135</u></u>	\$ <u><u>532,028,907</u></u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	\$ 12,439,581	\$ 2,357,364	\$ -	\$ 14,796,945
Employers'	15,440,343	3,752,478	-	19,192,821
Ad valorem taxes and state revenue sharing funds	3,180,565	1,076,289	-	4,256,854
Total contributions	<u>31,060,489</u>	<u>7,186,131</u>	<u>-</u>	<u>38,246,620</u>
Investment income:				
Interest income	12,329,722	2,377,857	-	14,707,579
Dividend income	1,617,926	308,010	-	1,925,936
Securities lending income	5,206	726	-	5,932
Net appreciation in fair value of investments	30,253,740	5,805,882	-	36,059,622
	<u>44,206,594</u>	<u>8,492,475</u>	<u>-</u>	<u>52,699,069</u>
Less investment expense:				
Investment advisory fee	1,409,142	271,961	-	1,681,103
Custodian and bank fee	96,959	23,714	-	120,673
	<u>1,506,101</u>	<u>295,675</u>	<u>-</u>	<u>1,801,776</u>
Net investment income	<u>42,700,493</u>	<u>8,196,800</u>	<u>-</u>	<u>50,897,293</u>
Other additions:				
Interest-other	134,744	46,865	20,392	202,001
Miscellaneous revenue	67,294	-	-	67,294
Transfers from other retirement systems	1,018,063	199,573	-	1,217,636
Total other additions	<u>1,220,101</u>	<u>246,438</u>	<u>20,392</u>	<u>1,486,931</u>
TOTAL ADDITIONS	<u>74,981,083</u>	<u>15,629,369</u>	<u>20,392</u>	<u>90,630,844</u>
DEDUCTIONS:				
Benefits	30,965,602	5,840,677	-	36,806,279
Refund of contributions	3,036,109	545,522	-	3,581,631
Administrative expenses	-	-	817,584	817,584
Depreciation	14,433	4,382	11,753	30,568
Transfers to other retirement systems	891,742	170,952	-	1,062,694
Transfers from pension funds to expense fund	(352,488)	(117,496)	469,984	-
Transfer to/from Plans	(116,663)	116,663	-	-
TOTAL DEDUCTIONS	<u>34,438,735</u>	<u>6,560,700</u>	<u>1,299,321</u>	<u>42,298,756</u>
NET INCREASE (DECREASE)	40,542,348	9,068,669	(1,278,929)	48,332,088
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS- BEGINNING OF YEAR	<u>444,996,698</u>	<u>83,836,074</u>	<u>3,196,135</u>	<u>532,028,907</u>
END OF YEAR	<u>\$ 485,539,046</u>	<u>\$ 92,904,743</u>	<u>\$ 1,917,206</u>	<u>\$ 580,360,995</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2003

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	\$ 12,199,058	\$ 2,203,390	\$ -	\$ 14,402,448
Employers'	11,059,848	2,836,103	-	13,895,951
Ad valorem taxes and state revenue sharing funds	3,005,876	1,018,915	-	4,024,791
Total contributions	<u>26,264,782</u>	<u>6,058,408</u>	<u>-</u>	<u>32,323,190</u>
Investment income:				
Interest income	14,015,164	2,633,369	42,074	16,690,607
Dividend income	1,900,378	365,396	-	2,265,774
Net appreciation in fair value of investments	4,079,705	348,899	-	4,428,604
	<u>19,995,247</u>	<u>3,347,664</u>	<u>42,074</u>	<u>23,384,985</u>
Less investment expense:				
Investment advisory fee	1,212,782	247,017	-	1,459,799
Custodian and bank fee	76,985	20,089	-	97,074
	<u>1,289,767</u>	<u>267,106</u>	<u>-</u>	<u>1,556,873</u>
Net investment income (expense)	<u>18,705,480</u>	<u>3,080,558</u>	<u>42,074</u>	<u>21,828,112</u>
Other additions:				
Interest-other	101,321	20,383	-	121,704
Miscellaneous revenue	31,213	-	5,920	37,133
Transfers from other retirement systems	806,048	90,566	-	896,614
Total other additions	<u>938,582</u>	<u>110,949</u>	<u>5,920</u>	<u>1,055,451</u>
<b>TOTAL ADDITIONS</b>	<u>45,908,844</u>	<u>9,249,915</u>	<u>47,994</u>	<u>55,206,753</u>
DEDUCTIONS:				
Benefits	29,459,711	5,598,274	-	-
Refund of contributions	2,777,389	632,946	-	35,057,985
Administrative expenses	-	-	729,188	3,410,335
Depreciation	13,681	4,154	13,297	729,188
Transfers to other retirement systems	900,862	194,953	-	1,095,815
Transfers from pension funds to expense fund	868,028	312,472	(1,180,500)	-
Transfer to/from Plans	<u>(438,173)</u>	<u>438,173</u>	<u>-</u>	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>33,581,498</u>	<u>7,180,972</u>	<u>(438,015)</u>	<u>40,324,455</u>
<b>NET INCREASE</b>	12,327,346	2,068,943	486,009	14,882,298
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS- BEGINNING OF YEAR</b>	<u>432,669,352</u>	<u>81,767,131</u>	<u>2,710,126</u>	<u>517,146,609</u>
<b>END OF YEAR</b>	<u>\$ 444,996,698</u>	<u>\$ 83,836,074</u>	<u>\$ 3,196,135</u>	<u>\$ 532,028,907</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES  
JUNE 30, 1999 THROUGH 2004

PLAN A				
<u>Year</u>	<u>Actuarial Required Contributions Employer</u>	<u>Actuarial Required Contributions Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
1999	\$ 5,965,809	\$ 2,525,707	122.32 %	94.86 %
2000	7,679,482	2,504,352	94.81	102.25
2001	9,040,991	2,593,286	89.41	103.55
2002	10,223,883	2,817,666	90.83	96.89
2003	14,438,244	3,052,408	76.60	98.48
2004	20,406,697	3,199,619	75.66	99.40

PLAN B				
<u>Year</u>	<u>Actuarial Required Contributions Employer</u>	<u>Actuarial Required Contributions Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
1999	\$ 1,693,636	\$ 798,723	92.93 %	97.28 %
2000	1,428,179	865,056	140.15	86.88
2001	1,644,497	864,948	118.38	102.33
2002	2,705,856	957,305	73.35	113.05
2003	3,385,457	1,021,289	83.77	99.77
2004	4,304,882	1,065,798	87.17	100.98

For Plans A and B for the years ending June 30, 2003 and 2004, the actuarially required contribution differs from actual contributions made due to state statute that requires the contribution rate be calculated and set two years prior to the year effective.

For Plan B, the Board of Trustees elected to freeze the employer contribution rate in 2001. As a result of this freeze in rates, the unfunded accrued liability will be fully amortized by June 30, 2023.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 1999 THROUGH 2004

PLAN A

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
June 30, 1999	\$ 409,182,585	\$ 472,653,880	\$ 63,471,295	86.57%	\$ 120,568,583	52.64%
June 30, 2000	447,557,888	512,465,288	64,907,400	87.33%	124,683,590	52.06%
June 30, 2001	465,259,344	531,562,970	66,303,626	87.53%	125,304,827	52.91%
June 30, 2002	463,477,324	531,127,529	67,650,205	87.26%	130,191,230	51.96%
June 30, 2003	452,830,104	521,766,411	68,936,307	86.79%	135,876,426	50.73%
June 30, 2004	465,429,341	535,579,287	70,149,946	86.90%	135,925,550	51.61%

PLAN B

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
June 30, 1999	\$ 88,384,208	\$ 96,158,035	\$ 7,773,827	91.92%	\$ 41,646,939	18.67%
June 30, 2000	96,602,212	103,655,179	7,052,967	93.20%	41,586,147	16.96%
June 30, 2001	89,937,940	96,857,576	6,919,636	92.86%	42,572,472	16.25%
June 30, 2002	88,697,416	95,381,233	6,683,817	92.99%	43,560,002	15.34%
June 30, 2003	86,170,714	92,615,633	6,444,919	93.04%	45,260,679	14.24%
June 30, 2004	89,415,704	95,618,087	6,202,383	93.51%	47,676,817	13.01%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF LOUISIANA  
SUPPLEMENTARY INFORMATION  
NOTES TO SCHEDULE OF CONTRIBUTIONS AND  
SCHEDULE OF FUNDING PROGRESS - PLANS A AND B  
JUNE 30, 1999 THROUGH 2004

The information presented in the Schedule of Contributions - Employer and Other and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2004
Actuarial Cost Method	Frozen Attained Age Normal Method
Amortization Method	In accordance with state statute, the payment amounts increase at 4.25% each year for the remaining amortization period for Plan A and the payment amounts decrease at 2% each year for the remaining amortization period for Plan B. The amortization period is for a specific number of years. (Closed Basis). The required payment amount under the parameters of the current accounting standards produces a payment in the amount of \$4,016,435 for Plan A. This amount is approximately 4% higher than the amount required by state statute. The difference is not accounted for in the required supplemental schedules.
Remaining Amortization Period	Plan A 25 years Plan B 19 years
Asset Valuation Method: Bonds Equities	Market Value adjusted to reflect a three year smoothing of realized and unrealized capital gains.
	Expense fund assets are allocated to each plan in proportion to reported payroll.
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6% (3.25% Inflation, 2.75 Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Change in Normal Cost	The System incurred an increase in normal cost for Plan A and Plan B in the amounts of \$2,609,160 and \$501,394 for the year ending June 30, 2004 due to declines in the investment market. The effect of the change in normal cost for years ending subsequent to June 30, 2004 has not been determined.



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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

September 24, 2004

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

We have audited the financial statements of the Municipal Employees' Retirement System of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Municipal Employees' Retirement System of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipal Employees' Retirement System of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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.

This report is intended for the use of the Board of Trustees and management of Municipal Employees' Retirement System of Louisiana and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

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September 24, 2004

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

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM  
SECTION 1: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2004 and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2004 resulted in an unqualified opinion.

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

Internal Control:

Material weaknesses – none noted  
Reportable conditions – none noted

Compliance:

Noncompliance material to financial statements - none noted

B. FEDERAL AWARDS:

N/A

SECTION 2: FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINDINGS:

NONE

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

NONE