

REPORT

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

JUNE 30, 2005 AND 2004

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR, C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

MEMBERS
AMERICAN INSTITUTE OF
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INDEPENDENT AUDITOR'S REPORT

September 28, 2005

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, 2005 and 2004 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, 2005 and 2004 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.

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, 2005 and 2004, 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, 2000 - 2005 and supplemental schedules for the years ending June 30, 2005 and 2004, 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 28, 2005 on our consideration of Municipal Employees' Retirement System of Louisiana's internal control over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

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, 2005. 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 begins on page 7.

FINANCIAL HIGHLIGHTS

1. The Municipal Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2005 by \$623,684,642 which represents an increase from last year. The net assets held in trust for pension benefits increased by \$43,323,647 or 7.5 %. The increase was primarily due to an improved investment performance.
2. Contributions to the System by members and employers totaled \$ 40,825,390, an increase of \$6,835,624 or 20.1 %.
3. The investments of the System increased by \$85,803,119. The increase was due primarily to a continued recovery in the markets in 2005.
4. Pension benefits paid to retirees and beneficiaries increased by \$1,418,134 or 3.9%. This increase is due to an increase in the number of retirees and their benefit amounts.
5. Administrative expenses of the System totaled \$763,528, a decrease of \$54,056 or 6.6%.

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, 2005 and 2004.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash	\$ 11,613,213	\$ 9,044,723
Receivables	4,941,870	11,091,537
Investments	674,362,886	588,559,767
Property and equipment	<u>813,064</u>	<u>804,905</u>
Total assets	691,731,033	609,500,932
Total liabilities	<u>68,046,391</u>	<u>29,139,937</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 623,684,642</u>	<u>\$ 580,360,995</u>

Plan net assets increased by \$43,323,647 or 7.5%. The increase in plan net assets was a result of the improved investment performance in 2005.

Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Additions:		
Contributions	\$ 45,388,411	\$ 38,246,620
Investment income	41,673,449	50,897,293
Other	<u>1,045,214</u>	<u>1,486,931</u>
Total additions	88,107,074	90,630,844
Total deductions	<u>44,783,427</u>	<u>42,298,756</u>
Increase in Plan Net Assets	<u>\$ 43,323,647</u>	<u>\$ 48,332,088</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

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 \$6,687,090 or 34.8%, primarily due to an increase in the contribution rate during the current year. The System experienced a net investment return of \$41,673,449 as compared to a net investment return of \$50,897,293 in the previous year. The decrease in investment return was primarily due to reduced market performance in the current year as compared to the prior year.

	<u>2005</u>	Increase (Decrease) <u>2004</u>	<u>Percentage</u>
Member contributions	\$ 14,945,479	\$ 14,796,945	1.0%
Employer contributions	25,879,911	19,192,821	34.8%
Ad valorem and state revenue sharing	4,563,021	4,256,854	7.2%
Net investment income	41,673,449	50,897,293	(18.1%)
Other	<u>1,045,214</u>	<u>1,486,931</u>	(29.7%)
	<u>\$ 88,107,074</u>	<u>\$ 90,630,844</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 \$44,783,427 in fiscal year 2005. The increase of \$2,484,671 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.

	<u>2005</u>	Increase (Decrease) <u>2004</u>	<u>Percentage</u>
Retirement benefits	\$ 38,224,413	\$ 36,806,279	3.9%
Refunds of contributions	4,605,828	3,581,631	28.6%
Administrative expenses	763,528	817,584	(6.6%)
Depreciation	34,049	30,568	11.4%
Transfer to other systems	<u>1,155,609</u>	<u>1,062,694</u>	8.7%
	<u>\$ 44,783,427</u>	<u>\$ 42,298,756</u>	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Investments

Municipal Employees' Retirement System of Louisiana 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 \$66,798,803 at June 30, 2005 amounted to \$ 607,564,083 as compared to \$560,676,597 at June 30, 2004 which is an increase of \$46,887,486 or 8.4 %. The major contributing factor to this increase is continued recovery in the markets in 2005. The System's investments in various markets at the end of the 2005 and 2004 fiscal years are indicated in the following table:

	<u>2005</u>	<u>2004</u>	Increase (Decrease) <u>Percentage</u>
Cash equivalents	\$ 13,786,473	\$ 13,828,843	(.3%)
Bonds	160,385,473	259,929,146	(38.3%)
Equities	220,067,748	168,895,470	30.3%
Collateral held under securities lending program	66,798,803	27,883,170	139.6%
Mutual funds	<u>213,324,389</u>	<u>118,023,138</u>	80.7%
	<u>\$ 674,362,886</u>	<u>\$ 588,559,767</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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS:		
Cash	\$ <u>11,613,213</u>	\$ <u>9,044,723</u>
Receivables:		
Member contributions	994,973	3,414,766
Employer contributions	1,748,924	4,478,843
Investment receivable	365,983	114,618
Accrued interest and dividends	<u>1,831,990</u>	<u>3,083,310</u>
Total	<u>4,941,870</u>	<u>11,091,537</u>
Investments (At fair value): (Notes 1 and 6) (Pages 27-28)		
Cash equivalents	13,786,473	13,828,843
Bonds	160,385,473	259,929,146
Equities	220,067,748	168,895,470
Collateral held under securities lending program	66,798,803	27,883,170
Mutual funds	<u>213,324,389</u>	<u>118,023,138</u>
Total	<u>674,362,886</u>	<u>588,559,767</u>
Property, plant, and equipment: (Note 1)		
Land	389,547	389,547
Building	592,356	592,356
Office furnishings and equipment	<u>605,482</u>	<u>563,274</u>
	1,587,385	1,545,177
Less: Accumulated depreciation	<u>(774,321)</u>	<u>(740,272)</u>
	<u>813,064</u>	<u>804,905</u>
Total assets	<u>691,731,033</u>	<u>609,500,932</u>
LIABILITIES:		
Investment payable	489,764	247,181
Refunds payable	329,748	188,726
Ad valorem and revenue sharing payable to East Baton Rouge Parish	-	512,035
Obligations under securities lending program	66,798,803	27,883,170
Accounts payable	<u>428,076</u>	<u>308,825</u>
Total liabilities	<u>68,046,391</u>	<u>29,139,937</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>623,684,642</u>	\$ <u>580,360,995</u>

(A schedule of funding progress for the plan is presented on page 36)

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ADDITIONS: (Note 1)		
Contributions:		
Members'	\$ 14,945,479	\$ 14,796,945
Employers'	25,879,911	19,192,821
Ad valorem taxes and state revenue sharing funds	4,563,021	4,256,854
Total contributions	<u>45,388,411</u>	<u>38,246,620</u>
Investment income: (Note 1)		
Interest income	12,850,510	14,707,579
Dividend income	2,798,868	1,925,936
Securities lending income	97,758	5,932
Net appreciation in fair value of investments	28,087,952	36,059,622
	<u>43,835,088</u>	<u>52,699,069</u>
Less investment expense:		
Investment advisory fees	2,038,319	1,681,103
Securities lending expense	33,926	-
Custodian and bank fees	89,394	120,673
	<u>2,161,639</u>	<u>1,801,776</u>
Net investment income	<u>41,673,449</u>	<u>50,897,293</u>
Other additions:		
Interest-other	483,497	202,001
Transfers from other retirement systems	561,717	1,217,636
Miscellaneous revenue	-	67,294
	<u>1,045,214</u>	<u>1,486,931</u>
Total additions	<u>88,107,074</u>	<u>90,630,844</u>
DEDUCTIONS: (Note 1)		
Benefits	38,224,413	36,806,279
Refund of contributions	4,605,828	3,581,631
Administrative expenses (Page 29)	763,528	817,584
Depreciation	34,049	30,568
Transfers to other retirement systems	1,155,609	1,062,694
	<u>44,783,427</u>	<u>42,298,756</u>
Total deductions	<u>44,783,427</u>	<u>42,298,756</u>
NET INCREASE	43,323,647	48,332,088
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	580,360,995	532,028,907
END OF YEAR	<u>\$ 623,684,642</u>	<u>\$ 580,360,995</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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 provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information.

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, 2005 AND 2004

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, 2005 and 2004, respectively, there were 81 and 80 contributing municipalities in Plan A and 59 and 59 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, 2005 and 2004 statewide retirement membership consists of:

	<u>2005</u>			<u>2004</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	5,073	1,987	7,060	5,123	1,998	7,121
Retirees and survivors	2,512	745	3,257	2,448	734	3,182
"Drop Plan" participants	216	51	267	202	54	256
Terminated due deferred benefits	186	79	265	193	74	267
Terminated due refunds	<u>2,263</u>	<u>806</u>	<u>3,069</u>	<u>2,266</u>	<u>820</u>	<u>3,086</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>10,250</u>	<u>3,668</u>	<u>13,918</u>	<u>10,232</u>	<u>3,680</u>	<u>13,912</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

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, 2005 AND 2004

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.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

2. PLAN DESCRIPTION: (Continued)

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, 2005 and 2004, 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, 2005 and 2004, the actuarially determined employer contribution rates were 15.87% and 14.61%, respectively, of member's earnings for Plan A. The actual contribution rates were 15% and 11% for the years ended June 30, 2005 and 2004, respectively. The actuarially determined employer contribution rates for Plan B for the fiscal years ending June 30, 2005 and 2004 were 9.72% and 9.22%, respectively. The actual contribution rates were 9.50% and 7.75% for the years ended June 30, 2005 and 2004, 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.

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

Reserves:

Use of the term "reserve" by the retirement system indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

A) Expense:

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

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2005 and 2004 is \$95,970,950 and \$94,344,877, respectively, for Plan A and \$17,885,184 and \$17,145,094, 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, 2005 and 2004 is \$189,170,272 and \$180,866,800, respectively, for Plan A and \$35,462,388 and \$31,956,195, respectively, for Plan B. The Pension Accumulation Reserve is 75% and 72% funded for Plan A and 96% and 92% funded for Plan B as of June 30, 2005 and 2004, respectively.

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, 2005 and 2004 is \$267,162,483 and \$246,618,452, respectively, for Plan A and \$46,261,236 and \$44,065,867, respectively, for Plan B. The Annuity Reserve is fully funded for both plans.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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, 2005 and 2004 is \$15,495,949 and \$13,749,158, respectively, for Plan A and \$2,764,482 and \$2,450,931, 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 35 – 37.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Deposits (bank balance)	\$ 11,693,102	\$ 9,192,525
Cash equivalents	13,786,473	13,828,843
Investments	<u>660,576,413</u>	<u>574,730,924</u>
	<u>\$ 686,055,988</u>	<u>\$ 597,752,292</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

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, 2005 and 2004, cash equivalents in the amount of \$8,755,863 and \$13,562,261, 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, 2005 and 2004, cash equivalents in the amount of \$2,927 and \$266,582, 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.

Cash equivalents at June 30, 2005 in the amount of \$5,027,683 consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP), held by a custodial bank and are 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 invest more than fifty-five percent of the total portfolio in equities, so long as not more than sixty five percent of the total portfolio is invested in equities and at least ten percent .of total portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

The System's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry. The equity holdings in any single corporation shall not exceed 10% of the market value of the equity portfolio at any time. In addition, no more than 5% of the aggregate long-term debt portfolio at cost may be invested in any one issuer's securities (exclusive of issues of the U.S. Treasury or other Federal agencies). At June 30, 2005, there were no investment holdings that exceeded the System's concentration of credit risk investment policy.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of June 30, 2005.

	Federal Home Loan Mortgage Corp.	Federal National Mortgage Assn.	Government National Mortgage Assn.	Corporate Bonds	Total
AAA	\$ --	\$ --	\$ --	\$ 3,897,596	\$ 3,897,596
AA1	--	--	--	2,127,900	2,127,900
AA2	--	--	--	5,854,350	5,854,350
A1	--	--	--	14,269,851	14,269,851
A2	--	--	--	18,782,098	18,782,098
A3	--	--	--	24,869,356	24,869,356
BAA1	--	--	--	7,082,517	7,082,517
BAA2	--	--	--	16,424,309	16,424,309
BAA3	--	--	--	4,820,300	4,820,300
Not Rated	<u>18,361,358</u>	<u>33,223,288</u>	<u>10,672,550</u>	<u>--</u>	<u>62,257,196</u>
	<u>\$ 18,361,358</u>	<u>\$ 33,223,288</u>	<u>\$ 10,672,550</u>	<u>\$ 98,128,277</u>	<u>\$ 160,385,473</u>

The System's investment policy limits its investments to corporate debt issues rated the equivalent of A or better by Moody's Investor Services or Standard & Poors. Also, corporate debt issues rated BAA by Moody's or BBB by Standard & Poors may be acquired and/or held up to a maximum of no more than 15% of the portfolio allocated to any one money manager. Securities that are downgraded below the policy standard must be sold within a reasonable amount of time. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated.

Cash collateral invested under the securities lending program may be invested in securities issued or fully guaranteed by the U.S. Government or its agencies, high-grade commercial paper, notes, bonds and other debt obligations, asset-backed securities which carry the highest rating by Standard and Poors or Moody's, Certificates of deposit, time deposits, repurchase and reverse repurchase agreements, money market funds, or short-term investment funds, pools or trusts. The System is in compliance with the investment policy regarding cash collateral invested under the securities lending program.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System is not exposed to custodial credit risk at June 30, 2005 for investments in the amount of \$1,492,625,517, since the investments are in the name of the System. At June 30, 2005 and 2004, for collateral held under securities lending in the amount of \$66,798,803 and noncash collateral received under the securities lending program in the amount of \$441,286, the System is exposed to custodial credit risk since these investments are not in the name of the System. The System has no formal investment policy regarding custodial credit risk.

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The System has no exposure to foreign currency risk at June 30, 2005 since it has no investments traded on foreign exchanges.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2005, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Federal Home Loan Mortgage Corporation	\$ 18,361,358	\$ --	\$ 74,236	\$ 6,878	\$ 18,280,244
Federal National Mortgage Assn.	33,223,288	7,997,022	72,706	336,603	24,816,957
Government National Mortgage Assn.	10,672,550	--	--	--	10,672,550
Corporate Bonds	<u>98,128,277</u>	<u>---</u>	<u>26,784,118</u>	<u>60,467,530</u>	<u>10,876,629</u>
	<u>\$ 160,385,473</u>	<u>\$ 7,997,022</u>	<u>\$ 26,931,060</u>	<u>\$ 60,811,011</u>	<u>\$ 64,646,380</u>
Collateral Held Under Securities Lending Program	<u>\$ 66,798,803</u>	<u>\$ 66,798,803</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

The System has no formal policy regarding interest rate risk.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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

Interest Rate Risk (Continued)

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

For the year ended June 30, 2004, the Retirement System's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Retirement System or its agent in the Retirement System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Retirement System's name.

	<u>Market Value</u>	<u>Category</u>
Collateral held under		
Securities Lending Program	\$ 27,883,170	2
Bonds	233,536,376	1
Bonds	10,931,020	3
Stocks	156,894,140	1
Mutual fund – domestic	58,261,816	N/A
Mutual fund – foreign	59,761,322	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	<u>182,270</u>	1
	<u>\$ 574,730,924</u>	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

7. VACATION AND SICK LEAVE:

The employees of the Municipal Employees' Retirement System accumulate limited amounts of vacation and unlimited amounts of sick leave. For the year ended June 30, 2005, upon resignation or retirement, unused vacation leave up to 300 hours is payable to employees at the employee's rate of pay as of December 31, 2004. Beginning January 1, 2005, unused vacation and sick leave will accumulate but will not be paid upon termination. For the year ended June 30, 2004, unused vacation leave was payable 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, 2005 and 2004, is estimated to be \$16,776 and \$21,969, 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.

9. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2005 and 2004, are as follows:

<u>2005</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 389,547	\$ --	\$ --	\$ 389,547
Building	592,356	--	--	592,356
Equipment	563,274	42,208	--	605,482
Accumulated depreciation	<u>(740,272)</u>	<u>(34,049)</u>	--	<u>(774,321)</u>
	<u>\$ 804,905</u>	<u>\$ 8,159</u>	<u>\$ --</u>	<u>\$ 813,064</u>
<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>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

9. PROPERTY, PLANT AND EQUIPMENT: (Continued)

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, 2005 and 2004 is \$34,049 and \$30,568, 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.

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, 2005 and 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.

MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2005

	<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, 2004	\$ <u>246,618,452</u>	\$ <u>94,344,877</u>	\$ <u>13,749,158</u>	\$ <u>180,866,800</u>	\$ <u>(50,040,241)</u>	\$ <u>485,539,046</u>
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	12,557,246	-	-	-	12,557,246
Employers	-	-	-	21,178,909	-	21,178,909
Net income from investments and other sources	-	-	-	35,300,279	-	35,300,279
Ad valorem taxes and state revenue sharing funds	-	-	-	3,349,924	-	3,349,924
Transfer from annuity savings	6,926,196	-	-	-	-	6,926,196
Pensions transferred from annuity reserve	-	-	4,199,118	-	-	4,199,118
Transfers from other systems	-	85,029	-	476,688	-	561,717
Transfer from Plan B	42,440	20,996	-	-	-	63,436
Actuarial transfers	47,561,431	-	-	-	3,651,866	51,213,297
Total revenues	<u>54,530,067</u>	<u>12,663,271</u>	<u>4,199,118</u>	<u>60,305,800</u>	<u>3,651,866</u>	<u>135,350,122</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	29,786,918	-	2,452,327	-	-	32,239,245
Refunds to members	-	3,914,352	-	-	-	3,914,352
Transfers to annuity reserve	-	6,926,196	-	-	-	6,926,196
Pensions transferred to DROP	4,199,118	-	-	-	-	4,199,118
Transfers to other systems	-	196,650	-	774,223	-	970,873
Depreciation	-	-	-	14,808	-	14,808
Actuarial transfer	-	-	-	51,213,297	-	51,213,297
Total expenditures	<u>33,986,036</u>	<u>11,037,198</u>	<u>2,452,327</u>	<u>52,002,328</u>	<u>-</u>	<u>99,477,889</u>
NET INCREASE (DECREASE)	<u>20,544,031</u>	<u>1,626,073</u>	<u>1,746,791</u>	<u>8,303,472</u>	<u>3,651,866</u>	<u>35,872,233</u>
BALANCES-JUNE 30, 2005	<u>\$ <u>267,162,483</u></u>	<u>\$ <u>95,970,950</u></u>	<u>\$ <u>15,495,949</u></u>	<u>\$ <u>189,170,272</u></u>	<u>\$ <u>(46,388,375)</u></u>	<u>\$ <u>521,411,279</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, 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	<u>40,367,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,729,472</u>	<u>67,096,765</u>
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 B
FOR THE YEAR ENDED JUNE 30, 2005

	<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, 2004	\$ 44,065,867	\$ 17,145,094	\$ 2,450,931	\$ 31,956,195	\$ (2,713,344)	\$ 92,904,743
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	2,388,233	-	-	-	2,388,233
Employers	-	-	-	4,701,002	-	4,701,002
Net income from investments and other sources	-	-	-	6,832,136	-	6,832,136
Ad valorem taxes and state revenue sharing funds	-	-	-	1,213,097	-	1,213,097
Transfer from annuity savings	877,498	-	-	-	-	877,498
Pensions transferred from annuity reserve	-	-	745,139	-	-	745,139
Actuarial transfers	7,659,030	-	-	-	1,449,953	9,108,983
Total revenues	<u>8,536,528</u>	<u>2,388,233</u>	<u>745,139</u>	<u>12,746,235</u>	<u>1,449,953</u>	<u>25,866,088</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	5,553,580	-	431,588	-	-	5,985,168
Refunds to members	-	691,476	-	-	-	691,476
Transfers to annuity reserve	-	877,498	-	-	-	877,498
Pensions transferred to DROP	745,139	-	-	-	-	745,139
Transfers to other systems	-	58,173	-	126,563	-	184,736
Depreciation	-	-	-	4,496	-	4,496
Transfer to Plan A	42,440	20,996	-	-	-	63,436
Actuarial transfer	-	-	-	9,108,983	-	9,108,983
Total expenditures	<u>6,341,159</u>	<u>1,648,143</u>	<u>431,588</u>	<u>9,240,042</u>	<u>-</u>	<u>17,660,932</u>
NET INCREASE (DECREASE)	<u>2,195,369</u>	<u>740,090</u>	<u>313,551</u>	<u>3,506,193</u>	<u>1,449,953</u>	<u>8,205,156</u>
BALANCES-JUNE 30, 2005	<u>\$ 46,261,236</u>	<u>\$ 17,885,184</u>	<u>\$ 2,764,482</u>	<u>\$ 35,462,388</u>	<u>\$ (1,263,391)</u>	<u>\$ 101,109,899</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

	<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	\$ 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 EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
JUNE 30, 2005 AND 2004

	<u>2005</u>			<u>2004</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	\$ 15,150,660	\$ 15,599,162	\$ 15,461,826	\$ 17,176,575	\$ 17,712,100	\$ 17,379,670
Federal Home Loan Bank	-	-	-	3,400,000	3,387,998	3,390,446
Federal National Mortgage Assn.	27,374,807	27,883,148	28,018,857	55,690,073	56,847,420	57,071,809
Government National Mortgage Assn.	8,786,114	9,059,029	9,137,329	2,857,368	2,868,648	3,050,524
Corporate Bonds	<u>76,517,140</u>	<u>78,951,119</u>	<u>82,019,075</u>	<u>131,457,200</u>	<u>135,783,136</u>	<u>136,897,307</u>
Total Bonds	<u>\$ 127,828,721</u>	<u>\$ 131,492,458</u>	<u>\$ 134,637,087</u>	<u>\$ 210,581,216</u>	<u>\$ 216,599,302</u>	<u>\$ 217,789,756</u>
Equities		<u>\$ 167,964,019</u>	<u>\$ 183,742,977</u>		<u>\$ 133,364,262</u>	<u>\$ 143,750,326</u>
Cash equivalents		<u>\$ 11,494,332</u>	<u>\$ 11,494,332</u>		<u>\$ 11,252,080</u>	<u>\$ 11,252,080</u>
Mutual fund - domestic		<u>\$ 107,109,327</u>	<u>\$ 112,369,894</u>		<u>\$ 44,631,407</u>	<u>\$ 49,759,107</u>
Mutual fund - foreign		<u>\$ 49,115,197</u>	<u>\$ 65,602,334</u>		<u>\$ 40,090,284</u>	<u>\$ 50,233,416</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
JUNE 30, 2005 AND 2004

	2005			2004		
	<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 "B"						
Bonds:						
Federal Home Loan						
Mortgage Corporation	\$ 2,828,034	\$ 2,910,477	\$ 2,899,532	\$ 3,629,646	\$ 3,748,560	\$ 3,702,539
Federal Home Loan Bank	-	-	-	525,000	523,147	523,525
Federal National Mortgage Assn.	5,086,356	5,171,848	5,204,431	10,960,258	11,200,721	11,256,994
Government National Mortgage Assn.	1,472,624	1,521,287	1,535,221	339,513	341,482	372,383
Corporate Bonds	15,163,428	15,666,032	16,109,202	25,516,253	26,250,258	26,283,949
Total Bonds	\$ 24,550,442	\$ 25,269,644	\$ 25,748,386	\$ 40,970,670	\$ 42,064,168	\$ 42,139,390
Equities		\$ 33,449,162	\$ 36,324,771		\$ 23,294,307	\$ 25,145,144
Cash equivalents		\$ 2,292,141	\$ 2,292,141		\$ 2,576,763	\$ 2,576,763
Mutual fund - domestic		\$ 21,654,974	\$ 22,690,289		\$ 7,677,813	\$ 8,502,709
Mutual fund - foreign		\$ 9,686,333	\$ 12,661,872		\$ 7,787,204	\$ 9,527,906

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005 Expense <u>Fund</u>	2004 Expense <u>Fund</u>
Building and yard maintenance	\$ 14,218	\$ 23,775
Hospitalization	48,284	38,335
Insurance	10,745	9,713
Office equipment maintenance	33,776	27,285
Office supplies	21,965	34,766
Per diem and travel	45,387	24,696
Postage	2,988	12,271
Printing	8,473	19,038
Professional fees	83,340	70,715
Retainer fee	39,900	61,835
Retirement - employer portion	53,826	39,851
Salaries	363,677	425,395
Telephone	6,166	7,238
Utilities	10,002	9,653
Miscellaneous	13,028	5,659
Bank charges	7,753	-
IRS penalties and interest	<u>-</u>	<u>7,359</u>
Total	<u>\$ 763,528</u>	<u>\$ 817,584</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, 2005 AND 2004

	2005			2004		
	PER DIEM	TRAVEL EXPENSES	TOTAL	PER DIEM	TRAVEL EXPENSES	TOTAL
Bobby Simpson	\$ -	\$ -	\$ -	\$ 150	\$ -	\$ 150
Ronnie Harris	75	676	751	750	15	765
Dudley Dixon	600	2,074	2,674	900	1,385	2,285
James Petitjean	750	653	1,403	-	-	-
Claire Sarradet	825	1,838	2,663	1,050	602	1,652
Johnny Berthelot	975	1,865	2,840	1,050	285	1,335
Robert Hebert	900	744	1,644	900	709	1,609
William Mulkey	900	3,046	3,946	1,050	5,416	6,466
Gerald Johnson	750	2,037	2,787	900	738	1,638
TOTAL	\$ 5,775	\$ 12,933	\$ 18,708	\$ 6,750	\$ 9,150	\$ 15,900

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS
JUNE 30, 2005

	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>EXPENSE FUND</u>	<u>TOTAL</u>
ASSETS:				
Cash	\$ 9,470,565	\$ 1,376,888	\$ 765,760	\$ 11,613,213
Receivables:				
Due from (to) other funds	517,476	(873,515)	356,039	-
Member contributions	799,367	195,606	-	994,973
Employer contributions	1,363,720	385,204	-	1,748,924
Investment receivable	297,224	68,759	-	365,983
Accrued interest and dividends	1,553,350	278,640	-	1,831,990
Total	<u>4,531,137</u>	<u>54,694</u>	<u>356,039</u>	<u>4,941,870</u>
Investments:				
Cash equivalents	11,494,332	2,292,141	-	13,786,473
Bonds	134,637,087	25,748,386	-	160,385,473
Equities	183,742,977	36,324,771	-	220,067,748
Collateral held under securities lending program	53,506,509	13,292,294	-	66,798,803
Mutual fund	177,972,228	35,352,161	-	213,324,389
Total	<u>561,353,133</u>	<u>113,009,753</u>	<u>-</u>	<u>674,362,886</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	360,170	605,482
	<u>937,179</u>	<u>290,036</u>	<u>360,170</u>	<u>1,587,385</u>
Less: Accumulated depreciation	<u>(359,438)</u>	<u>(111,266)</u>	<u>(303,617)</u>	<u>(774,321)</u>
	<u>577,741</u>	<u>178,770</u>	<u>56,553</u>	<u>813,064</u>
Total assets	<u>575,932,576</u>	<u>114,620,105</u>	<u>1,178,352</u>	<u>691,731,033</u>
LIABILITIES:				
Investment payable	401,273	88,491	-	489,764
Refunds payable	269,634	60,114	-	329,748
Obligation under securities lending program	53,506,509	13,292,294	-	66,798,803
Accounts payable	343,881	69,307	14,888	428,076
Total liabilities	<u>54,521,297</u>	<u>13,510,206</u>	<u>14,888</u>	<u>68,046,391</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 521,411,279</u>	<u>\$ 101,109,899</u>	<u>\$ 1,163,464</u>	<u>\$ 623,684,642</u>

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>
ASSETS:				
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
	937,179	290,036	317,962	1,545,177
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>
LIABILITIES:				
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>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<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, 2005

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	\$ 12,557,246	\$ 2,388,233	\$ -	\$ 14,945,479
Employers'	21,178,909	4,701,002	-	25,879,911
Ad valorem taxes and state revenue sharing funds	3,349,924	1,213,097	-	4,563,021
Total contributions	<u>37,086,079</u>	<u>8,302,332</u>	<u>-</u>	<u>45,388,411</u>
Investment income:				
Interest income	10,795,636	2,054,874	-	12,850,510
Dividend income	2,364,335	434,533	-	2,798,868
Securities lending income	82,478	15,280	-	97,758
Net appreciation in fair value of investments	23,502,284	4,585,668	-	28,087,952
	<u>36,744,733</u>	<u>7,090,355</u>	<u>-</u>	<u>43,835,088</u>
Less investment expense:				
Investment advisory fees	1,705,489	332,830		2,038,319
Securities lending expense	28,698	5,228		33,926
Custodian and bank fees	75,896	13,498		89,394
	<u>1,810,083</u>	<u>351,556</u>	<u>-</u>	<u>2,161,639</u>
Net investment income	<u>34,934,650</u>	<u>6,738,799</u>	<u>-</u>	<u>41,673,449</u>
Other additions:				
Interest-other	365,629	93,337	24,531	483,497
Transfers from other retirement systems	561,717	-	-	561,717
Total other additions	<u>927,346</u>	<u>93,337</u>	<u>24,531</u>	<u>1,045,214</u>
TOTAL ADDITIONS	<u>72,948,075</u>	<u>15,134,468</u>	<u>24,531</u>	<u>88,107,074</u>
DEDUCTIONS:				
Benefits	32,239,245	5,985,168	-	38,224,413
Refund of contributions	3,914,352	691,476	-	4,605,828
Administrative expenses	-	-	763,528	763,528
Depreciation	14,808	4,496	14,745	34,049
Transfers to other retirement systems	970,873	184,736	-	1,155,609
Transfer to/from Plans	(63,436)	63,436	-	-
TOTAL DEDUCTIONS	<u>37,075,842</u>	<u>6,929,312</u>	<u>778,273</u>	<u>44,783,427</u>
NET INCREASE (DECREASE)	35,872,233	8,205,156	(753,742)	43,323,647
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS- BEGINNING OF YEAR	<u>485,539,046</u>	<u>92,904,743</u>	<u>1,917,206</u>	<u>580,360,995</u>
END OF YEAR	<u>\$ 521,411,279</u>	<u>\$ 101,109,899</u>	<u>\$ 1,163,464</u>	<u>\$ 623,684,642</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:	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>EXPENSE FUND</u>	<u>TOTAL</u>
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	<u>3,180,565</u>	<u>1,076,289</u>	-	<u>4,256,854</u>
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	<u>30,253,740</u>	<u>5,805,882</u>	-	<u>36,059,622</u>
	<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	<u>96,959</u>	<u>23,714</u>	-	<u>120,673</u>
	<u>1,506,101</u>	<u>295,675</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	<u>1,018,063</u>	<u>199,573</u>	-	<u>1,217,636</u>
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	<u>(116,663)</u>	<u>116,663</u>	-	-
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
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2000 THROUGH 2005

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>
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
2005	22,172,649	3,326,836	95.52	100.69

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>
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
2005	4,776,412	1,166,910	98.42	103.96

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, 2000 THROUGH 2005

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, 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%
June 30, 2005	496,521,782	567,799,654	71,277,872	87.45%	140,020,164	50.91%

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, 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%
June 30, 2005	96,417,685	102,373,290	5,955,605	94.18%	48,690,316	12.23%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF CONTRIBUTIONS AND
SCHEDULE OF FUNDING PROGRESS - PLANS A AND B
JUNE 30, 2000 THROUGH 2005

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, 2005
Actuarial Cost Method	Frozen Attained Age Normal Cost 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 \$4,146,969 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 24 years Plan B 18 years
Asset Valuation Method: Bonds Equities	Market Value adjusted to reflect a three year smoothing of realized and unrealized capital gains.
Actuarial Assumptions:	Expense fund assets are allocated to each plan in proportion to reported payroll.
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 \$3,072,487 for the year ending June 30, 2005 due to actuarial assumption changes regarding experience factors. The effect of the change in normal cost for years ending subsequent to June 30, 2005 has not been determined.
Change in Actuarial Assumptions	Changes were made in the mortality tables used for non-disabled lives. In addition, assumed rates of retirement DROP entry, post-DROP retirement and withdrawn were changed to reflect recent experience.



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

CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., C.P.A.
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON A
FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

September 28, 2005

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, 2005, and have issued our report thereon dated September 28, 2005. 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.

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 an opinion on the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Duplantier, Krapmann, Hogan & Maher, LLP