

REPORT
STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
JUNE 30, 2008 AND 2007

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

Release Date 1/7/09

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE FUND (Continued)

Investments

MPERS 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 at June 30, 2008 amounted to \$1,429,353,535 as compared to \$1,577,470,351 at June 30, 2007, which is a decrease of \$148,116,816 or 9.39%. The System's investments in various markets at the end of the 2008 and 2007 fiscal years are indicated in the following table:

	<u>2008</u>	<u>2007</u>	Increase (Decrease) <u>Percentage</u>
Cash and cash equivalents	\$ 41,887,151	\$ 35,964,735	16.47%
Bonds	199,014,122	183,798,885	8.28%
Marketable securities - domestic	644,791,428	634,416,607	1.64%
Marketable securities – international	176,653,335	342,868,811	(48.48)%
Pooled Bond Fund	87,264,987	71,772,589	21.58%
Real Estate Fund	130,495,197	133,418,423	(2.19)%
Mutual Funds	44,693,248	56,682,712	(21.15)%
Real Estate – Land and Rental	914,635	868,903	5.26%
Real Estate – Olde Oaks Golf Course	4,496,478	4,496,478	--
Real Estate – Olde Oaks Development	12,440,004	11,429,982	8.84%
Real Estate – The Golf Club at StoneBridge	3,198,764	3,198,764	--
Investment in partnership	34,568,861	28,696,827	20.46%
Other investments	48,935,325	69,856,635	(29.95)%
Collateral Held Under Securities			
Lending	<u>220,999,669</u>	<u>241,885,564</u>	(8.63)%
Total	<u>\$ 1,650,353,204</u>	<u>\$ 1,819,355,915</u>	

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES

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JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

October 22, 2008

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited the accompanying statements of plan net assets of the Municipal Police Employees' Retirement System and Subsidiaries as of June 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 Police Employees' Retirement System and Subsidiaries as of June 30, 2008 and 2007 and the results of 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 8 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 primarily 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 and its subsidiaries for the years ending June 30, 2008 and 2007 and issued our unqualified opinions on such financial statements. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 51 – 52 and the supplemental schedules listed on pages 36 - 50 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending June 30, 2003 – 2008 and supplemental schedules for the years ending June 30, 2008 and 2007, have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2008 on our consideration of Municipal Police Employees' Retirement System and Subsidiaries' 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 important for assessing the results of our audits.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

The Management's Discussion and Analysis of the Municipal Police Employees' Retirement System's financial performance presents a narrative overview and analysis of the Municipal Police Employees' Retirement System's financial activities for the year ended June 30, 2008. 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 Police Employees' Retirement System's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- * The Municipal Police Employees' Retirement System's assets exceeded its liabilities at the close of fiscal year 2008 by \$1,476,652,461 which represents a decrease from last fiscal year. The net assets held in trust for pension benefits decreased by \$150,468,151 or 9.25%. The decrease was due primarily to depreciation in the various investment portfolios.
- * Contributions to the plan by members and employers totaled \$53,812,049, an increase of \$787,309 or 1.48% over the prior year.
- * Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$14,455,288, an increase of \$1,637,900, or 12.78% over the prior year.
- * The System experienced a net investment loss in the amount of \$122,903,195 during the year ended June 30, 2008. This is a 152.76% decrease from net investment income of \$232,956,935 during the year ended June 30, 2007. The decrease was due primarily to lower equity market returns available in the market place.
- * The rate of return on the System's investments was a negative (7.63) % based on the market value. This is lower than last year's 16.46% rate of return due, primarily, to the lower equity market returns available in the market place.
- * Pension benefits paid to retirees and beneficiaries increased by \$4,930,489 or 5.61%. This increase is due to an increase in retirees.
- * Administrative expenses totaled \$1,094,511, an increase of \$31,343 or 2.95%. The cost of administering the System per member during 2008 was \$97.50 per individual compared to \$96.72 per individual in 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- * Statement of plan net assets,
- * Statement of changes in plan net assets, and
- * Notes to the financial statements.

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

The statements of plan net assets report 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, 2008 and 2007.

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 FUND

Municipal Police Employees' Retirement System provides benefits to all eligible municipal police officers throughout the State of Louisiana. Employee contributions, employer contributions and earnings on investments fund these benefits.

Statements of Plan Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash and investments	\$ 1,664,110,918	\$ 1,828,651,485
Receivables	40,628,756	41,541,087
Other assets	76,000	70,000
Property and equipment	<u>2,517,916</u>	<u>2,574,618</u>
Total assets	<u>1,707,333,590</u>	<u>1,872,837,190</u>
Total liabilities	<u>230,681,129</u>	<u>245,716,578</u>
Net Assets Held in Trust For Pension Benefits	<u>\$ 1,476,652,461</u>	<u>\$ 1,627,120,612</u>

Plan net assets decreased by 9.25% (\$1,476,652,461 compared to \$1,627,120,612). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries. The decrease in plan net assets was a result of the decrease in the value of investments due to market conditions.

**MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE FUND (Continued)

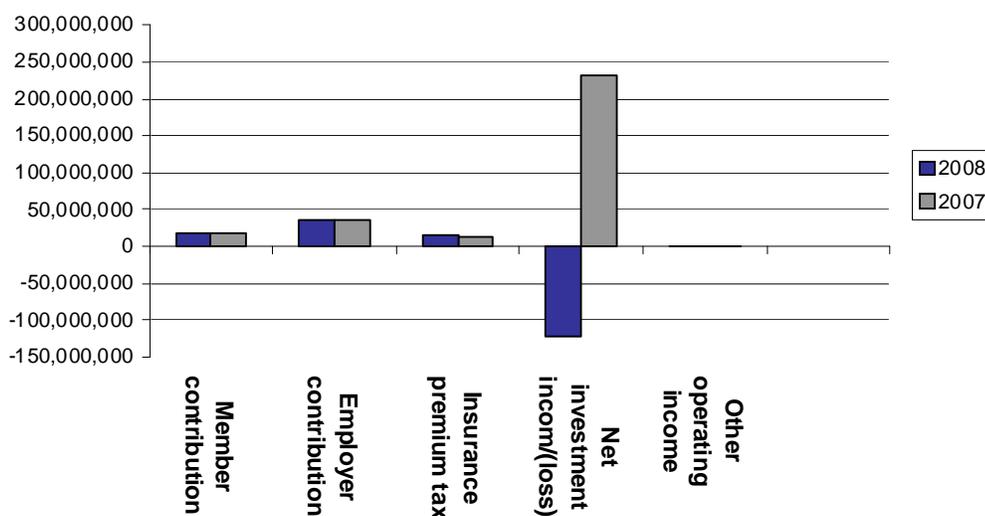
**Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Additions:		
Contributions	\$ 68,267,337	\$ 65,842,128
Investment income(loss) - net	(122,903,195)	232,956,935
Other	<u>1,040,407</u>	<u>440,485</u>
Total additions/(deductions)	(53,595,451)	299,239,548
Total deductions	<u>96,872,700</u>	<u>92,911,292</u>
Increase (decrease) in Plan net assets	<u>\$ (150,468,151)</u>	<u>\$ 206,328,256</u>

Additions to Plan Net Assets

Additions to the System's plan net assets are derived from member contributions, employer contributions and investment income. Member contributions increased \$1,479,366 or 8.62% while employer contributions decreased by \$692,057 or 1.93%. The System experienced net investment loss of \$122,903,195 as compared to a net investment income of \$232,956,935 in the previous year. This is a 152.76% decrease in investment income.

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 18,637,104	\$ 17,157,738	8.62%
Employer Contributions	35,174,945	35,867,002	(1.93)%
Insurance Premium Taxes	14,455,288	12,817,388	12.78%
Net Investment Income (Expense)	(122,903,195)	232,956,935	(152.76)%
Other Operating Revenues	<u>1,040,407</u>	<u>440,485</u>	136.20%
Total	<u>\$ (53,595,451)</u>	<u>\$ 299,239,548</u>	



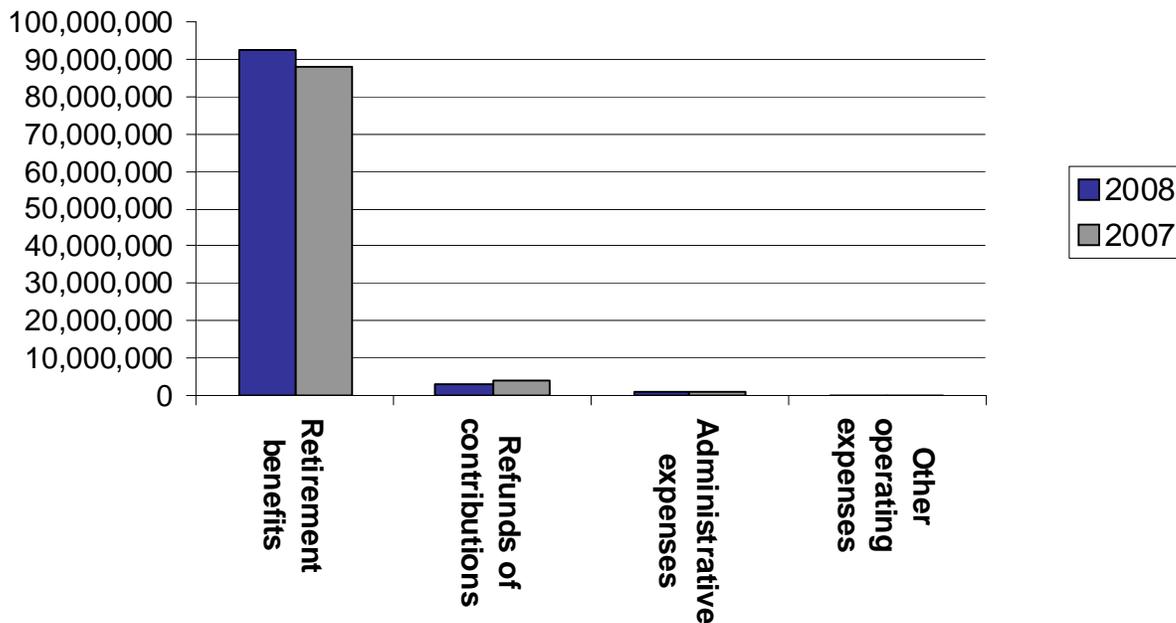
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE FUND (Continued)

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits, refund of contributions and administrative expenses. Deductions from plan net assets totaled \$96,872,700 in fiscal year 2008. This increase of \$3,961,408 was primarily due to an increase in pension benefits. The cost of administering the System's benefits per member during 2008 was \$97.50 per individual compared to \$96.72 per individual in 2007.

	<u>2008</u>	<u>2007</u>	Increase (Decrease) <u>Percentage</u>
Retirement Benefits	\$ 92,841,073	\$ 87,910,584	5.61%
Refunds of Contributions	2,842,220	3,843,112	(26.04)%
Administrative Expenses	1,094,511	1,063,168	2.95%
Other Operating Expenses	<u>94,896</u>	<u>94,428</u>	0.50%
Total	<u>\$ 96,872,700</u>	<u>\$ 92,911,292</u>	



MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE FUND (Continued)

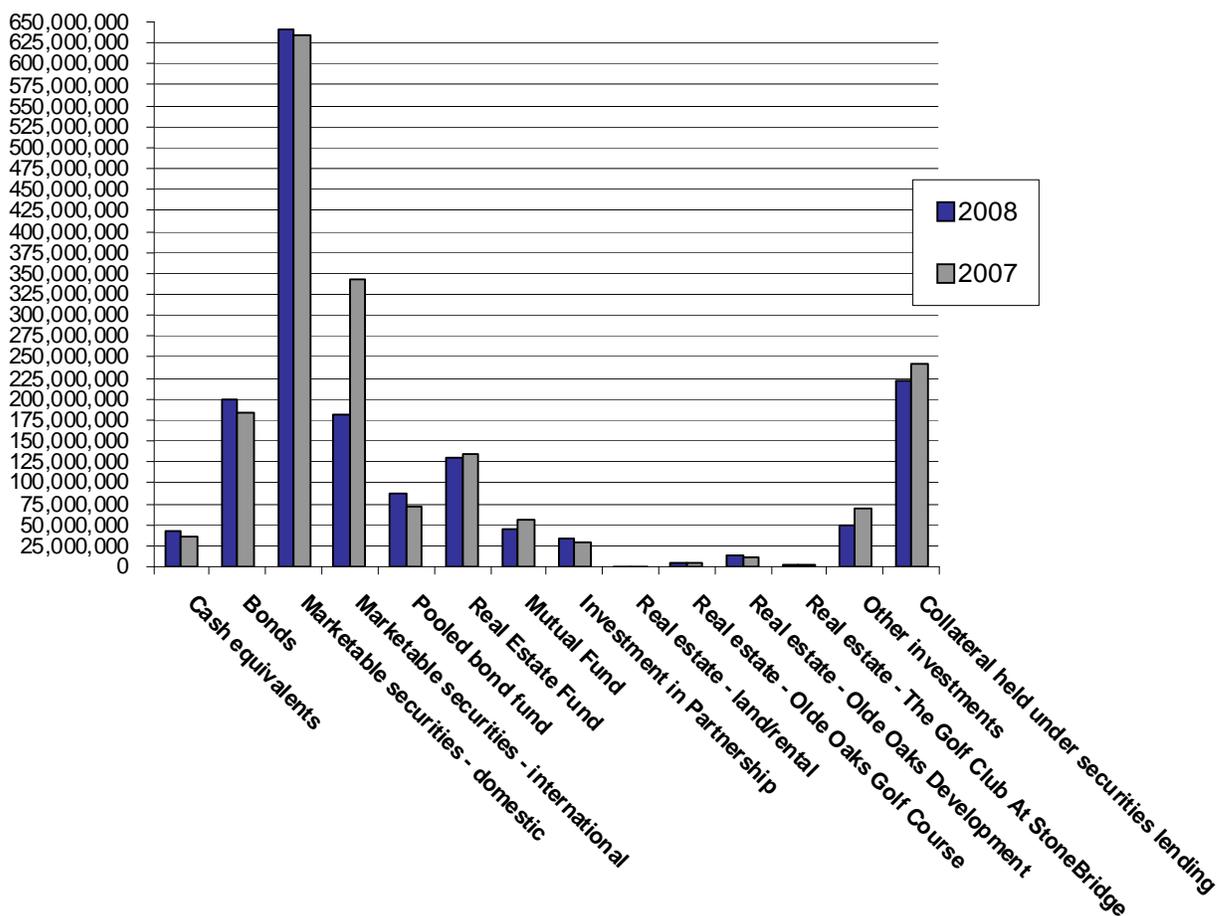
Investments

MPERS 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 at June 30, 2008 amounted to \$1,429,353,535 as compared to \$1,577,470,351 at June 30, 2007, which is a decrease of \$148,116,816 or 9.39%. The System's investments in various markets at the end of the 2008 and 2007 fiscal years are indicated in the following table:

	<u>2008</u>	<u>2007</u>	Increase (Decrease) <u>Percentage</u>
Cash and cash equivalents	\$ 41,887,151	\$ 35,964,735	16.47%
Bonds	199,014,122	183,798,885	8.28%
Marketable securities - domestic	644,791,428	634,416,607	1.64%
Marketable securities – international	176,653,335	342,868,811	(48.48)%
Pooled Bond Fund	87,264,987	71,772,589	21.58%
Real Estate Fund	130,495,197	133,418,423	(2.19)%
Mutual Funds	44,693,248	56,682,712	(21.15)%
Real Estate – Land and Rental	914,635	868,903	5.26%
Real Estate – Olde Oaks Golf Course	4,496,478	4,496,478	--
Real Estate – Olde Oaks Development	12,440,004	11,429,982	8.84%
Real Estate – The Golf Club at StoneBridge	3,198,764	3,198,764	--
Investment in partnership	34,568,861	28,696,827	20.46%
Other investments	48,935,325	69,856,635	(29.95)%
Collateral Held Under Securities Lending	<u>220,999,669</u>	<u>241,885,564</u>	(8.63)%
Total	<u>\$ 1,650,353,204</u>	<u>\$ 1,819,355,915</u>	

MUNICIPAL POLICE EMPLOYEES’
 RETIREMENT SYSTEM AND SUBSIDIARIES
 MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF THE FUND (Continued)



Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Kathy Bourque, Director, Municipal Police Employees’ Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, (225) 929-7411.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash:		
Cash in bank	\$ 13,708,070	\$ 9,245,926
Cash in escrow	49,644	49,644
Total cash	<u>13,757,714</u>	<u>9,295,570</u>
Receivables:		
Member contributions	1,440,223	1,769,513
Employer contributions	2,715,369	3,522,241
Due from merged systems	1,200,379	1,336,889
Other receivable	319,225	333,196
Investment receivable	4,537,221	2,582,080
Accrued interest and dividends	6,079,162	4,939,794
Real estate investment receivable	24,337,177	27,057,374
Total receivables	<u>40,628,756</u>	<u>41,541,087</u>
Investments:		
Cash in trust	1,616,871	4,964,813
Short-term cash equivalents - domestic	40,270,280	30,999,922
Bonds - domestic and foreign	199,014,122	183,798,885
Marketable securities - domestic	644,791,428	634,416,607
Marketable securities - international	176,653,335	342,868,811
Pooled Bond Fund	87,264,987	71,772,589
Real Estate Fund	130,495,197	133,418,423
Mutual Fund	44,693,248	56,682,712
Investment in partnership	34,568,861	28,696,827
Other investments	48,935,325	69,856,635
Collateral held under securities lending program - money market account	220,999,669	241,885,564
Real estate - Land and rental	914,635	868,903
Real estate - Olde Oaks Development	12,440,004	11,429,982
Real estate - Olde Oaks Golf Course	4,496,478	4,496,478
Real estate - The Golf Club at StoneBridge	3,198,764	3,198,764
Total investments	<u>1,650,353,204</u>	<u>1,819,355,915</u>
Other assets	76,000	70,000
Property, plant and equipment:		
(Net of accumulated depreciation \$752,545 in 2008; \$657,649 in 2007)	<u>2,517,916</u>	<u>2,574,618</u>
TOTAL ASSETS	<u>1,707,333,590</u>	<u>1,872,837,190</u>
LIABILITIES:		
Accounts payable	1,410,194	1,609,786
Accrued payroll and taxes	24,731	5,967
Refunds payable - members	192,587	252,820
Deferred contributions	134,200	66,887
Other liabilities	56,505	95,255
Capital lease payable	74,262	39,726
Notes payable	6,085	64,733
Notes payable - Line of credit	1,093,380	821,678
Obligations under securities lending program	220,999,669	241,885,564
Other post employment benefits obligation	72,044	-
Investment payable	6,617,472	874,162
TOTAL LIABILITIES	<u>230,681,129</u>	<u>245,716,578</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,476,652,461</u>	<u>\$ 1,627,120,612</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ADDITIONS:		
CONTRIBUTIONS:		
Members	\$ 18,637,104	\$ 17,157,738
Employer	35,174,945	35,867,002
Insurance premium tax	14,455,288	12,817,388
Total contributions	<u>68,267,337</u>	<u>65,842,128</u>
INVESTMENT INCOME:		
Net appreciation (depreciation) in investments	(158,112,154)	205,225,803
Interest - sweep account	198,427	256,909
Interest - cash equivalents	1,888,509	1,904,042
Interest - notes, bonds, etc.	13,221,812	13,019,682
Interest - securities lending	9,557,698	9,663,044
Dividends - stock	23,982,644	16,945,018
Miscellaneous	208,819	1,339,812
	<u>(109,054,245)</u>	<u>248,354,310</u>
Less investment expenses:		
Securities lending expense	8,299,309	9,103,339
Custodial	100,441	99,427
Investment advisor	4,493,097	5,173,962
Miscellaneous investment expense	5,898	107,758
Real estate - Olde Oaks Development	387,566	688,967
Real estate - Olde Oaks Golf Course	448,991	206,450
Real estate - The Golf Club at StoneBridge	113,648	17,472
	<u>13,848,950</u>	<u>15,397,375</u>
Net investment income (loss)	<u>(122,903,195)</u>	<u>232,956,935</u>
OTHER ADDITIONS:		
Merger interest payment	84,889	96,467
Interest income - refunds	360	681
Transfers (to) from other systems - employees	178,897	259,529
Transfers (to) from other systems - employers/interest	776,261	83,808
Total other additions	<u>1,040,407</u>	<u>440,485</u>
Total additions (deductions)	<u>(53,595,451)</u>	<u>299,239,548</u>
DEDUCTIONS:		
Benefits	92,841,073	87,910,584
Refund of contributions	2,842,220	3,843,112
Administrative expenses	1,094,511	1,063,168
Depreciation	94,896	94,428
Total deductions	<u>96,872,700</u>	<u>92,911,292</u>
NET INCREASE (DECREASE)	(150,468,151)	206,328,256
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
BEGINNING OF YEAR	<u>1,627,120,612</u>	<u>1,420,792,356</u>
END OF YEAR	<u>\$ 1,476,652,461</u>	<u>\$ 1,627,120,612</u>

See accompanying notes.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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's discussion and analysis as supplementary information and other changes.

Basis of Accounting:

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

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

Method Used to Value Investments:

All investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. MPERS reports securities lent through the securities lending program as assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Liabilities resulting from securities lending transactions are reported as well. Shares in external investment pools and mutual funds are equivalent to the fair value of the external investment pool and mutual funds. The investment in real estate consists of golf courses, real estate developments and rental portion of the building. The investments are valued at fair market value, which is based upon an independent appraisal or comparable sales.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Land, Equipment and Fixtures:

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

Consolidation:

The consolidated financial statements include the accounts of Municipal Police Employees' Retirement System and its 100% owned subsidiaries, Olde Oaks Golf Course, LLC, StoneBridge Enterprises, LLC and Olde Oaks Development, LLC. All significant intercompany balances have been eliminated in the consolidation. At June 30, 2007, Municipal Police Employees' Retirement System liquidated its ownership interest in Boot Ranch, LP.

2. PLAN DESCRIPTION:

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

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the years ended June 30, 2008 and 2007, there are 144 contributing municipalities. At June 30, 2008 and 2007 statewide retirement membership consists of:

	<u>2008</u>	<u>2007</u>
Active members	5,705	5,645
Regular retirees	2,671	2,613
Disability retirees	200	201
Survivors	1,025	1,020
Vested and reciprocals	114	108
Due refunds	1,095	993
DROP participants	213	217
DROP to active	<u>203</u>	<u>195</u>
 TOTAL PARTICIPANTS AS OF THE VALUATION DATE	 <u>11,226</u>	 <u>10,992</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

2. PLAN DESCRIPTION: (Continued)

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

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

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

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

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

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

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

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

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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

2. PLAN DESCRIPTION: (Continued)

Act 232 of the 2007 Regular Session authorizes the Board of Trustees to pay a one time lump sum supplemental benefit not to exceed three percent of the retiree's (or survivor's) annual benefit but not less than \$300. This one time payment is based on the valuation for the year ending June 30, 2007, and shall be granted only to those who began receiving a monthly benefit prior to July 1, 2006.

A member is eligible upon receiving 25 years of credit regardless of age or 20 years of credit and attaining the age of 50, to elect to enter the deferred retirement option plan (DROP). Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis. For those eligible to enter DROP subsequent to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at money market rates or self-directed accounts approved by the Board of Trustees.

Effective June 16, 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on an interest rate determined actuarially.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

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

Contributions for all employers are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. The actuarial required contribution for June 30, 2008 and 2007 was 9.5% and

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

Contributions: (Continued)

13.75%, respectively. The actual contribution rate for the years then ended was 13.75% and 15.5%. The difference was due to the state statute that requires the rate to be calculated two years in advance. In addition, according to state statute, the System receives insurance premium tax monies as additional employer contributions. This tax is appropriated by the legislature each year based on an actuarial study. For the year ended June 30, 2008 and 2007, the state appropriated \$14,455,288 and \$12,817,388, respectively, in insurance premium tax.

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

Reserves:

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2008 and 2007 is \$142,786,057 and \$134,817,818, respectively. The Annuity Savings is fully funded.

B) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation as of June 30, 2008 and 2007 is \$619,006,327 and \$550,044,584, respectively. The Pension Accumulation is 41% funded for the year ended June 30, 2008 and 83% funded for the year ended June 30, 2007.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2008 and 2007 is \$998,894,930 and \$960,802,406, respectively. The Annuity Reserve is fully funded.

D) Deferred Retirement Option Account:

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2008 and 2007 is \$79,601,213 and \$73,112,414, respectively. The Deferred Retirement Option Account is fully funded.

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The Initial Benefit Option Reserve as of June 30, 2008 and 2007 is \$946,469 and \$759,149, respectively. The Initial Benefit Option Reserve is fully funded.

4. ACTUARIAL COST METHOD:

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

5. REQUIRED SUPPLEMENTAL SCHEDULE INFORMATION:

Information in the required supplemental schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 51 – 52.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Retirement System's deposits, cash equivalents and investments at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Deposits (bank balance)	\$ 14,084,942	\$ 9,504,089
Cash and cash equivalents – domestic	41,887,151	35,964,735
Investments	<u>1,608,466,053</u>	<u>1,783,391,180</u>
	<u>\$ 1,664,438,146</u>	<u>\$ 1,828,860,004</u>

Deposits:

The System's bank deposits were entirely covered by federal depository insurance and pledged collateral held jointly by the Retirement System and the bank. At June 30, 2008 and 2007, Olde Oaks Development had funds on deposit which exceeded FDIC insurance coverage in the amount of \$76,948 and \$70,796, respectively.

Cash Equivalents:

For the years ending June 30, 2008 and 2007, cash equivalents in the amount of \$37,763,598 and \$30,999,922, respectively, consist of government pooled investments. The funds are held and managed by the System's custodian bank. For the years ending June 30, 2008 and 2007, cash equivalents in the amount of \$2,506,682 and \$302,016, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the Retirement System.

Investments:

In accordance with LRS 11:263, the System is authorized 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.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)Concentration of Credit Risk: (Continued)

The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments in any one organization which represented 5% of total investments and there are no investments greater than 30% in one economic sector at June 30, 2008 and 2007. However, at June 30, 2008 and 2007, the investment in the real estate fund in the amount of \$130,495,197, and \$133,418,423 represented 9.1% and 8.5% respectively, of the market value of the System's investments. At June 30, 2008, the investment in the pooled bond fund in the amount of \$87,264,987 represents 6.1% of the market value of the System's investments.

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 risk ratings of the System's investments in long-term debt securities as of June 30, 2008 and 2007 (U.S. Government and Agency obligations totaling \$7,406,193 and \$46,226,465, respectively, are not rated).

Below is a schedule of bonds with their applicable ratings as of June 30, 2008:

	Corporate Bonds	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	United States Treasury Bonds	Municipal Bonds	Foreign Government Bonds	Other	Total
AAA	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 252,994	\$ 8,059,371	\$ 103,006	\$ 8,415,371
AA+	1,335,205	--	--	--	--	48,819	--	--	1,384,024
AA	--	--	--	--	--	1,219,463	--	--	1,219,463
AA-	7,728,218	--	--	--	--	81,390	--	--	7,809,608
A+	8,096,532	--	--	--	--	216,727	3,875,004	--	12,188,263
A	6,108,297	--	--	--	--	--	--	--	6,108,297
A-	11,395,337	--	--	--	--	--	--	571,324	11,966,661
BBB+	14,330,443	--	--	--	--	--	--	--	14,330,443
BBB	21,712,449	--	--	--	--	--	--	480,157	22,192,606
BBB-	21,727,548	--	--	--	--	--	2,007,169	--	23,734,717
BB+	6,845,740	--	--	--	--	--	651,515	--	7,497,255
BB	12,236,954	--	--	--	--	--	--	--	12,236,954
BB-	12,830,512	--	--	--	--	--	--	352,154	13,182,666
B+	16,584,593	--	--	--	--	--	--	--	16,584,593
B	16,899,670	--	--	--	--	--	--	--	16,899,670
B-	8,505,364	--	--	--	--	--	--	--	8,505,364
CCC+	3,521,475	--	--	--	--	--	--	--	3,521,475
Not Rated	<u>2,274,926</u>	<u>2,177,638</u>	<u>2,078,713</u>	<u>677,546</u>	<u>2,472,296</u>	<u>41,074</u>	<u>1,514,499</u>	<u>--</u>	<u>11,236,692</u>
	<u>\$ 172,133,263</u>	<u>\$ 2,177,638</u>	<u>\$ 2,078,713</u>	<u>\$ 677,546</u>	<u>\$ 2,472,296</u>	<u>\$ 1,860,467</u>	<u>\$ 16,107,558</u>	<u>\$ 1,506,641</u>	<u>\$ 199,014,122</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2007:

	Corporate Bonds	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	Other	Total
AAA	\$ 3,053,490	\$ --	\$ --	\$ --	\$ 1,500,728	\$ 4,554,218
AA	2,059,780	--	--	--	1,227,004	3,286,784
AA-	6,560,675	--	--	--	--	6,560,675
A+	11,244,880	--	--	--	--	11,244,880
A	13,108,775	--	--	--	--	13,108,775
A-	13,498,590	--	--	--	--	13,498,590
BBB+	3,911,580	--	--	--	--	3,911,580
BBB	15,256,125	--	--	--	--	15,256,125
BB+	4,044,456	--	--	--	--	4,044,456
BB	7,492,858	--	--	--	--	7,492,858
BB-	9,091,365	--	--	--	--	9,091,365
B+	13,269,318	--	--	--	--	13,269,318
B	14,201,015	--	--	--	--	14,201,015
B-	10,452,883	--	--	--	--	10,452,883
CCC+	2,538,586	--	--	--	--	2,538,586
CCC	542,000	--	--	--	--	542,000
Not Rated	<u>4,518,312</u>	<u>21,047,699</u>	<u>24,343,381</u>	<u>835,385</u>	<u>--</u>	<u>50,744,777</u>
	<u>\$ 134,844,688</u>	<u>\$ 21,047,699</u>	<u>\$ 24,343,381</u>	<u>\$ 835,385</u>	<u>\$ 2,727,732</u>	<u>\$ 183,798,885</u>

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's and Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk and therefore are not rated. Those obligations include debt securities with Federal Home Loan Corp., Federal National Mortgage Association and Government National Mortgage Association.

The System invested in a pooled bond fund. As of June 30, 2008 and 2007, the market value of the fund is \$87,264,987 and \$71,772,589, respectively. The bond fund is rated AA.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
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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. At June 30, 2008 and 2007, the System is not exposed to custodial risk for investments in the amount of \$1,022,075,756 and \$1,166,049,116, respectively, since the investments are held in the name of the System.

At June 30, 2008 and 2007, the System has \$37,763,598 and \$30,999,922, respectively, in cash equivalents which is exposed to custodial credit risk since the investment is in the name of the System's custodian bank.

The System reported collateral held for investment purposes in the amount of \$220,999,669 as of June 30, 2008 and \$241,885,564 as of June 30, 2007. The System is exposed to custodial credit risk since the collateral is not in the name of the System.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. As of June 30, 2008 and 2007, the System had the following investments in long-term debt securities and maturities:

<u>2008</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Greater Than 10 Years</u>
<u>Investment Type</u>					
Corporate Bonds	\$ 172,133,263	\$ 1,648,838	\$ 55,391,271	\$ 67,477,154	\$ 47,616,000
Federal Home Loan Mortgage Corporation United States	2,177,638	--	--	--	2,177,638
Treasury Bonds	2,472,296	--	--	--	2,472,296
Municipal Bonds	1,860,467	--	803,408	--	1,057,059
Foreign Government Bonds	16,107,558	2,802,208	7,604,882	651,515	5,048,953
Federal National Mortgage Association	2,078,713	--	--	--	2,078,713
Government National Mortgage Association	677,546	--	--	--	677,546
Other	<u>1,506,641</u>	<u>--</u>	<u>278,594</u>	<u>352,154</u>	<u>875,893</u>
	<u>\$ 199,014,122</u>	<u>\$ 4,451,046</u>	<u>\$ 64,078,155</u>	<u>\$ 68,480,823</u>	<u>\$ 62,004,098</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

<u>2007</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Greater Than 10 Years</u>
<u>Investment Type</u>					
Corporate Bonds	\$ 134,844,688	\$ 3,657,090	\$ 68,816,224	\$ 49,276,249	\$ 13,095,125
Federal Home Loan Mortgage Corporation	21,047,699	--	--	--	21,047,699
Federal National Mortgage Association	24,343,381	--	--	1,500,491	22,842,890
Government National Mortgage Association	835,385	--	--	--	835,385
Other	<u>2,727,732</u>	<u>--</u>	<u>930,591</u>	<u>1,227,004</u>	<u>570,137</u>
	<u>\$ 183,798,885</u>	<u>\$ 3,657,090</u>	<u>\$ 69,746,815</u>	<u>\$ 52,003,744</u>	<u>\$ 58,391,236</u>

The System has no formal policy regarding interest rate risk.

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.

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's exposure for foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2008 and 2007 as follows:

<u>Country/Currency</u>	<u>2008 Fair Value</u>	<u>2007 Fair Value</u>
Austria / Euro	\$ 2,807,490	\$ 3,832,567
Australian / Dollar	9,660,612	21,589,573
Belgium / Euro	--	8,839,127
Hong Kong / Dollar	4,631,381	13,519,560
Finland / Euro	1,729,954	1,265,087
France / Euro	6,370,048	39,684,502
Malasya / Ringitt	--	7,650,178

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

<u>Country/Currency</u>	<u>2008</u> <u>Fair Value</u>	<u>2007</u> <u>Fair Value</u>
Greece / Euro	\$ 2,625,983	\$ 8,394,505
Singapore / Dollar	8,861,323	19,322,287
Germany / Euro	12,487,892	6,297,827
Taiwan / Dollar	--	3,035,695
Ireland / Euro	511,675	9,278,931
Thailand / Bah	--	6,158,553
Italy / Euro	7,771,172	11,036,987
Switzerland / Swiss £	16,260,747	34,754,732
United Kingdom / Euro	--	2,817,421
Canada / Dollar	10,972,863	9,259,780
United Kingdom / Pounds	40,303,035	73,989,433
Netherlands /Euro/Golden	4,594,994	11,775,959
Norway / Kroner	79,952	2,116,333
Spain / Euro	6,309,936	8,543,970
Portugal / Euro	--	1,527,897
Sweden / Kroner	--	2,596,394
Japan / Yen	33,423,330	35,581,513
Denmark / Kroner	7,250,948	--
TOTAL	<u>\$ 176,653,335</u>	<u>\$ 342,868,811</u>

The System's investment policy has a target of 12.00% to 22.50% total investments in foreign marketable securities. At June 30, 2008 and 2007, the System's position was 12.38% and 22%, respectively, of the total investments.

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS:

During the year ending June 30, 2008, the System had investment in three limited liability corporations as follows:

- A) The System purchased as an investment a golf course located in northwest Louisiana. The initial cost of the golf course was \$6,797,156. Subsequent to the purchase the System has made improvements to the golf course in the amount of \$4,142,764. During the year ending June 30, 2005, Olde Oaks transferred a portion of the land with a cost of \$48,574 and a market value of \$50,000 to Olde Oaks Development, LLC, an affiliate organization. During the year ending June 30, 2007, Olde Oaks transferred a portion of the land with a cost and market value of \$6,600 to Olde Oaks Development, LLC, an affiliate organization. As a result, total cost and improvements as of June 30, 2008 is \$10,884,746. No appraisal was

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS: (Continued)

- performed for the year ending June 30, 2008 since no significant improvements were made, therefore no unrealized gain or loss was recorded for the year. The golf course was appraised, net of \$208,000 of estimated selling cost at a value of \$4,496,478 at June 30, 2006. Olde Oaks Golf Course, LLC operates the Olde Oaks Golf Course. Municipal Police Employees' Retirement System is the sole owner of the Olde Oaks Golf Course, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$448,991 as of June 30, 2008.
- B) On July 23, 2003, Municipal Police Employees' Retirement System paid \$2,901,000 to purchase, as an investment, at a Sheriff's sale a golf course in northwest Louisiana. Subsequent to the purchase the System made improvements to The Golf Club at StoneBridge in the amount of \$1,401,302. Since there were no significant improvements made during the year ending June 30, 2008 no appraisal was performed. Therefore no unrealized gain or loss was recorded. The golf course was appraised, net of \$148,000 of estimated selling cost at a value of \$3,198,764 for the year ending June 30, 2006. StoneBridge Enterprises, LLC operates The Golf Club at StoneBridge. Municipal Police Employees' Retirement System is the sole owner of the StoneBridge Enterprises, LLC. The net loss of the LLC has been reported as investment expense in the amount of \$113,648 as of June 30, 2008.
- C) On December 23, 2003, Municipal Police Employees' Retirement System paid a \$50,000 deposit to purchase, as an investment, undeveloped land surrounding one of the golf courses it owns in north Louisiana. On February 13, 2004, the System acquired the land for \$5,932,000. The land consisted of 209.99 acres of undivided land and 75 lots. Subsequent to the acquisition, the System began making improvements to the infrastructure, subdivided some of the land it acquired and began to sell lots. The cost of improvements to the land as of June 30, 2008 and 2007 is \$5,341,841 and \$4,272,112, respectively. Based on the sales and sales commitments obtained as of June 30, 2008 and 2007 the market value of the land and improvements is \$10,824,272 and \$9,738,319 which resulted in an unrealized gain of \$433,662 in 2008 and an unrealized gain of \$4,677 in 2007. During the year ending June 30, 2008, 20 lots were sold which resulted in a realized gain of \$15,901. During the year ending June 30, 2007, 4 lots were sold which resulted in a realized gain of \$66,390. The unrealized gains or losses and realized gains are reported on these financial statements in the net appreciation in the fair market value of the investments.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
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7. INVESTMENTS IN LIMITED LIABILITY CORPORATIONS: (Continued)

The Development constructed a sewer plant at a cost of \$1,843,525. The Development has an agreement with a management company to maintain the plant. Beginning July 1, 2005, the Development began to bill residents for sewer services. The operations of the plant generated \$25,750 in revenue and incurred \$15,867 in maintenance cost. Accumulated depreciation on the sewer plant as of June 30, 2008 and 2007 is \$220,431 and \$146,954, respectively.

The System has an agreement with a management company to oversee the operations of Olde Oaks Development, LLC. Municipal Police Employees' Retirement System is the sole owner of Olde Oaks Development, LLC. The net gain of the LLC has been reported as an investment income in the amount of \$116,247 as of June 30, 2008.

8. INVESTMENTS – VARIABLE INTEREST PARTNERSHIP:

During the year ending June 30, 2004, the System invested in a limited liability partnership. The purpose of the partnership was to own and develop as a first class golf and residential development a parcel of land in Gillespie County, Texas commonly known as Boot Ranch. The land was purchased at a cost of \$15,675,588. The partnership opened a line of credit in the amount of \$30,000,000 in which the System was the guarantor. The collateral on the line of credit was a pooled bond fund owned by the System. The interest rate on the line of credit was 5.84% with a maturity date of June 8, 2007.

During the year ending June 30, 2007, the System paid off the \$30,000,000 balance on the line of credit and retired its interest in the partnership. The Partnership agreed to repay Municipal Police Employees' Retirement System the \$30,000,000. The initial payment on the loan would include a reimbursement of all interest paid by the System. Additional payments will be made from property proceeds after real estate tax, escrow payments, operating expenses, capital improvements, interest on loan, principal amortization, \$3,000,000 to the System and 100% of the current partners' return of equity on their investment balance is paid. The System has recorded a receivable in the amount of \$24,337,177 which represents the discounted value of the \$30,000,000 using a 4% discount rate based on estimated future cash flow.

During the year ending June 30, 2007, Boot Ranch Development sold 11 lots from which \$346,000 is due to the System. The lot sales are recorded as net appreciation in fair market value of investments. The System collected the revenue from lot sales during the fiscal year ended June 30, 2008.

For 2007, the net assets of Boot Ranch are not consolidated since the System terminated their interest in the partnership.

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9. INVESTMENT IN PARTNERSHIP:

The System has committed to invest \$36,000,000 in La Salle Property Capital and Growth Fund IV (the Partnership). The Partnership was formed to acquire office, industrial, retail and multifamily real estate properties that can be renovated, redeveloped or repositioned as core properties. Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. The System's share of partnership income for the years ending June 30, 2008 and 2007 was \$-0- and a gain of \$1,011,538, respectively, and are included in investment income. The System did not receive any return of capital during the current year. As of June 30, 2008 and 2007, the System has invested \$33,154,046 and \$26,676,817 with a market value of \$34,568,861 and \$28,696,827, respectively.

10. OTHER INVESTMENTS:

During the year ending June 30, 2007, the System entered into subscription agreements with fourteen limited partnerships and offshore funds to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2008 and 2007, the market value of the hedge funds were \$48,291,834 and \$69,135,593, respectively. These funds are subject to the market factors depending on the fund strategy.

11. FUTURES CONTRACTS:

At June 30, 2008, the System invested in forward foreign currency exchange contracts which mature September 16, 2008. The notional value and market value of the contracts as of June 30, 2008 is \$84,297,202 and \$84,784,438, respectively. At June 30, 2007, the System invested in forward foreign currency exchange contracts which mature November 19, 2007. The notional value and market value of the contracts as of June 30, 2007 is \$28,991,220 and \$29,221,580, respectively. When entering into a forward foreign currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System's net equity therein, representing unrealized gain or loss on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contract and the forward rates at the reporting date. Realized and unrealized gains and losses are included in the statement of changes in plan net assets. These instruments involve market and/or credit risk in excess of the amount recognized in the statement of plan net assets. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movement in currency and securities values and interest rate.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
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12. SECURITY LENDING AGREEMENTS:

State statutes and board of trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract as of September, 2005 with a company, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the pre-approved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

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

MPERS has the following securities on loan:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
U.S. Corporate securities (bonds)	\$ 13,985,404	\$ 13,226,167	\$ 23,916,596	\$ 24,182,580
U.S. Corporate securities (stocks)	197,861,786	168,235,566	123,983,823	136,660,538
U.S. Treasury bills (bonds)	1,088,166	1,163,320	--	--
Foreign corporate securities (stocks)	<u>32,631,522</u>	<u>29,663,374</u>	<u>53,107,686</u>	<u>74,403,889</u>
Total	<u>\$ 245,566,878</u>	<u>\$ 212,288,427</u>	<u>\$ 201,008,105</u>	<u>\$ 235,247,007</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

12. SECURITY LENDING AGREEMENTS: (Continued)

MPERS has the following collateral under securities lending program:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash / Money market	\$ <u>220,999,669</u>	\$ <u>220,999,669</u>	\$ <u>241,885,564</u>	\$ <u>241,885,564</u>

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral. Such matching existed at June 30, 2008 and 2007.

13. OPERATING LEASE COMMITMENTS:

The System also has operating leases for various equipment for the two golf courses. The lease terms range between 48 months and 60 months. For the year ending June 30, 2008, lease expense was \$161,738. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2009	\$ 147,767
June 30, 2010	147,767
June 30, 2011	132,130
June 30, 2012	45,658
June 20, 2013	<u>29,333</u>
Total	\$ <u>502,655</u>

14. CAPITAL LEASES:

During the year ending June 30, 2008, the System purchased various equipment for Olde Oaks Golf Course and Stonebridge Golf Course through three capital leases. The equipment cost \$46,914. The monthly lease payments are 48 months in the amount of \$1,307 including interest. During the prior year, the System purchased various equipment for Olde Oaks Golf Course through two capital leases. The equipment cost \$40,086. The monthly lease payments range between 48 months and 36 months in the amount of \$1,067 including interest. The balance in the capital lease payable at June 30, 2008 and 2007 is \$74,262 and \$39,727, respectively.

The following is a schedule of future minimum lease commitments for the next five years:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2009	\$ 28,491
June 30, 2010	27,593
June 30, 2011	22,483
June 30, 2012	<u>11,552</u>
	90,119
Interest	<u>(15,857)</u>
Total	\$ <u>74,262</u>

MUNICIPAL POLICE EMPLOYEES'
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JUNE 30, 2008 AND 2007

15. OPERATING BUDGET:

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

16. TAX QUALIFICATION:

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

17. ACCOUNTS RECEIVABLE – MERGED SYSTEMS:

Three cities throughout Louisiana merged their pension system's actuarial liability with the Municipal Police Employees' Retirement System between June 1983 and April 2000. The balances owed were amortized at 7% over periods ranging from 20 to 30 years with payments made either quarterly, or semi-annually.

The total accounts receivable from all merged systems as of June 30, 2008 and 2007 is \$1,200,379 and \$1,336,889, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2008 was \$186,382 and \$1,013,997, respectively. The short-term and long-term portion of the accounts receivable as of June 30, 2007 was \$83,249 and \$1,253,640, respectively.

18. EQUIPMENT AND FIXTURES:

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

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 243,113	\$ 204,919
Computer equipment and software	201,325	201,325
Furniture	89,458	89,458
Land	614,920	614,920
Office building	<u>2,121,646</u>	<u>2,121,646</u>
	3,270,462	3,232,268
Less accumulated depreciation	<u>(752,546)</u>	<u>(657,650)</u>
Total	<u>\$2,517,916</u>	<u>\$2,574,618</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

18. EQUIPMENT AND FIXTURES: (Continued)

Depreciation expense charged to pension operations was \$94,896 for 2008 and \$94,428 for 2007. Depreciation expense charged to investment expense – Olde Oaks Golf Course operations was \$107,847 for 2008 and \$106,827 for 2007. Depreciation expense charged to investment expense - The Golf Course at StoneBridge operations was \$58,539 for 2008 and \$64,544 for 2007. Depreciation expense charged to investment expense – Olde Oaks Development was \$75,931 for 2008 and \$75,931 for 2007.

19. LINE OF CREDIT:

Olde Oak's Golf Club:

During the year ended June 30, 2004, Olde Oaks obtained a line of credit for operating expenses. The line of credit carries a 6.75 % interest rate. The balance as of June 30, 2008 and 2007 is \$261,873 and \$328,465, respectively. The line of credit is due on August 20, 2011 and renewable for an additional year. The System is the guarantor of the line of credit.

The Club at Stonebridge:

During the year ended June 30, 2004, The Club at Stonebridge obtained a line of credit for operating expenses. The line of credit carries a 5.00% interest rate. The balance as of June 30, 2008 and 2007 is \$281,507 and \$318,213, respectively. The balance is due on September 25, 2012 and is renewable for an additional year. The System is the guarantor of the line of credit.

Olde Oaks Development:

During the year ending June 30, 2007, Olde Oaks Development obtained a line of credit in the amount of \$3,000,000 in which the System is the guarantor. The interest on the line of credit is 6.17% with a maturity date of June 28, 2009. The balance on the line of credit at June 30, 2008 and 2007 is \$550,000 and \$175,000, respectively.

During the year ending June 30, 2004, Olde Oaks Development obtained a line of credit in the amount of \$13,000,000 in which the System is the guarantor. The interest rate on the line of credit is 6.05% with a maturity date of June 28, 2007. On October 30, 2006, Municipal Police Employees' Retirement System paid off the balance on the line of credit in the amount of \$11,989,151.

MUNICIPAL POLICE EMPLOYEES'
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20. NOTE PAYABLE - EQUIPMENT:

Olde Oaks Golf Club:

During the year ending June 30, 2003, Olde Oaks obtained a line of credit from Regions Bank in the amount of \$465,000 for the purchase of equipment. The line of credit converted to a note on November 21, 2003. The note is guaranteed by the System. Equipment is additional collateral on the note. The note bears a 5.50% interest rate and is payable in thirty-six (36) monthly installments. The note was paid off during the year ending June 30, 2007.

The System refinanced a note on telephone equipment costing \$12,525 for Olde Oaks Golf Club. Equipment purchased is collateral on the note. The note is for thirty-six months with a 15.16% interest rate. The note was paid off during the year ending June 30, 2007.

The System purchased equipment for the Olde Oaks Golf Club costing \$16,558 through a note payable. Equipment purchased is collateral on the note. The note is for forty-eight months with a 6.9% interest rate. The note was paid off during the year ending June 30, 2007.

The Club at Stonebridge:

During the year ending June 30, 2005, the System purchased turf equipment and furniture for The Club at StoneBridge in the amount of \$98,408 through a note with Regions bank. The note is for thirty-six months with a 6.82 % interest rate. The System is the guarantor of the note. The note was paid off during the year ending June 30, 2008.

During the year ending June 30, 2004, the System purchased golf course equipment for The Club at StoneBridge in the amount \$98,824 through a note with Regions bank. The note is for thirty-six months with a 9.46% interest rate. The System is the guarantor of the note. The note was paid off during the year ending June 30, 2007.

An additional note payable in the amount of \$99,090 was obtained during the year ending June 30, 2005 for the purchase of turf equipment and furniture. The note is for thirty-six months and bears an interest rate of 7.22%. The System is the guarantor. The balance on the note at June 30, 2008 and 2007 is \$6,085 and \$41,097, respectively.

Following is a schedule of the future payments:

<u>Year Ending</u>	
June 30, 2009	\$ 6,085
June 30, 2010	—
	<u>\$ 6,085</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
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21. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

During the year ended June 30, 2008, the System implemented GASB 45, *Postemployment benefits other than pension benefits*. Since the year ended June 30, 2008 was the year of implementation, the System elected to implement prospectively, therefore prior year comparative data is not available.

Substantially all System employees become eligible for post-employment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the System. At June 30, 2008, nine retirees were receiving post-employment benefits.

Plan Description

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan (for fiscal year 2008) that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The Office of Group Benefits offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Exclusive Provider Organization (EPO) plan and the Health Maintenance Organization (HMO) plan. Retired employees who have Medicare Part A and Part B coverage also have access to two OGB Medicare Advantage plans which includes one HMO plan and one private fee-for-service (PFFS) plan. Depending upon the plan selected, during the year ended June 30, 2008, employee premiums for a single member receiving benefits range from \$34 to \$92 per month for retiree-only coverage with Medicare or from \$125 to \$170 per month for retiree-only coverage without Medicare. The premiums for a retiree and spouse for the year ended June 30, 2008 range from \$69 to \$165 per month for those with Medicare or from \$408 to \$493 per month for those without Medicare.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

21. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funding Policy (Continued)

The plan is currently financed on a pay as you go basis, with the System contributing anywhere from \$103 to \$237 per month for retiree-only coverage with Medicare or from \$809 to \$842 per month for retiree-only coverage without Medicare during the year ended June 30, 2008. Also, the System's contributions range from \$207 to \$427 per month for retiree and spouse with Medicare or \$1,242 to \$1,293 for retiree and spouse without Medicare.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at age 70 for retirees.

Annual OPEB Cost

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2007 is \$104,600 as set forth below:

Normal Cost	\$ 51,000
30-year UAL amortization amount	49,577
Interest on the above	<u>4,023</u>
Annual required contribution (ARC)	<u>\$ 104,600</u>

The following table presents the System's OPEB obligation for the year ended June 30, 2008:

Beginning Net OPEB Obligation July 1, 2007	\$ --
Annual required contribution	<u>104,600</u>
OPEB cost	104,600
Contributions made	--
Claim costs	<u>32,556</u>
Change in Net OPEB Obligation	<u>72,044</u>
Ending Net OPEB Obligation June 30, 2008	<u>\$ 72,044</u>

Utilizing the pay-as-you-go method, the System contributed 31.12% of the annual post employment benefits cost during the year ended June 30, 2008.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
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JUNE 30, 2008 AND 2007

21. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress

In the year ended June 30, 2008, the System made no contributions to its post employment benefits plan trust. A trust was established during the year ended June 30, 2008, but was not funded at all, has no assets, and hence has a funded ratio of zero. Since the plan was not funded, the entire actuarial accrued liability of \$1,299,600 was unfunded.

The funded status of the plan as of July 1, 2007, was as follows:

Actuarial accrued liability (AAL)	\$ 1,299,600
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,299,600</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 268,575
UAAL as a percentage of covered payroll	484%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 9.5% and 10.6% for pre-Medicare and Medicare eligibles, respectively, scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2008, was twenty nine years.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

22. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the System as of June 30, 2008, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
<u>\$1,600,941,810</u>	<u>\$1,841,234,995</u>	<u>\$240,293,185</u>	<u>86.95%</u>	<u>\$252,562,020</u>	<u>95.1%</u>

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the System's assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2008
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level dollar – The amortization period is for a specific number of years. (Closed Basis)
Remaining amortization period	29 years. Act 1079 of 2003 changed amortization period effective June 30, 2002.
Asset valuation method	The Actuarial Value of Assets is the market value of assets adjusted for a four-year weighted average in the unrealized gain or loss in the value of all assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	Technical paper No. 16 “Present Value of Estimated Lifetime Earnings”. These rates are increased by 2% during the first ten years of employment.

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

22. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

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.
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Unfunded actuarial	The System incurred an increase in the unfunded actuarial liability in the amount of \$44,821,037 which was due to an experience loss.
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23. 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.

24. RECLASSIFICATION:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
JUNE 30, 2008

	<u>Pension Fund</u>	<u>Expense Fund</u>	<u>Building Fund</u>
ASSETS			
Cash:			
Cash in bank	\$ 13,408,928	\$ 32,381	\$ 93,119
Cash in escrow	-	-	-
	<u>13,408,928</u>	<u>32,381</u>	<u>93,119</u>
Receivables:			
Member contributions	1,440,223	-	-
Employer contributions	2,715,369	-	-
Due from merger systems	1,200,379	-	-
Accounts receivable	175,667	-	-
Investment receivable	4,537,221	-	-
Accrued interest and dividends	6,079,162	-	-
Real estate investment receivable	24,337,177	-	-
Total Receivables	<u>40,485,198</u>	<u>-</u>	<u>-</u>
Investments:			
Cash in trust	1,616,871	-	-
Cash equivalents	40,270,280	-	-
Bonds, notes, mortgages	199,014,122	-	-
Marketable securities - domestic	644,791,428	-	-
Marketable securities - international	176,653,335	-	-
Pooled bond fund	87,264,987	-	-
Real estate fund	130,495,197	-	-
Mutual funds	44,693,248	-	-
Investment in partnership	34,568,861	-	-
Other investments	48,291,834	-	-
Collateral held under securities lending program - Money Market	220,999,669	-	-
Real estate - land and rental	193,082	-	721,553
Real estate - Olde Oaks Development	-	-	-
Real estate - Olde Oaks	4,496,478	-	-
Real estate - Stonebridge	3,198,764	-	-
Total Investments	<u>1,636,548,156</u>	<u>-</u>	<u>721,553</u>
Other Assets	-	-	-
Property, Plant and Equipment			
Net of accumulated depreciation	654,591	-	1,863,325
TOTAL ASSETS	<u>1,691,096,873</u>	<u>32,381</u>	<u>2,677,997</u>
LIABILITIES			
Accounts payable	703,937	67,078	(213)
Accrued payroll and taxes	(13,511)	11,963	-
Refunds payable	192,587	-	-
Deferred contribution	134,200	-	-
Other liabilities	-	-	-
Capital lease payable	-	-	-
Notes payable	-	-	-
Notes payable line of credit	-	-	-
Obligations under securities lending	220,999,669	-	-
Investment payable	6,617,472	-	-
Other post employment benefits obligation	-	72,044	-
Due to/ due (from) other funds	(16,914,015)	-	-
TOTAL LIABILITIES	<u>211,720,339</u>	<u>151,085</u>	<u>(213)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 1,479,376,534</u>	<u>\$ (118,704)</u>	<u>\$ 2,678,210</u>

Total Retirement System	Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Total
\$ 13,534,428	\$ 64,913	\$ 47,060	\$ 61,669	\$ 13,708,070
-	49,644	-	-	49,644
<u>13,534,428</u>	<u>114,557</u>	<u>47,060</u>	<u>61,669</u>	<u>13,757,714</u>
1,440,223	-	-	-	1,440,223
2,715,369	-	-	-	2,715,369
1,200,379	-	-	-	1,200,379
175,667	33,229	71,204	39,125	319,225
4,537,221	-	-	-	4,537,221
6,079,162	-	-	-	6,079,162
24,337,177	-	-	-	24,337,177
<u>40,485,198</u>	<u>33,229</u>	<u>71,204</u>	<u>39,125</u>	<u>40,628,756</u>
1,616,871	-	-	-	1,616,871
40,270,280	-	-	-	40,270,280
199,014,122	-	-	-	199,014,122
644,791,428	-	-	-	644,791,428
176,653,335	-	-	-	176,653,335
87,264,987	-	-	-	87,264,987
130,495,197	-	-	-	130,495,197
44,693,248	-	-	-	44,693,248
34,568,861	-	-	-	34,568,861
48,291,834	340,825	302,666	-	48,935,325
220,999,669	-	-	-	220,999,669
914,635	-	-	-	914,635
-	-	-	12,440,004	12,440,004
4,496,478	-	-	-	4,496,478
3,198,764	-	-	-	3,198,764
<u>1,637,269,709</u>	<u>340,825</u>	<u>302,666</u>	<u>12,440,004</u>	<u>1,650,353,204</u>
-	-	70,000	6,000	76,000
2,517,916	-	-	-	2,517,916
<u>1,693,807,251</u>	<u>488,611</u>	<u>490,930</u>	<u>12,546,798</u>	<u>1,707,333,590</u>
770,802	118,453	123,820	397,119	1,410,194
(1,548)	19,073	7,206	-	24,731
192,587	-	-	-	192,587
134,200	-	-	-	134,200
-	-	-	56,505	56,505
-	46,230	28,032	-	74,262
-	-	6,085	-	6,085
-	261,873	281,507	550,000	1,093,380
220,999,669	-	-	-	220,999,669
6,617,472	-	-	-	6,617,472
72,044	-	-	-	72,044
(16,914,015)	3,830,504	749,962	12,333,549	-
<u>211,871,211</u>	<u>4,276,133</u>	<u>1,196,612</u>	<u>13,337,173</u>	<u>230,681,129</u>
<u>\$ 1,481,936,040</u>	<u>\$ (3,787,522)</u>	<u>\$ (705,682)</u>	<u>\$ (790,375)</u>	<u>\$ 1,476,652,461</u>

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

ADDITIONS:	<u>Pension Fund</u>	Expense <u>Fund</u>	Building <u>Fund</u>
Contributions:			
Member contributions	\$ 18,637,104	\$ -	\$ -
Employer contributions	35,174,945	-	-
Insurance premium tax	14,455,288	-	-
	<u>68,267,337</u>	<u>-</u>	<u>-</u>
INVESTMENT INCOME:			
Net appreciation (depreciation) in fair value of investments	(158,607,449)	-	45,732
Interest - Sweep Account	198,427	-	-
Interest - cash equivalents	1,888,509	-	-
Interest - mortgage backed bonds	13,221,812	-	-
Interest - securities lending	9,557,698	-	-
Dividends - stocks	23,982,644	-	-
Miscellaneous investment income	154,569	-	-
	<u>(109,603,790)</u>	<u>-</u>	<u>45,732</u>
Less investment expenses:			
Securities lending expenses	8,299,309	-	-
Custodial fees	100,441	-	-
Investment advisor fee	4,493,097	-	-
Miscellaneous investment expense	5,898	-	-
Olde Oaks Development	-	-	-
Olde Oaks Golf Course operations	-	-	-
The Club at Stonebridge operations	-	-	-
	<u>12,898,745</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>(122,502,535)</u>	<u>-</u>	<u>45,732</u>
OTHER ADDITIONS:			
Merger interest payment	84,889	-	-
Interest income - refunds	360	-	-
Transfers (to) from other systems - employees	178,897	-	-
Transfers (to) from other systems - employers/interest	776,261	-	-
Total other additions	<u>1,040,407</u>	<u>-</u>	<u>-</u>
Total additions (deductions)	<u>(53,194,791)</u>	<u>-</u>	<u>45,732</u>
DEDUCTIONS:			
Benefits	92,841,073	-	-
Refund of contributions	2,842,220	-	-
Administrative expenses	-	978,730	115,781
Depreciation	20,646	-	74,250
Total deductions	<u>95,703,939</u>	<u>978,730</u>	<u>190,031</u>
Increase (decrease) in net assets prior to transfers	(148,898,730)	(978,730)	(144,299)
Transfers to/from	<u>(1,095,317)</u>	<u>900,317</u>	<u>195,000</u>
NET INCREASE (DECREASE)	(149,994,047)	(78,413)	50,701
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF THE YEAR	<u>1,629,370,581</u>	<u>(40,291)</u>	<u>2,627,509</u>
END OF THE YEAR	<u>\$ 1,479,376,534</u>	<u>\$ (118,704)</u>	<u>\$ 2,678,210</u>

Total Retirement System	Olde Oaks Golf Course	Stonebridge Golf Course	Olde Oaks Development	Total
\$ 18,637,104	\$ -	\$ -	\$ -	\$ 18,637,104
35,174,945	-	-	-	35,174,945
14,455,288	-	-	-	14,455,288
<u>68,267,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,267,337</u>
(158,561,717)	-	-	449,563	(158,112,154)
198,427	-	-	-	198,427
1,888,509	-	-	-	1,888,509
13,221,812	-	-	-	13,221,812
9,557,698	-	-	-	9,557,698
23,982,644	-	-	-	23,982,644
154,569	-	-	54,250	208,819
<u>(109,558,058)</u>	<u>-</u>	<u>-</u>	<u>503,813</u>	<u>(109,054,245)</u>
8,299,309	-	-	-	8,299,309
100,441	-	-	-	100,441
4,493,097	-	-	-	4,493,097
5,898	-	-	-	5,898
-	-	-	387,566	387,566
-	448,991	-	-	448,991
-	-	113,648	-	113,648
<u>12,898,745</u>	<u>448,991</u>	<u>113,648</u>	<u>387,566</u>	<u>13,848,950</u>
<u>(122,456,803)</u>	<u>(448,991)</u>	<u>(113,648)</u>	<u>116,247</u>	<u>(122,903,195)</u>
84,889	-	-	-	84,889
360	-	-	-	360
178,897	-	-	-	178,897
776,261	-	-	-	776,261
<u>1,040,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040,407</u>
<u>(53,149,059)</u>	<u>(448,991)</u>	<u>(113,648)</u>	<u>116,247</u>	<u>(53,595,451)</u>
92,841,073	-	-	-	92,841,073
2,842,220	-	-	-	2,842,220
1,094,511	-	-	-	1,094,511
94,896	-	-	-	94,896
<u>96,872,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,872,700</u>
(150,021,759)	(448,991)	(113,648)	116,247	(150,468,151)
-	-	-	-	-
(150,021,759)	(448,991)	(113,648)	116,247	(150,468,151)
<u>1,631,957,799</u>	<u>(3,338,531)</u>	<u>(592,034)</u>	<u>(906,622)</u>	<u>1,627,120,612</u>
<u>\$ 1,481,936,040</u>	<u>\$ (3,787,522)</u>	<u>\$ (705,682)</u>	<u>\$ (790,375)</u>	<u>\$ 1,476,652,461</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2008

REVENUE:

Green fees	\$ 467,235
Golf cart rental	327,152
Range fees	18,984
Other golf revenue	1,973
Golf shop	139,246
Membership dues	234,762
Food and beverage revenue from operations	250,354
Other income	14,135
Total revenue	<u>1,453,841</u>

OPERATING EXPENSES:

Advertising	38,444
Bad debt expense	2,574
Cleaning supplies	4,809
Contract labor	7,637
Cost of goods sold - golf shop	124,285
Cost of goods sold - food and beverage	182,761
Depreciation	107,847
Equipment purchases	10,091
Equipment leasing/rental	117,837
Fuel	62,300
Ground maintenance	51,247
Insurance - health	34,080
Insurance - workman's compensation	22,188
Interest and late charge	30,887
License and permits	945
Miscellaneous expenses	12,525
Other employee expenses	230
Printing and stationary	2,046
Promotional expenses	3,153
Repair, maintenance and supplies	114,199
Salaries and wages	658,883
Taxes - payroll	62,892
Telephone	7,676
Tournament expenses	862
Utilities	55,574
Total operating expenses	<u>1,715,972</u>

OTHER EXPENSES:

General and administrative expenses (Page 39)	52,768
Property taxes, insurance	134,092
Total other expenses	<u>186,860</u>

LOSS

\$ (448,991)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
OLDE OAKS GOLF COURSE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2008

Bank charges	\$ 1,381
Credit card service charge	20,150
Dues and subscriptions	8,329
Office supplies	511
Postage and delivery	1,286
Professional fees	18,961
Travel and entertainment	<u>2,150</u>
Total administrative expenses	\$ <u>52,768</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS GOLF COURSE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (448,991)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	107,847
Expenses paid by Retirement System	452,726
Loss on sale of assets	13,888
(Increase) decrease in operating assets:	
Accounts receivable	33,290
Inventories	(6,258)
Increase (decrease) in operating liabilities:	
Accounts payable	(43,335)
Accrued payroll and taxes	6,811
Net cash provided by operating activities	<u>115,978</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	<u>(2,595)</u>
Net cash used by investing activities	<u>(2,595)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment for obligation under line of credit	(66,592)
Payment for obligation under capital leases	<u>(11,343)</u>
Net cash used by financing activities	<u>(77,935)</u>
 NET INCREASE IN CASH	 35,448
 CASH, BEGINNING OF YEAR	 <u>79,109</u>
 CASH, END OF YEAR	 \$ <u><u>114,557</u></u>
 NONCASH INVESTING ACTIVITIES:	
Purchase of equipment through capital lease	\$ <u><u>17,845</u></u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2008

REVENUE:

Green fees	\$ 337,158
Golf cart rental	155,947
Range fees	42,653
Other golf revenue	4,220
Golf shop	91,450
Membership dues	412,799
Food and beverage revenue from operations	261,303
Other income	15,204
Total revenue	<u>1,320,734</u>

OPERATING EXPENSES:

Advertising	17,826
Bad debt expense	2,670
Cleaning supplies	6,545
Contract labor	17,330
Cost of goods sold - golf shop	53,313
Cost of goods sold - food and beverage	106,992
Depreciation	58,539
Equipment purchases	2,750
Equipment leasing/rental	55,345
Fuel	10,717
Ground maintenance	47,060
Insurance - health	25,964
Insurance - workman's compensation	16,993
Interest and late charge	30,647
License and permits	2,325
Management fees	3,200
Miscellaneous expenses	12,570
Other employee expenses	(51)
Printing and stationary	1,819
Promotional expenses	1,910
Repair, maintenance and supplies	82,402
Salaries, wages and related taxes	622,489
Telephone	8,725
Utilities	59,365
Total operating expenses	<u>1,247,445</u>

OTHER EXPENSES:

General and administrative expenses (Page 42)	65,459
Property taxes, insurance	<u>121,478</u>

Total expenses	<u>1,434,382</u>
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LOSS	<u>\$ (113,648)</u>
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
THE CLUB AT STONEBRIDGE
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED JUNE 30, 2008

Bank charges	\$ 1,628
Credit card service charge	10,839
Dues and subscriptions	17,289
Education	99
Office supplies	2,723
Postage and delivery	3,078
Professional fees	28,747
Travel and entertainment	<u>1,056</u>
Total administrative expenses	\$ <u>65,459</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 THE CLUB AT STONEBRIDGE
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (113,648)
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	58,539
Expenses paid by Retirement System	220,447
(Increase) decrease in operating assets:	
Accounts receivable	(21,695)
Inventories	(43,835)
Increase (decrease) in operating liabilities:	
Accounts payable	50,475
Accrued payroll and taxes	<u>(8,727)</u>
Net cash provided by operating activities	<u>141,556</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of property and equipment	<u>(3,120)</u>
Net cash used by investing activities	<u>(3,120)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on line of credit	(36,706)
Payment for obligation under capital leases	<u>(59,685)</u>
Net cash used by financing activities	<u>(96,391)</u>
 NET INCREASE IN CASH	 42,045
CASH, BEGINNING OF YEAR	<u>5,015</u>
CASH, END OF YEAR	<u>\$ 47,060</u>
 NONCASH INVESTING ACTIVITIES:	
Purchase of equipment through capital lease	<u>\$ 29,069</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2008

REVENUE:	
Gain on the sale of lot	\$ 15,901
Net appreciation in fair value of investment	<u>433,662</u>
Total appreciation of investment	<u>449,563</u>
Other revenue	28,500
Sewer plant income	<u>25,750</u>
Miscellaneous investment income	<u>54,250</u>
Total revenue	<u>503,813</u>
OPERATING EXPENSES:	
Advertising	60,000
Depreciation and amortization expense	75,931
Maintenance	148,803
Sewer plant maintenance	15,867
Utilities	<u>38,712</u>
Total operating expenses	<u>339,313</u>
OTHER EXPENSES:	
Real estate taxes	<u>18,357</u>
Total other expenses	<u>18,357</u>
ADMINISTRATIVE EXPENSES:	
Professional fees	<u>29,896</u>
Total administrative expenses	<u>29,896</u>
Total expenses	<u>387,566</u>
NET INCOME	<u>\$ 116,247</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 OLDE OAKS DEVELOPMENT
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 116,247
Adjustments to reconcile change in net assets to net cash used by operations:	
Net appreciation in fair value of investments	(433,662)
Depreciation and amortization expense	75,931
Expenses paid by Retirement System	87,839
Gain on sale of lot	(15,901)
(Increase) decrease in operating assets:	
Accounts receivable	2,375
Deposits	(6,000)
Increase (decrease) in operating liabilities:	
Accounts payable	(10,846)
Other liabilities	(32,500)
Net cash used by operating activities	<u>(216,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Improvements	(1,138,386)
Proceeds from the sale of land	<u>880,378</u>
Net cash used by investing activities	<u>(258,008)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	<u>375,000</u>
Net cash provided by financing activities	<u>375,000</u>
NET DECREASE IN CASH	(99,525)
CASH, BEGINNING OF YEAR	<u>161,194</u>
CASH, END OF YEAR	<u>\$ 61,669</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
DETAIL STATEMENTS OF CHANGES IN RESERVE BALANCES
YEARS ENDED JUNE 30, 2008 AND 2007

	JUNE 30, 2008					
	Annuity Savings	Annuity Reserve	Deferred Retirement Option Plan	Initial Benefit Option Plan	Pension Accumulation	Unfunded Actuarial Accrued Liability
BALANCE - BEGINNING	\$ 134,817,818	\$ 960,802,406	\$ 73,112,414	\$ 759,149	\$ 550,044,584	\$ (92,415,759)
Prior year actuarial transfer	-	-	-	-	-	-
ADJUSTED BEGINNING BALANCE	<u>134,817,818</u>	<u>960,802,406</u>	<u>73,112,414</u>	<u>759,149</u>	<u>550,044,584</u>	<u>(92,415,759)</u>
REVENUES AND TRANSFERS:						
Employee contributions	18,637,104	-	-	-	-	-
Employer contributions	-	-	-	-	35,174,945	-
Insurance premium tax	-	-	-	-	14,455,288	-
Net investment income (loss)	-	-	-	-	(122,903,195)	-
Merger interest and penalty payment	-	-	-	-	84,889	-
Interest income - refunds	-	-	-	-	360	-
Transfers (to) from other systems	178,897	-	-	-	776,261	-
Transfer from Annuity Savings	-	8,005,542	-	-	-	-
Pensions transferred from						
Annuity Reserve	-	-	12,366,235	543,834	-	-
Actuarial transfer	-	129,604,173	-	-	142,562,602	-
	<u>18,816,001</u>	<u>137,609,715</u>	<u>12,366,235</u>	<u>543,834</u>	<u>70,151,150</u>	<u>-</u>
EXPENDITURES AND TRANSFERS:						
Pensions paid	-	86,607,123	5,877,436	356,514	-	-
Refunds to members	2,842,220	-	-	-	-	-
Administrative expenses	-	-	-	-	1,094,511	-
Depreciation	-	-	-	-	94,896	-
Transfer to Annuity Reserve	8,005,542	-	-	-	-	-
Pensions transferred to Initial Benefit Option Plan	-	543,834	-	-	-	-
Pensions transferred to DROP	-	12,366,235	-	-	-	-
Actuarial transfer	-	-	-	-	-	272,166,775
	<u>10,847,762</u>	<u>99,517,192</u>	<u>5,877,436</u>	<u>356,514</u>	<u>1,189,407</u>	<u>272,166,775</u>
NET INCREASE (DECREASE)	<u>7,968,239</u>	<u>38,092,523</u>	<u>6,488,799</u>	<u>187,320</u>	<u>68,961,743</u>	<u>(272,166,775)</u>
BALANCE - ENDING	<u>\$ 142,786,057</u>	<u>\$ 998,894,929</u>	<u>\$ 79,601,213</u>	<u>\$ 946,469</u>	<u>\$ 619,006,327</u>	<u>\$ (364,582,534)</u>

JUNE 30, 2007

<u>Total</u>	<u>Annuity Savings</u>	<u>Annuity Reserve</u>	<u>Deferred Retirement Option Plan</u>	<u>Initial Benefit Option Plan</u>	<u>Pension Accumulation</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Total</u>
\$ 1,627,120,612	\$ 130,151,650	\$ 919,295,724	\$ 58,877,905	\$ 454,644	\$ 542,275,627	\$ (230,263,194)	\$ 1,420,792,356
-	-	(4,688,646)	5,777,845	51,448	(1,140,647)	-	-
<u>1,627,120,612</u>	<u>130,151,650</u>	<u>914,607,078</u>	<u>64,655,750</u>	<u>506,092</u>	<u>541,134,980</u>	<u>(230,263,194)</u>	<u>1,420,792,356</u>
18,637,104	17,157,738	-	-	-	-	-	17,157,738
35,174,945	-	-	-	-	35,867,002	-	35,867,002
14,455,288	-	-	-	-	12,817,388	-	12,817,388
(122,903,195)	-	-	-	-	232,956,935	-	232,956,935
84,889	-	-	-	-	96,467	-	96,467
360	-	-	-	-	681	-	681
955,158	259,529	-	-	-	83,808	-	343,337
8,005,542	-	8,907,987	-	-	-	-	8,907,987
12,910,069	-	-	15,493,375	751,496	-	-	16,244,871
<u>272,166,775</u>	<u>-</u>	<u>133,907,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,847,435</u>	<u>271,755,081</u>
<u>239,486,935</u>	<u>17,417,267</u>	<u>142,815,633</u>	<u>15,493,375</u>	<u>751,496</u>	<u>281,822,281</u>	<u>137,847,435</u>	<u>596,147,487</u>
92,841,073	-	80,375,434	7,036,711	498,439	-	-	87,910,584
2,842,220	3,843,112	-	-	-	-	-	3,843,112
1,094,511	-	-	-	-	1,063,168	-	1,063,168
94,896	-	-	-	-	94,428	-	94,428
8,005,542	8,907,987	-	-	-	-	-	8,907,987
543,834	-	751,496	-	-	-	-	751,496
12,366,235	-	15,493,375	-	-	-	-	15,493,375
<u>272,166,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,755,081</u>	<u>-</u>	<u>271,755,081</u>
<u>389,955,086</u>	<u>12,751,099</u>	<u>96,620,305</u>	<u>7,036,711</u>	<u>498,439</u>	<u>272,912,677</u>	<u>-</u>	<u>389,819,231</u>
(150,468,151)	4,666,168	46,195,328	8,456,664	253,057	8,909,604	137,847,435	206,328,256
<u>\$ 1,476,652,461</u>	<u>\$ 134,817,818</u>	<u>\$ 960,802,406</u>	<u>\$ 73,112,414</u>	<u>\$ 759,149</u>	<u>\$ 550,044,584</u>	<u>\$ (92,415,759)</u>	<u>\$ 1,627,120,612</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
YEARS ENDED JUNE 30, 2008 AND 2007

The per diem paid to the trustees is an expenditure of the Expense Fund. For 2008 and 2007, the trustees receive per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attend. Particulars of the per diem paid to the trustees for the years ended June 30, 2008 and 2007 are as follows:

	<u>AMOUNTS</u>	
	<u>2008</u>	<u>2007</u>
Henry Dean	\$ 900	\$ 1,125
Samuel Wyatt	900	1,200
Jeffrey Wesley	900	675
Larry Reech	750	900
Thomas Buell	825	900
Willie Joe Greene	975	1,200
Ronald Schleuter	525	525
Kelly Gibson	750	975
Mike Halphen	825	975
Francis Campbell	-	600
	<u>\$ 7,350</u>	<u>\$ 9,075</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ACCOUNTS RECEIVABLE - MERGED SYSTEMS
YEARS ENDED JUNE 30, 2008 AND 2007

<u>City</u>	<u>Term</u>		<u>Interest Rate</u>	<u>Payment Term</u>	<u>Payment Amount</u>	<u>Balance 6-30-08</u>	<u>Balance 6-30-07</u>
Crowley	01-84	12-13	7%	Quarterly	21,644	\$ 400,982	\$ 459,172
Opelousas	01-84	10-13	7%	Quarterly	37,773	699,793	763,572
Tallulah	01-84	10-13	7%	Quarterly	5,376	<u>99,604</u>	<u>114,145</u>
TOTAL						\$ <u>1,200,379</u>	\$ <u>1,336,889</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENTS
YEAR ENDED JUNE 30, 2008

	<u>Par Value</u>	<u>Original Cost</u>	<u>Market Value</u>
BONDS:			
Federal Home Loan Mortgage Corporation	\$ 2,138,968	\$ 2,214,159	\$ 2,177,638
Federal National Mortgage Association	2,043,837	2,101,093	2,078,713
Unites States Treasury Bonds	2,490,000	2,350,251	2,472,296
State and Municipal Bonds	1,970,000	1,834,897	1,860,467
Foreign Government Bonds	24,882,087	16,030,544	16,107,558
Government National Mortgage Association	664,619	687,606	677,546
Corporate Bonds	179,830,000	180,874,616	172,133,263
Other	<u>1,708,313</u>	<u>1,667,904</u>	<u>1,506,641</u>
 TOTAL BONDS	 <u>\$ 215,727,824</u>	 <u>\$ 207,761,070</u>	 <u>\$ 199,014,122</u>
 REAL ESTATE, MUTUAL AND POOLED FUNDS:			
Pooled Bond Fund		\$ 62,297,019	\$ 87,264,987
Mutual fund		38,276,006	44,693,248
Real estate fund		<u>86,475,363</u>	<u>130,495,197</u>
 TOTAL MUTUAL FUNDS		 <u>\$ 187,048,388</u>	 <u>\$ 262,453,432</u>
 DOMESTIC STOCKS		 <u>\$ 691,574,496</u>	 <u>\$ 644,791,428</u>
INTERNATIONAL STOCKS		<u>\$ 153,026,577</u>	<u>\$ 176,653,335</u>
INVESTMENT IN PARTNERSHIP		<u>\$ 33,154,046</u>	<u>\$ 34,568,861</u>
REAL ESTATE - LAND AND RENTAL		<u>\$ 859,273</u>	<u>\$ 914,635</u>
REAL ESTATE - OLDE OAKS GOLF COURSE		<u>\$ 10,884,746</u>	<u>\$ 4,496,478</u>
REAL ESTATE - THE CLUB AT STONEBRIDGE		<u>\$ 4,302,302</u>	<u>\$ 3,198,764</u>
REAL ESTATE - OLDE OAKS DEVELOPMENT		<u>\$ 11,754,333</u>	<u>\$ 12,440,004</u>
OTHER INVESTMENT			
HEDGE FUNDS		\$ 47,900,000	\$ 48,291,834
ASSETS - GOLF COURSES		<u>643,491</u>	<u>643,491</u>
		<u>\$ 48,543,491</u>	<u>\$ 48,935,325</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF ADMINISTRATIVE EXPENSES
 ACTUAL AND BUDGET
YEAR ENDED JUNE 30, 2008

	<u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENSE FUND:			
Personal Services:			
Staff salaries	\$ 268,575	\$ 268,575	\$ -
Group insurance	78,209	78,209	-
Retirement	37,374	37,374	-
Other post employment benefit obligation expense	72,044	-	(72,044)
Board member - Per diem	7,350	7,350	-
Professional Services:			
Accountant	55,654	75,653	19,999
Actuarial	60,000	60,000	-
Computer services	22,019	22,920	901
Risk management	14,429	14,429	-
Legal	106,225	111,225	5,000
Medical Board	8,069	8,069	-
Death audit	1,880	2,238	358
Retirement Association fees	490	490	-
Communications:			
Postage, printing and supplies	49,513	49,513	-
Telephone	8,949	8,949	-
Travel	23,264	23,264	-
Other:			
Advertising	201	201	-
Equipment rental and repair	33,816	33,816	-
Election expenses	11,185	11,185	-
Board expenses	20,615	20,615	-
Document imaging	85,957	89,550	3,593
Miscellaneous	3,429	3,071	(358)
Uniforms	4,128	4,128	-
Medicare expense	5,355	5,355	-
Total expenses budgeted	<u>978,730</u>	<u>936,179</u>	<u>(42,551)</u>
BUILDING FUND:			
Association dues	1,200	1,200	-
Architectural services	5,978	5,978	-
Maintenance	67,767	89,919	22,152
Office supplies	42	-	(42)
Building supplies	1,168	1,919	751
Security	4,074	4,074	-
Utilities	35,552	35,552	-
Total building fund	<u>115,781</u>	<u>138,642</u>	<u>22,861</u>
TOTAL ADMINISTRATIVE EXPENSES	\$ <u>1,094,511</u>	\$ <u>1,074,821</u>	\$ <u>(19,690)</u>
CAPITAL OUTLAYS	\$ <u>1,533</u>	\$ <u>1,533</u>	\$ <u>-</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2003 THROUGH 2008

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Actuarial Required Contribution Other Sources</u>	<u>Percent Contributed Employer</u>	<u>Percent Contributed Other Sources</u>
2003	\$ 29,220,618	\$ 8,689,205	61.23 %	100.00 %
2004	43,501,552	10,135,228	73.99	100.00
2005	44,267,740	11,539,650	105.45	100.00
2006	34,138,070	11,914,460	109.03	102.54
2007	31,041,232	12,817,388	115.55	100.00
2008	22,865,917	14,455,288	153.83	100.00

For the years ending June 30, 2003 through 2008, 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2003 THROUGH 2008

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(Surplus) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>
June 30, 2003	\$ 1,076,306,000	\$ 1,455,791,000	\$ 379,485,000	73.90 %	\$ 197,254,000	192.4 %
June 30, 2004	1,138,387,070	1,561,739,325	423,352,255	72.90	208,756,800	202.7
June 30, 2005	1,233,572,172	1,552,332,283	318,760,111	79.47	215,638,892	147.8
June 30, 2006	1,371,981,645	1,651,055,550	279,073,905	83.10	223,213,661	125.0
June 30, 2007	1,531,297,284	1,719,536,371	188,239,087	89.05	229,145,048	82.1
June 30, 2008	1,600,941,810	1,841,234,995	240,293,185	86.95	252,562,020	95.1

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

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

October 22, 2008

Board of Trustees of the Municipal Police
Employees' Retirement System and Subsidiaries
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited the financial statements of Municipal Police Employees' Retirement System and Subsidiaries as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. 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 Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Police Employees' Retirement System and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Municipal Police Employees Retirement System and Subsidiaries' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control

deficiency, or combination of control deficiencies, that adversely affects Municipal Police Employees' Retirement System and Subsidiaries' ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Municipal Police Employees' Retirement System and Subsidiaries' financial statements that is more than inconsequential will not be prevented or detected by Municipal Police Employees' Retirement System and Subsidiaries' internal control. We consider the deficiencies described in the accompany schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Municipal Police Employees' Retirement System and Subsidiaries' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that none of the significant deficiencies described in the accompanying schedule of findings is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Police Employees' Retirement System and Subsidiaries' 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and 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 those specified. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Police Employees' Retirement Systems and its Subsidiaries for the years ended June 30, 2008 and 2007 was unqualified.

2. Internal Control:

Material weaknesses: none

Significant deficiencies: 08-01 and 08-02

08-01 As in common in organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the System's annual financial statements. This condition is intentional by management based upon the System's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and the annual financial statement, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

We recommend that management review their system to determine if it would be cost effective to develop and implement internal controls over year-end adjusting journal entries and the preparation of their annual financial statements.

08-02 During the audit it was determined that the System's custodial bank did not timely reflect the activity of the hedge funds. There were several sales of hedge funds that occurred prior to June 30, 2008, but were not recorded by the custodian bank until July 2008. Not reflecting hedge fund activities could result in incorrect investment values. We recommend the System investigate these timing differences with their custodian bank to ensure that these do not continue.

3. Compliance and other matters:

Noncompliance material to financial statements: none noted

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

SUMMARY OF PRIOR YEAR FINDINGS:

Subsidiary:

07-01 During the prior year audit it was determined that the System did not maintain copies of legal documents related to its subsidiary entities at its principal location. These records are an integral part of the System and should be filed along with all other System records. Not having all the records pertaining to the subsidiary entities results in incomplete records and lack of internal control. We recommended the System obtain all records related to its subsidiary entities and maintain them with the System to comply with L.R.S. 24:515B. During the current year, we noted that copies of legal documents were maintained at the principal location.

Recording of transactions:

07-02 Written procedures were developed to effectively record and process cash receipts and disbursements and to increase internal controls for Olde Oaks Development. During the prior year audit it was noted that that the majority of the procedures had not been implemented. This resulted in lack of internal controls over the receipts and disbursements functions. We recommend that the System implement the procedures to ensure that all income and expenses for Olde Oaks Development are being properly recorded in an accounting system. During the current year, it was noted that all transactions are being recorded by the System at the office in Baton Rouge.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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December 19, 2008

KATHY BOURQUE
DIRECTOR

Charles G. Hall
Actuary

R. Randall Roche
General Counsel

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Mr. Steve J. Theriot, CPA
Secretary
LEGISLATIVE AUDIT ADVISORY COUNCIL
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Municipal Police Employees' Retirement System

Dear Mr. Theriot:

The following are responses to comments in reference to our Audit Report for the year ended June 30, 2008:

RETIREMENT SYSTEM:

We have determined that it is the most cost effective and the prudent use of the System's funds to engage the auditor to propose certain year-end adjusting entries and to prepare the System's annual financial reports. As such we feel that no action by the System is necessary at this time.

RETIREMENT SYSTEM:

During the audit it was determined that the System's custodian bank did not timely reflect the activity of hedge funds. There were several sales of hedge funds that occurred prior to June 30, 2008, but were not recorded by the custodian bank until July 2008. Management has discussed this matter with the custodian bank and emphasized the importance of timely recordation of the hedge funds transactions. Also, these hedge funds are being transferred out of the portfolio, and the circumstances causing the untimely recording should not be present in the future.

In the event that further response is necessary on these matters, please advise.

Sincerely,

A handwritten signature in black ink that reads "Kathy Bourque".

Kathy Bourque
Director

PLEASE INCLUDE MEMBER'S SOCIAL SECURITY NUMBER WITH ALL CORRESPONDENCE