4242

LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

Celebrating 15 Years

EMPLOYEES' RETIREMENT SYSTEM

OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-5

BASIC FINANCIAL STATEMENTS

STATEMENT OF PLAN NET ASSETS 6

STATEMENT OF CHANGES IN PLAN NET ASSETS 7

NOTES TO THE FINANCIAL STATEMENTS 8-16

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS 17

SCHEDULE OF EMPLOYER CONTRIBUTIONS 18

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD 19-20

STATUS OF PRIOR YEAR FINDINGS 21

LUTHER SPEIGHT & COMPANY, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
of the City New Orleans, Louisiana

We have audited the accompanying statements of net assets available for benefits of the City of New Orleans Employees' Retirement System Combination Defined Benefit and Defined Contribution Pension Plan (The Plan) as of December 31, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan'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. 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 City of New Orleans Employees' Retirement System's Employee Benefit Plan as of December 31, 2004 and 2003, 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.

We have audited the financial statements of the Plan for the years ended December 31, 2004 and 2003 and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information and supplemental schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such required statistical information and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects when considered in relation to the basic finances statements taken as a whole.

New Orleans Office: 10001 Lake Forest Blvd., Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

www.speightcpa.com

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of determination and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2005 on our consideration of the Plan's internal control over financial reporting and or tests of its compliance with laws, regulations and contract. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

New Orleans, Louisiana
June 5, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the financial performance of the Employees' Retirement System of the City of New Orleans. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

Financial Highlights

- The net assets held in trust for pension benefits increased by $24.1 million, or 6 percent. This increase is generally attributable to gains in equity markets.

- Net Appreciation in fair value reflected a balance of $29.3 million for the current year. This balance represents a 50% decrease as compared to the prior year of $58 million.

- Total contributions to the Plan showed an increase of $1.4 million as compared to prior year. The increase was due primarily to increases in employee and employer required contributions to the Plan.

Overview of the Financial Statements

An explanation of the financial statements and schedules that present the financial status of the Plan is as follows:

- Statement of Plan Net Assets – This statement reports the System's assets, liabilities, and resultant net assets as of December 31, 2004 and 2003.

- Statement of Changes in Plan Net Assets – This statement reports the results of operations during the calendar years 2004 and 2003, categorically disclosing the additions to and deduction from plan net assets. The net increase to plan assets on this statement supports the change in net assets on the Statement of Plan between the years ended 2003 and 2004.

- Notes to the Financial Statements – The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements.

- Required Supplementary Information – The required supplementary information consists of several schedules that show information related to funding progress, contributions to the Plan and other certain actuarial information.

Financial Analysis of the System

Net Assets: A summary of the System's Net Plan Assets is presented in Table 1, below.

	2004	2003
Cash	$ 2,551,116	$ 2,303,933
Receivable		
Contributions	463,287	102,338
Accounts Receivable	91,661	84,956
Accrued Interest & Dividends	940,581	1,184,908
Due From Broker Pending Acquistions	2,373,523	114,834
Total Receivables	3,869,052	1,487,036
Cash Equivalents	32,253,553	22,018,960
U.S. Government Obligations	30,940,696	34,137,427
Corporate Securities		
Bonds	62,604,187	64,339,824
Equities	261,824,080	243,182,014
Total Investments	387,622,516	363,678,225
Total Assets	394,042,684	367,469,194
Liabilities		
Due to Terminated employees	72,797	146,545
Due to Broker for Securities Purchased	1,982,806	385,400
Escrow	3,244	0
Accrued Management and Custodial Fees	486,019	442,915
Accounts Payable	111,329	113,650
Total Liabilities	2,656,195	1,088,510
Net Assets Held in Trust for Pension Benefits	$ 391,386,489	$ 366,380,684

Additions to Plan Net Assets

Additions to the Plan Net Assets were derived primarily from contributions from employees and employers in addition to investment income. Investment income was stated at $35.7 million for 2004. This represented a decreased of $29.6 million or 45% due to smaller net appreciation in fair value as compared to prior year.

Employer and employee contributions both reflected increases of approximately $1.5 million and $600,000 respectively as compared to prior years. These increases were partially offset by a decrease in the transfers from the Sewer and Water Board.

Deductions From Plan Net Assets

Deductions from plan net assets include retirement, death, and survivor benefits and administrative expenses. Deductions from plan net assets remained constant as compared to prior year at a level of $24.2 million.

A summary of Plan additions and deductions are as follows:

	2004	2003
Additions	$49,211,632	$76,583,868
Deductions	24,205,836	24,239,836
Net Increase/(Decrease) in Plan Net Assets	**$25,005,796**	**$52,344,032**

Requests for Information

This management's discussion is designed to provide a general overview of the Employees' Retirement System of the City of New Orleans finances for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the Plan Administrator, City of New Orleans and the Employees Retirement System, 1300 Perdido Street, New Orleans, LA 70131.

BASIC FINANCIAL STATEMENTS

THE CITY OF NEW ORLEANS RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2004 AND 2003

	2004	2003
Cash	$ 2,551,116	$ 2,303,933
Receivable		
Contributions	463,287	102,338
Accounts Receivable	91,661	84,956
Accrued Interest & Dividends	940,581	1,184,908
Due From Broker Pending Acquistions	2,373,523	114,834
Total Receivables	3,869,052	1,487,036
Investments:		
Cash Equivalents	32,253,553	22,018,960
U.S. Government Obligations	30,940,696	34,137,427
Corporate Securities		
Bonds	62,604,187	64,339,824
Equities	261,824,080	243,182,014
Total Investments	387,622,516	363,678,225
Total Assets	394,042,684	367,469,194
Liabilities		
Due to Terminated employees	72,797	146,545
Due to Broker for Securities Purchased	1,982,806	385,400
Escrow	3,244	0
Accrued Management and Custodial Fees	486,019	442,915
Accounts Payable	111,329	113,650
Total Liabilities	2,656,195	1,088,510
Net Assets Held in Trust for Pension Benefits	$ 391,386,489	$ 366,380,684

The accompanying footnotes are an integral part of this financial statement.

THE CITY OF NEW ORLEANS RETIREMENT SYSTEM
STATEMENT CHANGES IN PLAN NET ASSETS
DECEMBER 31, 2004 AND 2003

	2004	2003
ADDITIONS		
Contributions:		
Employer	$ 8,150,924	$ 6,648,233
Members	4,212,538	3,660,906
Transfers from Sw&B	20,710	697,458
Payments for Military Services	29,486	26,538
Transfers from Firefighters	0	0
Transfers from State System	94,053	58,400
Total Contributions	12,507,711	11,091,535
Investment Income:		
Net Appreciation(depreciation) in fair value of investments	30,260,678	58,640,692
Interest and Dividends	7,729,841	8,153,249
Commision Recapture	133,472	117,616
Other Investment Income	754,756	430,368
Securities Lending	58,825	51,972
	38,937,572	67,393,897
Less: Investment expense	(2,233,651)	(1,901,564)
Net investment income(loss)	36,703,921	65,492,333
Total Additions	49,211,632	76,583,868
Deductions		
Retirement Allowances	14,476,650	13,352,455
Ordinary Disability Retirements	1,514,260	1,582,868
Accidental Disability Retirement	628,261	628,439
Separation Retirements	650,494	697,476
Refunds to Members	771,077	812,286
Transfers to the State Retirement System	250,591	174,702
Transfers to the Sewerage and Water Board	142,325	94,309
Transfer to M.P.E.R.S.	38,885	0
Lump Sum Benefits Due to Death of Members	313,746	281,954
Option I Death Benefits	0	23,532
Cost of Living Benefits	3,432,714	3,276,815
Drop Withdrawal	1,898,494	3,249,001
Administrative Expenses	88,339	65,999
Total Deductions	24,205,836	24,239,836
Net Increase (Decrease)	25,005,796	52,344,032
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	366,380,684	314,036,652
End of Year	$ 391,386,480	$ 366,380,684

The accompanying footnotes are an integral part of this financial statement.

THE CITY OF NEW ORLEANS RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

I. DESCRIPTION OF THE SYSTEM

A. PLAN DESCRIPTION

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS (Retirement System) is a Defined Benefit Pension Plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees, and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the five member Board of Trustees of the Retirement System.

At December 31, 2004, EMPLOYEES' RETIREMENT SYSTEM membership consisted of:

	December 31,	
	2004	2003
Retirees and beneficiaries currently receiving benefits	1798	1728
Terminated employees entitled to benefits but not yet receiving them	169	159
Total	1967	1887
Current employees vested	2240	2287
Current employees non-vested	1364	1440
Total Active Employees	3604	3727
Total Employees	**5571**	**5614**

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans regularly employed persons.
Membership includes:

1. Employees hired on or after July 1, 1947, who become members as a condition of employment, except for those over 65, unless they have 10 years prior service.

2. Employees hired before July 1, 1947 became members, unless they elected not to join.

3. Officials elected or appointed for fixed terms, however, membership is optional.

4. All officers and employees of various judicial and parochial offices of the parish, except those covered by another system and those for whom no contributions are made by respective offices.

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 and 5 years of service are entitled to a retirement allowance, consisting of the following:

5. An annuity, which is the actuarial equivalent of the employee's accumulated contribution at the time of retirement; plus

6. An annual pension, which together with the above annuity, provides a total retirement allowance equal to 2% of average compensation times first 10 years, plus 2-1½% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years, maximum not to exceed 100% of average compensation. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62. The reduction no longer exists for persons retiring after January 1, 1997 with 30 years of service. For service retirement prior to age 55 with 30 years of service, this amount is reduced by 2% (1% for members who retire prior to January 1, 1983) for each year below age 55. For service retirements at age 55 with 30 or more years of service, this amount is not reduced.

   Effective January 1, 2002, an annual pension which together with the above annuity provides a total retirement allowance equal to 2.5% of average compensation for each of the first 25 years plus 4% of average compensation for creditable service over 25 years.

Average compensation is defined as average annual earned compensation (which includes overtime earned prior to April 29, 1979 and tenure pay) of a member for the highest thirty-six successive months of service as a member, minus $1,200. Effective January 1, 2002, $1200 removed.

An additional pension equal to 2% of $1,200 times the first 10 years, plus 2-1½ % of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times creditable service over 30 years, for members who retired on or after January 1, 1983, will be provided if an employee retires on service retirement allowance after attaining age 55 while still a member. This ceases when the employee becomes eligible for Social Security. Effective January 1, 2002 the $1,200 exclusion will not apply. For service retirement prior to age 62 with less than 30 years of service, this amount is reduced by 3% for each year below age 62 (1% for each year below age 55) for service accrued prior to January 1, 1983.

If a member dies after retirement and before receiving the amount of these accumulated contributions in annuity and pension payments, the lump sum balance of his contributions is paid to his beneficiary.

When an active employee dies, a death benefit, equal to the employee's accumulated contributions, with interest, is paid to the beneficiary designated by the employee or, in the absence of such designation, to his estate. Should the employee have completed three or more years of creditable service, there shall be paid additionally a lump sum of benefit equal to one-fourth of the earnable compensation of such deceased employee for the year immediately preceding the date of death, plus 5% of said earnable compensation for each additional year of creditable service, excluding credit for military service purchased, and shall not exceed the earnable compensation of the employee for the year immediately preceding the date of death. If the employee at the date of his death was eligible for retirement and leaves a surviving spouse, the surviving spouse is entitled to elect to receive retirement benefits equal to the amount which would have been paid, had the member retired on the date he died and had he elected option 2 of a reduced retirement allowance payable throughout life with the provisions that, upon his death, his reduced retirement allowance would be continued throughout the life of his surviving spouse as beneficiary. The surviving spouse who elects this option will not be entitled a refund of the accumulated contributions, including interest, of the deceased member nor to additional lump sum death benefit.

Any amounts which may be paid or payable under the provisions of any Workmen's Compensation Statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the Retirement system on account of the same accidental disability or on account of death.

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if an physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired.

Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance, which will consist of:

a. An annuity which shall be the actuarial equivalent of the employee's accumulated contributions at the time of retirement; and

b. An annual pension, which together with the annuity in (a), shall be 75% of the service allowance that would have been payable upon service retirement at the age of sixty-five, had the member continued in service to the age sixty-five. Such allowance is to be computed on the average compensation, plus the sum of $1,200 provided, however, that the minimum annual retirement allowance will be $300 per year.

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated for duty as the natural and proximate result of an accident sustained in service as an active member and occurring while in the actual performance of his duty at some definite time and place without willful negligence on his part may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible, otherwise he will receive an accidental disability retirement allowance, which will consist of:

a. An annuity which is the actuarial equivalent of his accumulated contributions at the time of retirement; and

b. An annual pension equal to the difference between his annuity and 65% of his earnable compensation

Any employee whose withdrawal from active service occurs after he/she has obtained at least 5 years of creditable service, may remain a member of the Retirement System by permitting his accumulated contributions to remain on deposit with the System.

Should the member have served at least 10 years before such separation, he will be entitled to receive a full service retirement after sixty which he may elect, subject to the reductions applicable to retirement before the age of sixty-two, which will be based upon the amount earned and accrued at the date of withdrawal from service.

Upon withdrawal without 10 years of creditable service, the employee is entitled to thereturn of his accumulated contributions with interest or the employee may allow contributions to remain on deposit for a maximum of five years.

Effective July 16, 1974, provisions were made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of New Orleans. In the event an employee transfers from one employer to the other, service credits are transferred from the employee's previous account plus earned interest and all employer contributions, plus agreed-upon interest, are transferred.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions and contribution requirements.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by the plan:

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions are recognized as revenue in the period in which employee services are performed.

Method Used to Value Investments - The Plans equity and debt securities are reported at fair value. Investment income is recognized as earned gains and losses on sales and exchanges of fixed income securities and recognized on the transaction date.

C. PENSION BENEFIT OBLIGATION

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date.

The measure is intended to help assess the funding status of the Employees' Retirement System on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees' retirement systems.

The pension benefit obligation was determined as part of the actuarial valuations at December 31, 2004 based on reports dated January 1, 2005. Significant actuarial assumptions used in the latest valuation are as follows:

- Life Expectancy of Participants - 1971 Group Annuity Mortality Table.
- Retirement Age Assumptions - Based on the results of the 1990-1995 periodic actuarial experience study.
- Investment Return - 7%
- Projected Salary Increases - Based on U.S. Department of Commerce, adjusted for projected increases in the standard of living.

D. CHANGE IN ACTUARIAL VALUATION

Beginning with the January 1, 1996 actuarial valuation, the actuarial valuations will be prepared using the "Frozen Entry Age Actuarial Cost Method" of funding. Prior to the change in the funding method, the Plan had been funded using the "Entry Age Normal Cost Method".

Under the Frozen Entry Age Actuarial Cost Method, the normal cost of the plan is designed to be a level percentage of payroll; calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future-working lifetime of the participant is determined from each participant's hypothetical entry age into the plan assuming the plan had always been in existence, to his expected retirement date.

For the first year the actuarial accrued liability is the amount of total liability not covered by future entry age normal costs and is called the frozen actuarial liability since it is not affected by actuarial experience gains or losses in future years. This amount is composed of actuarial value of benefits already funded (assets) and those not yet funded (unfunded frozen actuarial liability).

Once established, and for valuations in subsequent years until fully amortized, the unfunded frozen actuarial liability is affected by the normal cost, the valuation interest rate and plan contributions. The normal cost must then become the balancing item as the allocated annual portion of the remaining actuarial present value of retirement benefits. As a result, normal cost will fluctuate from year to year to account for actuarial experience.

There were not any changes made to the provisions of the plan to improve benefits, although there was an amendment to include certain additional employees, according to state law, who were heretofore ineligible. As agreed in accordance with the recommendations of the Segal actuarial experience study, the salary scale assumption was increased from 4.0% to 4.5% for this valuation. Also in accordance with the recommendations in the Segal actuarial experience study, turnover was increased on a sliding scale for those with less than five years of service.

E. CONTRIBUTIONS REQUIRED AND CONTRIBUTION MADE

The Employees' Retirement System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of employer payroll contribution rates is determined using the "Entry Age Normal Actuarial Funding Method". The Employees' Retirement System also uses the "Percentage of Payroll Method" to amortize the unfunded liability over a thirty-year period effective July 1, 1974.

Employees contribute 4% of their earnable compensation in excess of $1,200 per year. Earnable compensation is the annual compensation paid to an employee, which includes overtime and/or supplementary pay earned prior to April 29, 1979. Effective April 29, 1979, it is defined as annual compensation paid to an employee plus tenure pay.

Significant actuarial assumptions used to complete contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note C.

Additional information regarding the annual pension costs is as follows:

Annual Pension Cost

Fiscal Year Ended	Annual Pension Cost (APC)
12/31/2004	$11,841,157
12/31/2003	6,817,308
12/31/2002	4,212,506
12/31/2001	5,652,137

F. CASH

As of December 31, 2004, the Employees' Retirement System had the following cash accounts and related FDIC insurance and/or other types of collateral to secure the plans accounts:

Institution and Account	Book Balance	Bank Balance	Amount of Depository Ins. or Collateral
Hibernia Bank			
#812512226	$ 2,547,879	$ 2,652,859	$ 2,652,859
Total	$ 2,547,879	$ 2,652,859	$ 2,652,859

G. INVESTMENTS

All investments of the System are reported at fair market value. The following table presents the fair values of investments at December 31, 2004. Investments that represent 5% or more of the Plan's net assets are separately identified.

	2004	2003
Investments at Estimated Fair Value:		
Cash Equivalents	$ 32,253,553	$ 22,018,960
U.S. Government Obligations	30,940,696	34,137,427
Corporate Securities:		
Bonds	62,604,187	64,339,824
Equities	261,824,080	243,182,014
Total	$ 387,622,516	$ 363,678,225

During 2004, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/(depreciated) in value by $23,948,292.

Appreciation/(Depreciation)

	2004	2003
Cash Equivalents	$ 10,234,593	$ 7,786,822
U.S. Government Obligations	(3,145,222)	(23,926,897)
Corporate Securities		
Bonds	(10,741,107)	(10,016,429)
Equities	27,600,028	76,339,491
Total	$ 23,948,292	$ 50,182,987

The Board of Trustees recognizes opportunities to invest into various vehicles whereby performance will yield a return that is in the upper quartile of the manager's respective style. Therefore, the Trustee's have selected to expand a maximum allocation of 10% of the systems assets into alternative investments, which includes, but are not limited to real estate, private equity, options and derivatives. As of December 31, 2004, total investments were $386,720,553 of which 5.76% was invested into Alternative Investments. The Alternative Investment at December 31, 2004 totaled $22,251,376.

H. TREND INFORMATION

Trend information, which gives an indication of the progress made in accumulating sufficient assets to pay pension benefits when due, are presented on pages 15 and 16.

I. COST-OF-LIVING BENEFITS BONUS

Retired members, for 36 consecutive years were paid a cost-of-living bonus benefit. The 2004 benefit, which totaled $3,432,714, consisted of a bonus check and a permanent monthly increase. The monthly increase is calculated once a year for each individual as a additional 1% of the original benefit which resulted in an annual cost of $1,770,432. The bonus checks, which totaled 1,662,282 used the following calculation to determine the maximum check amount each retiree could receive: 3% of the original retirement benefit times the number of years in retirement, with a maximum the greater of $600 or $75 times each year in retirement. However, by law, the aggregate annual total of the cost of living bonus and the monthly increase could not exceed 3% of the annual retirement benefit for each year in retirement. Therefore, the cost of living bonus check was reduced in cases where the total of both benefits would have exceeded 3%. The Board plans to continue the cost-of-living bonus benefit as long as interest earnings are sufficient.

J. COSTS OF PLAN ADMINISTRATION

The City of New Orleans absorbs significant costs of the plan administration. Those costs include salaries, fixed assets, office supplies etc. for the department administering Plan operations. However, there are administrative expenses paid by the Plan that are associated with travel, conferences for Board members, attorney fees, and actuary fees.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
HISTORICAL TREND INFORMATION

SCHEDULE OF FUNDING PROGRESS

Year	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percent Funded by Employer (1/2) (3)	Unfunded AAL (UAAL) (2-1) (4)	Annual Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (4/5) (6)
1992	174,340,893	174,852,648	99.70	511,755	70,163,161	0.01
1993	194,704,398	180,044,150	108.14	*(14,660,248)	65,578,056	*(22.35)
1994	205,126,988	185,685,601	110.47	*(19,441,387)	66,910,493	*(29.05)
1995	221,783,014	226,348,016	97.98	4,565,002	68,492,113	6.66
1996	278,446,227	247,902,452	112.32	*(30,543,775)	70,480,255	*(43.34)
1997	319,142,011	274,538,774	116.00	*(44,603,237)	76,090,614	*(59.00)
1998	355,566,389	309,660,485	114.00	*(45,905,904)	76,199,531	*(60.00)
1999	375,180,736	310,855,758	120.69	*(64,324,978)	75,663,274	*(85.01)
2000	371,909,534	298,945,269	124.40	*(72,964,265)	76,248,758	*(95.69)
2001	374,022,902	301,213,454	124.17	*(72,809,448)	83,379,038	*(87.32)
2002	376,843,982	343,571,841	109.68	*(33,272,141)	78,048,020	*(42.63)
2003	402,503,774	386,747,332	104.07	*(15,756,442)	87,713,132	*(17.96)
2004	412,486,855	418,856,855	98.48	16,288,182	92,665,909	17.58

* Bracketed amounts represent overfunded actuarial accrued liability (AAL).

Schedule of Employer Contributions

Year	Annual Required Contribution	Percentage Contributed
1993	9,274,320	100%
1994	9,238,967	100%
1995	10,629,702	100%
1996	9,858,968	100%
1997	9,063,207	100%
1998	8,739,480	100%
1999	6,162,035	100%
2000	6,710,305	100%
2001	6,369,982	100%
2002	6,235,328	100%
2003	7,168,281	100%
2004	7,592,093	100%

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date: January 1, 2005

Actuarial cost method: Frozen Entry Age Actuarial Cost Method

Amortization method: Frozen Initial Liability

Amortization period: 10 years

Asset valuation method: Adjusted Market Value

Actuarial assumptions:
Investment rate of return: 7.5%
Projected salary increases: 4.5%

Cost of Living Adjustments: None

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTSPERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Honorable City Council of New Orleans, Louisiana

We have audited the financial statements of the Employees' Retirement System of the City of New Orleans (the Plan) as of December 31, 2004 and 2003, and for the years then ended, and have issued our report thereon dated June 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Plan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

New Orleans Office: 10001 Lake Forest Blvd., Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office: 400 Colony Square, Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

www.speightcpa.com

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended for the information and use of the Honorable Mayor, Council of the City of New Orleans, Louisiana, Board of Trustees and the Legislative Auditor of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

New Orleans, Louisiana
June 5, 2005

City of New Orleans Employee's Retirement System
Status of Prior Year's Finding
December 31, 2004

	Resolved	Unresolved
Incomplete Personal History and Service Claim Form(RS-2)	X	
Incomplete Designation of Beneficiary Form(RS-1)	X	
Incomplete Service Allowance Form(RS-10)	X	