

Harbor Police Retirement System

Performance Audit and Actuarial Valuation

February 2012

Audit Control # 40100012



Report Highlights

PERFORMANCE AUDIT RESULTS

- ◆ **The Harbor Police Retirement System (HPRS) Board has not effectively and efficiently administered HPRS or been able to ensure the system is properly operated. We identified the following issues with the administration of HPRS:**

- The HPRS Board does not have comprehensive policies or procedures in place to ensure that HPRS is operated properly or consistently.
- The HPRS Board is not following all statutory requirements relevant to the oversight and structure of HPRS.
- State law does not explicitly define the role of the Port of New Orleans (Port) as system sponsor of HPRS.

WHY WE DID THIS AUDIT

This audit was conducted because of a request from the Port of New Orleans.

ACTUARIAL VALUATION RESULTS

- ◆ **HPRS is not sufficiently funded to pay all retirement obligations. Based on a 2010 valuation report prepared by Louisiana Legislative Auditor's (LLA) actuarial staff using their assumptions, HPRS was 55.6% funded. It is estimated that without making changes to the retirement system, it will become bankrupt between 2020 and 2030. We identified the following issues:**
 - The HPRS Board did not ensure that complete and accurate member data was maintained to value HPRS liability as accurately as possible.
 - Although the statutory employer contribution cap was recently raised to 20%, LLA actuarial staff estimated that the Port must pay 94.7% for FY 2011 for HPRS to maintain actuarial solvency.
- ◆ **The Port has three options to fund its promised retirement benefits in the future. The HPRS Board and the Port should weigh all alternatives and determine the best course of action. These three options include:**
 1. The Port continues to maintain HPRS as a separate retirement system, but the HPRS Board makes necessary improvements to the system's administration.
 2. The Port requests a merger with LASERS' Hazardous Duty Plan.
 3. The Port liquidates HPRS assets.

View the full reports at lla.la.gov.

For more information, contact Nicole Edmonson, Director of Performance Audit Services,
at 225-339-3800.