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**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans (collectively referred to as NOFF or the Fund), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans, as of December 31, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

### *Emphasis of Matter Regarding Funding Obligations – Old System Trust*

The accompanying financial statements have been prepared assuming that the Old System will continue as a going concern. At December 31, 2018, the Old System has net position available for benefits in the amount of \$5,027,636. As described in Note 4, the composition of net position for the Old System Trust has legally restricted account balances totaling \$2,228,913 leaving only \$2,798,723 available for future benefit payments of its members. In addition, the actuarially determined total pension liability of the Old System Trust is \$128,672,034 at December 31, 2018. The Old System is a "pay as you go" system. The System's employer is legally obligated to meet all future obligations of the Fund. See Note 13 to the financial statements.

### *Emphasis of Matter Regarding Funding Obligations and Future Cash Flow to Fund Benefits – New System Trust*

As of December 31, 2018, the New System has net position available for benefits in the amount of \$31,419,962 with a total pension liability of \$408,576,739. Approximately 22% of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows. Also, as described in Note 4, the composition of net position for the New System Trust has legally restricted account balances totaling \$48,151,705 leaving a deficit of \$16,731,743 for future benefit payments of its members. The System's employer is legally obligated to meet all future obligations of the Fund. See Note 13 to the financial statements.

### *Actuarial Assumptions*

As described above, the total pension liability for the New System and Old System was \$408,576,739 and \$128,672,034 as of December 31, 2018, respectively. The actuarial valuations were based on various assumptions made by the Fund's actuary. Because actual experience may differ from the assumptions used in the actuarial valuations, there is a risk that the total pension liability at December 31, 2018 could be materially different from the estimate.

Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the schedule of changes in net pension liability and related ratios on page 28, the schedule of employer's net pension liability on page 29, the schedule of employer contributions – employer and non-employer contributing entities on page 30, the schedule of investment returns on page 31, and the notes to required supplementary information on pages 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Firefighters' Pension and Relief Fund of the City of New Orleans basic financial statements. The schedule of administrative expenses on page 34 and the schedule of compensation, benefits, and other payments to the agency head on page 35 are presented for the purposes of additional analysis and are not a part of the basic financial statements.

These supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
June 28, 2019

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

The following is management's discussion and analysis of the financial performance of the New System and the Old System of the Firefighters' Pension and Relief Fund of the City of New Orleans (NOFF or the Fund). It is presented as a narrative overview and analysis for 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**

- Total assets of the Fund exceeded its liabilities at December 31, 2018 by \$36,447,598 (net position), consisting of \$31,419,962 in the New System and \$5,027,636 in the Old System.
- The Fund's total net position decreased by \$10,107,496, consisting of a decrease of \$11,315,774 in the New System and an increase of \$1,208,278 in the Old System. The decrease in the New System is due primarily to fair value losses for investments and related administrative expenses during 2018. The increase in the Old System is due to City appropriations and other revenues exceeding benefit and other payments.

**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:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position, and
- Notes to Financial Statements

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

The Statement of Fiduciary Net Position reports the pension fund's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the Fund as of December 31, 2018.

The Statement of Changes in Fiduciary Net Position reports the results of the pension fund's operations during the year disclosing the additions and deductions. It supports the change that has occurred to the prior year's net position on the Statement of Fiduciary Net Position.

Required supplementary information consists of four schedules and related notes concerning the net pension liability and employer contributions of the Fund.

Supporting schedules include information on administrative expenses and compensation paid to the agency head.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

**NOFF FINANCIAL ANALYSIS**

NOFF provides retirement allowances and other benefits for firefighters of the City of New Orleans. The Fund consists of two systems, the Old System and the New System. The Old System includes firefighters employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have elected coverage under the New System.

**Condensed Statements of Fiduciary Net Position**

December 31, 2018 and 2017

	<u>New System</u>		<u>Old System</u>	
	2018	2017	2018	2017
Cash	\$ 214,032	\$ 757,102	\$ 705,355	\$ 144,009
Receivables	159,430	2,543,518	-	3,744
Due(to)/from Old System/New System	(410,240)	(310,892)	410,240	310,892
Investments	31,456,740	39,894,685	3,914,409	3,381,314
Property and equipment	-	-	2,682	-
Total assets	<u>31,419,962</u>	<u>42,884,413</u>	<u>5,032,686</u>	<u>3,839,959</u>
Current liabilities	-	148,677	5,050	20,603
Total liabilities	<u>-</u>	<u>148,677</u>	<u>5,050</u>	<u>20,603</u>
Net position - restricted for for pension benefits	<u>\$ 31,419,962</u>	<u>\$ 42,735,736</u>	<u>\$ 5,027,636</u>	<u>\$ 3,819,356</u>

**Reductions of Assets**

The majority of assets include cash, and investments. Total assets decreased by \$11,464,451 in the New System in 2018, primarily due to the net depreciation in the value of investments. Total assets increased by \$1,192,727 in the Old System in 2018, primarily due to contributions exceeding benefit payments and withdrawal of members' DROP and PLOP balances in 2018.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

**Condensed Statements of Changes in Fiduciary Net Position**  
For the Years Ended December 31, 2018 and 2017

	<u>New System</u>		<u>Old System</u>	
	2018	2017	2018	2017
Additions:				
Contributions	\$ 37,155,237	\$ 39,340,046	\$ 16,757,549	\$ 12,380,499
Other additions	92,069	343,828	-	-
Investment income (loss)	(12,648,537)	(5,309,489)	69,664	40,908
Total additions	<u>24,598,769</u>	<u>34,374,385</u>	<u>16,827,213</u>	<u>12,421,407</u>
Total deductions	<u>35,914,543</u>	<u>34,636,387</u>	<u>15,618,935</u>	<u>17,117,055</u>
Net increase (decrease) in net position	<u>\$ (11,315,774)</u>	<u>\$ (262,002)</u>	<u>\$ 1,208,278</u>	<u>\$ (4,695,648)</u>

**Additions to Fiduciary Net Position**

Additions to the Fund's fiduciary net position were derived from member and employer contributions, state fire insurance rebates, and investment income. The change in City appropriations was primarily attributable to the City of New Orleans funding the full actuarially determined contribution amount in 2018 less anticipated state fire insurance rebates. Investment losses in the New System are comprised of significant losses related to the certain investments in partnerships, offset by interest and dividend earnings.

	<u>New System</u>			<u>Old System</u>		
	2018	2017	Increase (Decrease) Percentage	2018	2017	Increase (Decrease) Percentage
Member contributions	\$ 3,052,370	\$ 3,011,193	1.37	\$ -	\$ -	-
Employer contributions and city appropriations	33,189,708	35,345,772	(6.10)	16,148,777	11,688,825	38.16
State insurance rebate	913,159	983,081	(7.11)	608,772	691,674	(11.99)
Transfer from other systems	92,069	343,828	(73.22)	-	-	-
Net investment income (loss)	<u>(12,648,537)</u>	<u>(5,309,489)</u>	138.23	<u>69,664</u>	<u>40,908</u>	70.29
	<u>\$ 24,598,769</u>	<u>\$ 34,374,385</u>		<u>\$ 16,827,213</u>	<u>\$ 12,421,407</u>	

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

**Deductions from Fiduciary Net Position**

The majority of deductions from net position include retirement, death and survivor benefits, PLOP and DROP withdrawals, and administrative expenses. Deductions from fiduciary net position increased by \$1,278,156 in the New System in 2018, primarily due to an increase in PLOP withdrawals and retirement benefits paid and offset by a decrease in DROP withdrawals. Deductions from fiduciary net position decreased by \$1,498,120 in the Old System in 2018, primarily due to a decrease in PLOP and DROP withdrawals and a decrease in retirement benefit payments.

	<u>New System</u>		Increase (Decrease) Percentage	<u>Old System</u>		Increase (Decrease) Percentage
	2018	2017		2018	2017	
Retirement benefits paid	\$ 25,592,499	\$ 24,191,102	5.79	\$ 14,769,182	\$ 15,605,112	(5.36)
Refund of contributions	183,616	50,283	265.17	-	-	-
Death benefits	36,000	27,000	33.33	42,000	48,000	(12.50)
Depreciation expense	-	-	-	298	-	-
Administrative expenses	565,575	555,675	1.78	322,268	330,531	(2.50)
DROP withdrawal	5,468,046	6,998,128	(21.86)	126,835	610,208	(79.21)
PLOP withdrawal	3,968,751	2,724,214	45.68	358,352	523,204	(31.51)
Transfer to other system	100,056	89,985	11.19	-	-	-
	<u>\$ 35,914,543</u>	<u>\$ 34,636,387</u>		<u>\$ 15,618,935</u>	<u>\$ 17,117,055</u>	

**Investments**

NOFF is responsible for the prudent management of funds held in trust for the exclusive benefit of members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2018 amounted to \$31,456,740 and \$3,914,409 for the New and Old Systems, respectively, as compared to \$39,894,685 and \$3,381,314 at December 31, 2017. Total investments decreased approximately 21.2% in the New System and increased approximately 15.8% in the Old System. The change in investments for the New System and Old System was primarily attributable to changes in fair value during 2018 as well as the drawdown of DROP and PLOP accounts held on behalf of retirees in both systems.

**REQUESTS FOR INFORMATION**

Questions concerning any of the information provided or requests for additional financial information should be addressed to Thomas F. Mcagher III, Secretary-Treasurer of the Firefighters' Pension and Relief Fund of the City of New Orleans, 3520 General DeGaulle, Suite 3001, New Orleans, LA 70114.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2018**

	<u>New System</u>	<u>Old System</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 214,032	\$ 705,355	\$ 919,387
Receivables			
Accounts receivable, net	273	-	273
Accrued investment income	16,611	-	16,611
Investments receivable, net	18,777	-	18,777
Due (to)/from Old/New System	(410,240)	410,240	-
Member contributions receivable	123,769	-	123,769
	<u>(250,810)</u>	<u>410,240</u>	<u>159,430</u>
Total receivables			
Investments			
Money market funds	4,562,083	3,914,409	8,476,492
Corporate bonds	251,258	-	251,258
Stocks	433	-	433
Mutual funds	19,146,790	-	19,146,790
Investments in limited liability corporations	153,422	-	153,422
Investments in partnerships	7,041,754	-	7,041,754
Investments in real estate	301,000	-	301,000
	<u>31,456,740</u>	<u>3,914,409</u>	<u>35,371,149</u>
Total investments			
Property and equipment, net	-	2,682	2,682
	<u>-</u>	<u>2,682</u>	<u>-</u>
Total assets	<u>31,419,962</u>	<u>5,032,686</u>	<u>36,452,648</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	-	5,050	5,050
	<u>-</u>	<u>5,050</u>	<u>5,050</u>
Total liabilities			
<b>NET POSITION - RESTRICTED</b>			
<b>FOR PENSION BENEFITS</b>	<u>\$ 31,419,962</u>	<u>\$ 5,027,636</u>	<u>\$ 36,447,598</u>

See accompanying notes to financial statements.

**FIREFIGHTER'S PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>New System</u>	<u>Old System</u>	<u>Total</u>
<b>ADDITIONS:</b>			
Contributions:			
Member	\$ 3,052,370	\$ -	\$ 3,052,370
Employer	33,189,708	-	33,189,708
City appropriations	-	16,148,777	16,148,777
Non-employer contributions:			
Fire insurance rebate	913,159	608,772	1,521,931
Total contributions	<u>37,155,237</u>	<u>16,757,549</u>	<u>53,912,786</u>
Investment income (loss):			
Interest and dividend income	608,051	70,849	678,900
Net depreciation in fair value investments	(10,947,438)	-	(10,947,438)
	<u>(10,339,387)</u>	<u>70,849</u>	<u>(10,268,538)</u>
Less investment expense:			
Investment management fees	147,500	1,185	148,685
Filing and legal	2,088,107	-	2,088,107
Custodian fees	7,889	-	7,889
Miscellaneous investment expense	65,654	-	65,654
	<u>2,309,150</u>	<u>1,185</u>	<u>2,310,335</u>
Net investment income (loss)	<u>(12,648,537)</u>	<u>69,664</u>	<u>(12,578,873)</u>
<b>OTHER ADDITIONS:</b>			
Transfer from other retirement system	92,069	-	92,069
Total additions	<u>24,598,769</u>	<u>16,827,213</u>	<u>41,425,982</u>
<b>DEDUCTIONS:</b>			
Retirement benefits paid	25,592,499	14,769,182	40,361,681
Refund of contributions	183,616	-	183,616
Death benefits	36,000	42,000	78,000
Depreciation expense	-	298	298
Administrative expenses	565,575	322,268	887,843
DROP withdrawal	5,468,046	126,835	5,594,881
PLOP withdrawal	3,968,751	358,352	4,327,103
Transfer to other retirement system	100,056	-	100,056
Total deductions	<u>35,914,543</u>	<u>15,618,935</u>	<u>51,533,478</u>
NET INCREASE (DECREASE) IN NET POSITION	(11,315,774)	1,208,278	(10,107,496)
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>			
Beginning of year	<u>42,735,736</u>	<u>3,819,358</u>	<u>46,555,094</u>
End of year	<u>\$ 31,419,962</u>	<u>\$ 5,027,636</u>	<u>\$ 36,447,598</u>

See accompanying notes to financial statements.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**1. General Plan Description**

The Firefighters' Pension and Relief Fund (the Fund) was created as a single employer plan, pursuant to Louisiana Revised Statute 11:3361, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq. The Fund is a fiduciary fund of the City of New Orleans and is administered by a Board of Trustees. The Board composed of the following members: (1) the Superintendent of the New Orleans Fire Department; (2) the Director of Finance of the City of New Orleans; (3) two members elected from the active ranks of the department; (4) two members elected from the ranks of retired members of the department; and (5) one member who is domiciled in and an elector of the City of New Orleans and who is appointed by the mayor, subject to confirmation by the New Orleans' City Council. The terms of elected members are two years. The terms of the appointed trustees are four years.

**2. Plan Description**

The Firefighters' Pension and Relief Fund was established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:3361 et seq. for retired firefighters of the City of New Orleans and their beneficiaries.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the Board to elect coverage under the New System.

At December 31, 2018, the Firefighters' Pension and Relief Fund's membership consisted of:

	<u>New System</u>	<u>Old System</u>
Inactive plan members or beneficiaries receiving benefits	754	457
Inactive plan members entitled to but not yet receiving benefits	80	-
Active plan members	485	-
Total participants as of the measurement date	<u>1319</u>	<u>457</u>

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. Plan Description (continued)**

Retirement Benefits

Members hired on or after January 1, 2015 through August 14, 2016, and who reach age 52, are eligible for retirement benefit of 2.75% of average annual compensation for each year of creditable service. Members hired on or after August 15, 2016 and who have reached a retirement age as defined in 42 USC 416(1)(1) less ten years, will receive a benefit of 2.5% of average annual compensation for each year of creditable service. Members hired before January 1, 2015 covered under the New System may retire with twelve years of creditable service at age fifty. The retirement benefit paid is two and one-half percent of average pensionable compensation for each year of creditable service during the five highest consecutive years of service preceding the date of retirement for the first 12 years of service and for each year of service to age 50. The retirement benefit for each year or portion of a year beyond twelve years of service and age fifty shall be an amount equal to three and one-third percent of the average annual compensation. If the member continues service beyond thirty years, the retirement benefit for each year or portion of a year of service shall be an amount equal to three and one-third percent of the average annual pensionable compensation. The maximum benefit payable is 100% of average pensionable compensation earned during any five highest average consecutive years of service preceding retirement.

Members covered under the Old System may retire with twenty years of creditable service regardless of age. For the first twenty years of service, the retirement benefit paid is 50% of average compensation during the highest year of service preceding the date of retirement. For each year of service in excess of twenty years, benefits are an additional 2.5% per year not to exceed 100%. In addition, if the member has attained age 50, his/her benefit is increased by 0.5% for each year of service over 25. There are no active member participants in the Old System.

Refund Benefits

Under the New System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of accumulated contributions plus interest at a rate of 3.5%.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**2. Plan Description (continued)**

Disability Benefits

Disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Non-service related benefits are 30% of average compensation during the last year of service immediately preceding the date of established disability for those members with ten years of service or less, 40% for those members with more than ten years but less than fifteen years of service and 50% for those members with more than fifteen years of service. Service related benefits for those unable to do any work are the greater of 2/3 of monthly compensation or a regular retirement benefit if the member is so eligible. For those unable to perform firefighting duties but able to do other work, service related benefits are equal to the greater of 1/2 of monthly compensation or a regular retirement benefit if the member is so eligible.

Survivor Benefits

If a member dies from service-connected causes while actively employed, irrespective of their years of service or eligibility for pension by age, the member's surviving spouse shall be paid a pension in the sum of 66.67% of the member's salary at the time of death as an annuity. If the member leaves children under the age of eighteen, those children shall receive a pension of \$300 per month each. If a member is killed or dies in any other manner, the surviving spouse shall be paid a pension in the sum of 50% of the member's salary at the time of death as an annuity and the member's children under 18 years of age shall receive \$300 per month each.

If a member's child is mentally or physically handicapped and totally and permanently disabled, the benefit is payable for life. If the firefighter is unmarried and leaves no dependent children at death, the service related survivor benefit is payable to the firefighter's widowed dependent parent. If the firefighter is unmarried and leaves no dependent children at death, non-service related survivor benefits are payable to the firefighter's widowed parent. A \$3,000 lump sum benefit is payable upon the death of any active or retired member to the named beneficiary.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twelve or more years of service and is eligible to receive a service retirement benefit may elect to participate in the Deferred Retirement Option Plan (DROP) for up to five years and defer the receipt of benefits. Upon commencement of participation in the plan, active membership in the system terminates.

During participation in the plan, employee contributions cease. The monthly DROP benefit is equal to the member's retirement benefit. The DROP benefit is transferred into the DROP fund. This fund does not earn interest during a member's DROP participation. In addition, no cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

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**2. Plan Description (continued)**

DROP Benefits (continued)

Upon completion of participation in the DROP, and regardless of whether the member terminates employment and subject to an irrevocable election, the DROP fund will earn interest annually based on a one-year composite rate of return of the Fund, minus an administrative fee up to two percent or earned interest at a money market investment return. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account.

If employment is not terminated after the DROP period, member contributions to the fund is resumed and upon later termination, additional retirement benefits may accrue based on the additional service.

In lieu of terminating employment and accepting a service retirement allowance, any member of this system who has not less than twelve years of creditable service in this system, and who is eligible to receive a service retirement benefit, may elect to participate in the DROP on a retroactive basis and receive a lump sum benefit of up to five years, based upon the value of the pension on a retroactive date selected.

PLOP Benefits

A member, upon application for retirement, may elect to receive the actuarial equivalent of his retirement benefit as a reduced monthly benefit payable for life, plus an initial lump-sum benefit. The amount of the initial lump-sum benefit, as determined by the member, shall not exceed an amount equal to the member's normal retirement benefit times sixty. The member's monthly retirement benefit will be actuarially reduced based on the lump-sum amount withdrawn and the member's age at retirement. The partial lump-sum benefit, together with the member's reduced normal retirement benefit, must be actuarially equivalent to the member's normal retirement benefit.

The cost-of-living adjustment granted by the Board of Trustees to retirees who elect to receive a reduced retirement benefit and a partial lump-sum benefit shall be based only on the reduced retirement benefit and not on the partial lump-sum benefit.

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**3. Summary of Significant Accounting Policies**

Basis of Accounting and Presentation

The Fund's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recognized as revenue when due, pursuant to ordinance requirements, formal commitments, and statutory contractual requirements. Benefits and refunds are recognized when due and payable in accordance with established regulations.

Interest and dividend income is recognized when earned. Fire insurance rebate monies are recognized when due.

The Fund has no component units as defined under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61).

Methods Used to Value and Report Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value (e.g., partnerships and limited liability corporations) are reported at estimated fair value as determined by the Fund based on net asset value. The fair value of real estate investments is based on independent appraisals.

Property and Equipment - Pension Fund

Property and equipment is valued on the basis of historical cost, less accumulated depreciation, and is depreciated using the straight-line method of depreciation over the assets useful life. Useful lives range from 3 to 25 years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions to and deductions from assets held in trust for pension benefits during the reporting period. Actual results could differ from those estimates.

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**4. Contributions and Reserves**

Contributions

The New System is funded by employee and employer contributions established by state statute. During 2018, employees contributed 10% of pensionable salary. Actual amount contributed by employees for the year ended December 31, 2018 was \$3,052,370. Employer contributions are made monthly. The actuarial determined contribution of the employer was \$34,102,683 for the year ending December 31, 2018. The actual amount contributed by the employer for the year ended December 31, 2018 was \$33,189,708 and fire insurance rebates were \$913,159.

The Old System is funded by employer contributions established by state statute. There are no active employees in the Old System, thus no employee contributions are required. Employer contributions are made monthly to pay the actuarially determined contributions for the year. The actuarial determined contribution of the employer was \$15,339,217 for the year ending December 31, 2018. The actual amount contributed by the employer for the year ended December 31, 2018 was \$16,148,777 and fire insurance rebates were \$608,772.

The Fund receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. In 2018, amounts received as a result of this tax were allocated between the systems based on the total number of members in each system on June 30, 2018. The total amount received during the year ended December 31, 2018 was \$1,521,931 and is accounted for as contributions from a non-employer contributing entity.

Administrative costs

Administrative costs of the Fund are paid by the Fund and financed through employer contributions.

Reserves

Use of the term "reserve" by the Fund indicates that a portion of the fund net position 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 Fund. The annuity savings is also credited for interest earned on a member's account balance. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions plus interest is made from this reserve. When a member retires, the amount of his accumulated contributions plus interest is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is \$28,217,547. There are no active members in the Old System; therefore, the Old System has no Annuity Savings balance.

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**4. Contributions and Reserves (continued)**

B) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant or the participant may elect to leave the accumulated benefits on deposit in the DROP account. The DROP account balance of the New System is \$8,943,678. The DROP balance of the Old System is \$1,137,811.

C) Partial Lump-Sum Option Payment Account:

The Partial Lump-Sum Option Payment (PLOP) Account receives and holds until requested an initial lump-sum benefit which shall not exceed an amount equal to the member's normal monthly retirement benefit times sixty, for those members who upon application for retirement, elect to receive the actuarial equivalent of their retirement benefit as a reduced monthly benefit plus an initial lump-sum benefit. The PLOP account balance of the New System is \$10,990,480. The PLOP balance of the Old System is \$1,091,102.

D) Reserve Summary

Net position is composed of the following at December 31, 2018:

	<u>New System</u>	<u>Old System</u>
Net position	\$ 31,419,962	\$ 5,027,636
Reserves:		
Annuity savings reserve	(28,217,547)	-
DROP reserve	(8,943,678)	(1,137,811)
PLOP reserve	(10,990,480)	(1,091,102)
Net position available		
for other pension benefits (deficit)	<u>\$ (16,731,743)</u>	<u>\$ 2,798,723</u>

**5. Net Pension Liability of Employer**

The components of the liability of the Fund's employer to plan members for benefits provided through the pension plan was as follows as of December 31, 2018:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
New System	\$ 408,576,739	\$ 31,419,962	\$ 377,156,777	7.69%
Old System	\$ 128,672,034	\$ 5,027,636	\$ 123,644,398	3.91%

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**5. Net Pension Liability of Employer (continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and as new estimates are made about the future.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study for the period from January 1, 2018 to December 31, 2018. The required Schedule of Employer's Net Pension Liability located in the required supplementary information following the notes to the Financial Statements presents multi-year trend information regarding whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability. The total pension liability as of December 31, 2018 is based on actuarial valuation using a measurement date of December 31, 2018; updated using generally accepted actuarial procedures.

Information on the actuarial methods and assumptions used at December 31, 2018 is as follows:

Valuation Date:	December 31, 2018 (same as measurement date)
Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	New System – 7.5% (net of investment expenses); Old System – 4.1% (net of investment expenses)
Salary Increases:	New System - 5.0%; Old System – N/A
Inflation Rate:	New System – 0.00%; Old System – N/A
Mortality:	1994 Uninsured Pensioner Table for active and retired; 1994 Uninsured Pensioner Table set forward 5-years for disabled annuitants.
Cost of Living Adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The resulting long-term rate of return is 7.5% and 4.1% for the New System and Old System, respectively, for the year ended December 31, 2018. The municipal bond index rate is 4.10%.

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**5. Net Pension Liability of Employer (continued)**

The estimated arithmetic real rates of return for each major asset class based on each of the systems target asset allocation as of December 31, 2018 are as follows:

<u>Asset Class</u>	<u>Expected Rate of Return - New System</u>	
	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Equity Securities	40%	9.30%
Fixed Income	10%	5.00%
Real Estate	45%	7.00%
Alternative Investments	5%	2.50%
Expected Arithmetic Nominal Return		

<u>Asset Class</u>	<u>Expected Rate of Return - Old System</u>	
	<u>Target Asset Allocation</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Cash and Cash Equivalents	100%	4.10%
Expected Arithmetic Nominal Return		

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**5. Net Pension Liability of Employer (Continued)**

The discount rate used to measure the total pension liability at December 31, 2018 for the New System and Old System was 7.5% and 4.1%, respectively. The discount rate used to measure the total pension liability at December 31, 2017 for the New System and Old System was 7.5% and 3.5%, respectively. The change in discount rates resulted in a decrease in the total pension liability for the Old System of \$5,077,869. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the approved actuarially determined rates taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the New System's fiduciary net position was to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the New System equals the discount rate at December 31, 2018 to determine the total pension liability. The Old System's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate for the Old System was blended with a municipal bond rate and applied to all projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.5% and 4.1% for the New System and Old System, respectively, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of December 31, 2018:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total pension liability - New System	\$ 439,845,291	\$ 408,576,739	\$ 376,604,885
Fiduciary net position	31,419,962	31,419,962	31,419,962
Net pension liability- New System	<u>\$ 408,425,329</u>	<u>\$ 377,156,777</u>	<u>\$ 345,184,923</u>

	1% Decrease 3.10%	Current Discount Rate 4.10%	1% Increase 5.10%
Total pension liability - Old System	\$ 137,346,616	\$ 128,672,034	\$ 120,969,291
Fiduciary net position	5,027,636	5,027,636	5,027,636
Net pension liability- Old System	<u>\$ 132,318,980</u>	<u>\$ 123,644,398</u>	<u>\$ 115,941,655</u>

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**6. Deposits, Cash Equivalents, and Investments**

The information below presents disclosures of custodial credit risk, credit risk, and interest rate risk as outlined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. These disclosures are included to inform financial statement users of the investment risks that could affect the Retirement System's ability to meet its obligations. The Fund's Board mitigates custodial credit risk by having the custodian hold securities in the Fund's name as a requirement of the custody contract. The Fund's investment policy, as adopted by the Board, provides the performance objectives, asset allocation guidelines, and overall investment guidelines.

Deposits

As of December 31, 2018, the Fund's cash balances in bank accounts exceeded the FDIC insurance by \$994,712. The Fund has not experienced any losses resulting from bank failure and does not believe it is exposed to any significant credit risk relating to its cash balances.

The Fund considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents of the New System and Old System consist of government backed pooled funds and institutional funds. The cash equivalents are held by the Fund's custodian's trust departments in the Fund's name. The cash equivalents of the Old System also consist of repurchase agreements which are collateralized.

Investments

Statutes authorize the Fund to invest under the Prudent Man Rule. The Prudent Man Rule shall require each fiduciary of this Fund and the Board of Trustees acting collectively on behalf of this Fund 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 Board of Trustees shall not invest more than 65% of the total portfolio in common stock.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The risk occurs when investments are concentrated in any one issuer that represents 5% or more of the Fund's net position. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2018, the New System held investments in Lakewood Restoration Partners, LTD and Americus Real Estate Fund I, Ltd. which represented 5.7% and 7.2% of the New System's net position, respectively.

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**6. Deposits, Cash Equivalents, and Investments (continued)**

Concentration of Credit Risk (continued)

The Fund's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry at the time of purchase. In addition, no more than 5% of total Fund assets at market may be invested in any one issuer's securities at the time of purchase (exclusive of issues of the U.S. Treasury or other Federal agencies). The Fund was in compliance with the concentration of credit risk investment policy during the fiscal year ended December 31, 2018.

Credit Risk

The Fund's investment policy allows for investment in publicly-traded debt securities rated at or above Baa by Moody's and BBB by Standard and Poor's at time of purchase.

At December 31, 2018, \$251,258 of the New System's corporate bonds were short-term investment funds which are not rated. At December 31, 2018, no debt securities were held by the Old System.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Fund's investments are not insured.

The Fund has no formal investment policy regarding custodial credit risk.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy prohibits investment in debt securities with maturities greater than thirty years at time of purchase.

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, in 2018 was (28.8%) for the New System and 1.59% for the Old System. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

As of December 31, 2018, the New System has net position available for benefits in the amount of \$31,419,962 with a total pension liability of \$408,576,739. A large percentage of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows and the ability to fund future benefits.

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**7. Fair Value Measurements**

To the extent available, the Fund's investments are recorded at fair value as of December 31, 2018. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

Debt and equity securities classified in Level 1 of the fair value Hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data. Level 3 investments consist primarily of real estate, either directly held or through a limited liability corporation or partnership investment. They are valued using independent appraisals or other market data.

**Money market funds**

Cash equivalent investments consist of money market funds. These funds are used as a source of liquidity to meet capital commitments, settle trades, or pay normal investment related expenses. The fair value of these funds have been determined using NAV per share (or equivalent) of the investments. Units are valued at \$1 per share and redemption of units can be made on a same day basis.

**Investments in limited liability corporations**

Investments in limited liability corporations consist of two funds, which are described in Note 9. The fair value of the investments in these funds has been determined using NAV per share (or equivalent) of the investments. Investments in one of the limited liability corporations are not eligible for redemptions; however, distributions from the fund will be received as the underlying investments of the limited liability corporations is liquidated. It is expected that the underlying assets of the fund will be liquidated between one to two years from the year ended December 31, 2018. Investment in one of the limited liability corporations invests in an entertainment corporation. Unit valuation for this investment is monthly and redemption of units requires advance notice of 10 days.

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**7. Fair Value Measurements (continued)**

Investments in partnerships

Investments in partnerships consist of six funds, which are described in Note 10. The fair value of the investments in these funds has been determined using NAV per share (or equivalent) of the investments. These investments are not eligible for redemptions; however, distributions from each partnership will be received as the underlying investments of the partnerships are liquidated.

A summary of the Fund's investments along with the Fair value hierarchy levels of each type of investment is as follows as of December 31, 2018:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Fixed income securities:				
Taxable Bond Funds	\$ 5,320,269	\$ 5,320,269.00	\$ -	\$ -
Corporate bonds - domestic	251,258	-	251,258	-
Total fixed income securities	5,571,527	5,320,269	251,258	-
Domestic equity securities	433	433	-	-
Equity Funds				
Large Cap Equity Fund	8,180,712	8,180,712	-	-
International Equity Fund	2,748,290	2,748,290	-	-
Daily Accrual Equity Fund	2,897,519	2,897,519	-	-
Total equity securities	13,826,521	13,826,521	-	-
Alternative Investments:				
Investments in real estate	301,000	-	-	301,000
Total alternative investments	301,000	-	-	301,000
Total Investments at Fair Value Level	\$ 19,699,481	\$ 19,147,223	\$ 251,258	\$ 301,000
Investments measured at net asset value (NAV):				
Money market funds	\$ 8,476,492			
Alternative investments:				
Limited liability corporations	153,422			
Partnerships	7,041,754			
Total alternative investments	7,195,176			
Total Investments at NAV	\$ 15,671,668			
Total Investments	\$ 35,371,149			

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**7. Fair Value Measurements (continued)**

The unfunded commitments and redemption terms for investments measured at net asset value (NAV) per share (or its equivalent) as of December 31, 2018 are presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at NAV				
Money market funds	\$ 8,476,492	\$ -	Daily	Same day
Alternative investments:				
Limited liability corporations	153,422	171,231	N/A	N/A
Partnerships	<u>7,041,754</u>	<u>41,670</u>	N/A	N/A
Total investment measured at NAV	<u>\$ 15,671,668</u>	<u>\$ 212,901</u>		

**8. Property and Equipment**

Property and equipment consisted of the following at December 31, 2018 and is fully depreciated as follows:

Pension Fund - Old System:

Furniture and equipment	\$ 109,642
Less: accumulated depreciation	<u>(106,960)</u>
Total furniture and equipment, net	<u>\$ 2,682</u>

There was depreciation expense in the amount of \$298 for the year ended December 31, 2018.

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**9. Investment in Limited Liability Corporation**

During the year ended December 31, 2018, the New System of the Fund had an investments in a limited liability corporation as follows:

- a) The Fund has invested in the Wilton Private Equity Fund, LLC (the corporation). The corporation is a Delaware limited liability corporation that invests in closed-end private investment funds that target investments in leveraged buyouts, mezzanine financings, distressed debt, natural resources, and venture capital. As of December 31, 2018, the Fund had an investment of \$153,422 in the corporation.

**10. Investments in Partnerships**

During the year ended December 31, 2018, the New System of the Fund had investments in partnerships as follows:

- a) The Fund has invested in Lakewood Restoration Partners L.T.D. The partnership was formed for the purpose of acquiring, operating and developing the former Lakewood Country Club and certain surrounding real estate for residential and commercial purposes. As of December 31, 2018, the value of the Fund's investment in the partnership was \$2,000,000.
- b) The Fund has invested in the Americus Real Estate Fund I, Ltd. The partnership earns revenues predominately from leasing commercial real estate in Austin, Texas. As of December 31, 2018, the value of the Fund's investment in the partnership was \$2,543,503.
- c) The Fund has invested in Greenspring Associates Global Partners II, L.P. (the partnership), which is 90% owned by the Fund. As of December 31, 2018, the value of the Fund's investment in the limited partnership was \$928,547.
- d) The Fund has invested in Louisiana Fund I, L.P. (the partnership). The partnership was formed to invest in early stage companies that are located primarily in Louisiana. As of December 31, 2018, the value of the Fund's investment in the partnership was \$866,073.
- e) The Fund has invested in Murphree Venture Partners VI (the partnership). The partnership was formed to invest in the debt and equity securities in various private and public companies. As of December 31, 2018, the value of the Fund's investment in the partnership was \$174,406.
- f) The Fund has invested in Greenspring Associates Crossover Ventures I, L.P. (the partnership). The partnership was formed to capture returns associated with investing in small companies, venture backed private companies and mature investment funds. As of December 31, 2018, the value of the Fund's investment in the partnership was \$529,225.

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**11. Investment in Real Estate**

During the year ended December 31, 2018, the New System of the Fund had an investment in real estate as follows:

- a) The Fund has an investment in land located in Biloxi, Mississippi. As of December 31, 2018, the value of the land was \$301,000.

**12. Funding Obligations**

At December 31, 2018, the Old System has net position available for benefits in the amount of \$5,027,636. As discussed in Note 4, the composition of net position for the Old System Trust has legally restricted account balances totaling \$2,258,913 leaving only \$2,798,723 available for future benefit payments of its members. In addition, the actuarially determined total pension liability of the Old System Trust is \$128,672,034 at December 31, 2018. The Old System is a "pay as you go" system. The Old System's employer (the City of New Orleans) is legally obligated to meet all obligations of the Old Fund. The Fund's management fully expects the City of New Orleans to meet all future obligations of the Old System.

As of December 31, 2018, the New System has net position available for benefits in the amount of \$31,419,962 with a total pension liability of \$408,576,739. Approximately 22% of the New System's investments are long-term positions and are not liquid. This may have a negative impact on future cash flows. Also, as described in Note 4, the composition of net position for the New System Trust has legally restricted account balances totaling \$48,151,705 leaving a deficit of \$16,731,743 for future benefit payments of its members. The New System's employer (the City of New Orleans) is legally obligated to meet all future obligations of the New System, and the Fund's management fully expects the City of New Orleans to meet all future obligations of the New System.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIREFIGHTERS' PENSION AND RELIEF FUND  
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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS  
YEAR ENDED DECEMBER 31, 2018**

	New System				
	2014	2015	2016	2017	2018
<b>Total Pension Liability</b>					
Service cost	\$ 5,864,836	\$ 6,183,235	\$ 6,327,772	\$ 6,020,016	\$ 5,851,426
Interest	31,786,464	25,108,885	28,032,524	29,807,146	29,890,231
Changes of benefit terms	-	-	(18,912,503)	-	-
Differences between expected and actual experience	(16,071,547)	(18,529,944)	45,022,465	(222,473)	(8,072,878)
Changes in assumptions	95,806,073	(80,611,355)	-	-	-
Pension payments	(38,888,748)	(40,760,039)	(39,880,379)	(33,736,884)	(35,256,899)
<b>Net change in total pension liability</b>	<u>78,497,078</u>	<u>(108,609,218)</u>	<u>20,589,879</u>	<u>1,867,805</u>	<u>(7,588,120)</u>
<b>Total pension liability, beginning</b>	<u>423,819,315</u>	<u>502,316,393</u>	<u>393,707,175</u>	<u>414,297,054</u>	<u>416,164,859</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 502,316,393</u>	<u>\$ 393,707,175</u>	<u>\$ 414,297,054</u>	<u>\$ 416,164,859</u>	<u>\$ 408,576,739</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 19,902,654	\$ 29,635,220	\$ 31,393,089	\$ 35,345,772	\$ 33,189,708
Contributions - member	2,038,542	2,654,721	2,729,769	3,011,193	3,052,370
Contributions - non-employer contributing entities	745,884	865,912	885,504	983,081	913,159
Net investment income (loss)	(5,328,054)	(6,683,482)	(1,518,395)	(5,309,489)	(12,648,537)
Pension payments	(38,888,748)	(40,760,039)	(39,880,379)	(33,736,884)	(35,256,899)
Administrative expenses	(600,909)	(822,056)	(879,623)	(555,675)	(565,575)
<b>Net change in plan fiduciary net position</b>	<u>(22,130,631)</u>	<u>(15,109,724)</u>	<u>(7,270,035)</u>	<u>(262,002)</u>	<u>(11,315,774)</u>
<b>Plan fiduciary net position, beginning</b>	<u>87,508,128</u>	<u>65,377,497</u>	<u>50,267,773</u>	<u>42,997,738</u>	<u>42,735,736</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 65,377,497</u>	<u>\$ 50,267,773</u>	<u>\$ 42,997,738</u>	<u>\$ 42,735,736</u>	<u>\$ 31,419,962</u>
<b>Net pension liability, ending = (a) - (b)</b>	<u>\$ 436,938,896</u>	<u>\$ 343,439,402</u>	<u>\$ 371,299,316</u>	<u>\$ 373,429,123</u>	<u>\$ 377,156,777</u>
<b>Plan fiduciary net position as a % of total pension liability</b>	13.02%	12.77%	10.38%	10.27%	7.69%
<b>Covered payroll</b>	\$ 26,984,531	\$ 27,088,650	\$ 27,148,936	\$ 27,762,479	\$ 28,171,135
<b>Net pension liability as a % of covered payroll</b>	1619.22%	1267.84%	1367.64%	1345.09%	1338.81%
	Old System				
	2014	2015	2016	2017	2018
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	11,143,269	6,202,285	5,722,877	5,433,119	5,234,203
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	12,642,392	3,064,837	(4,198,811)	(5,868,851)	8,500,536
Changes in assumptions	24,967,584	1,457,230	(2,589,493)	2,283,939	(5,077,869)
Pension payments	(20,640,928)	(18,119,812)	(17,978,200)	(16,786,524)	(15,296,667)
<b>Net change in total pension liability</b>	<u>28,112,317</u>	<u>(7,395,460)</u>	<u>(19,043,627)</u>	<u>(14,938,317)</u>	<u>(6,639,797)</u>
<b>Total pension liability, beginning</b>	<u>148,576,918</u>	<u>176,689,235</u>	<u>169,293,775</u>	<u>150,250,148</u>	<u>135,311,831</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 176,689,235</u>	<u>\$ 169,293,775</u>	<u>\$ 150,250,148</u>	<u>\$ 135,311,831</u>	<u>\$ 128,672,034</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 16,426,727	\$ 17,200,000	\$ 11,460,735	\$ 11,688,825	\$ 16,148,777
Contributions - member	-	-	-	-	-
Contributions - non-employer contributing entities	745,884	865,912	659,878	691,674	608,772
Net investment income (loss)	1,622,814	200,276	(206,646)	40,908	69,664
Pension payments	(20,640,928)	(18,119,812)	(17,978,200)	(16,786,524)	(15,296,667)
Administrative expenses	(573,396)	(403,870)	(423,979)	(330,530)	(322,268)
<b>Net change in plan fiduciary net position</b>	<u>(2,418,899)</u>	<u>(257,494)</u>	<u>(6,488,212)</u>	<u>(4,695,647)</u>	<u>1,208,278</u>
<b>Plan fiduciary net position, beginning</b>	<u>17,679,610</u>	<u>15,260,711</u>	<u>15,003,217</u>	<u>8,515,005</u>	<u>3,819,358</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 15,260,711</u>	<u>\$ 15,003,217</u>	<u>\$ 8,515,005</u>	<u>\$ 3,819,358</u>	<u>\$ 5,027,636</u>
<b>Net pension liability, ending = (a) - (b)</b>	<u>\$ 161,428,524</u>	<u>\$ 154,290,558</u>	<u>\$ 141,735,143</u>	<u>\$ 131,492,473</u>	<u>\$ 123,644,398</u>
<b>Plan fiduciary net position as a % of total pension liability</b>	8.64%	8.86%	5.67%	2.82%	3.91%
<b>Covered payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net pension liability as a % of covered payroll</b>	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report and accompanying notes to the required supplementary information.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY**  
**YEAR ENDED DECEMBER 31, 2018**

**New System**

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability (Asset) as a % of Covered Payroll
2013	\$ 423,819,515	\$ 87,508,126	\$ 336,311,389	20.65%	\$ 28,002,465	1201.01%
2014	502,316,393	65,377,497	436,938,896	13.02%	26,984,531	1619.22%
2015	393,707,175	50,267,773	343,439,402	12.77%	27,088,650	1267.84%
2016	414,297,054	42,997,738	371,299,316	10.38%	27,148,936	1367.64%
2017	416,164,859	42,735,736	373,429,123	10.27%	27,762,479	1345.09%
2018	408,576,739	31,419,962	377,156,777	7.69%	28,171,135	1338.81%

**Old System**

	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability (Asset) as a % of Covered Payroll
2013	\$ 148,576,918	\$ 17,679,610	\$ 130,897,308	11.90%	\$ -	N/A
2014	176,689,235	15,260,711	161,428,524	8.64%	-	N/A
2015	169,293,775	15,003,217	154,290,558	8.86%	-	N/A
2016	150,250,148	8,515,005	141,735,143	5.67%	-	N/A
2017	135,311,831	3,819,358	131,492,473	2.82%	-	N/A
2018	128,672,034	5,027,636	123,644,398	3.91%	-	N/A

**Note to Schedule:**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report and accompanying notes to the required supplementary information.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**New System**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
2009	\$ 14,513,495	\$ 10,982,362	\$ (3,531,133)	\$ 27,699,898	39.65%
2010	24,532,819	9,489,294	(15,043,525)	27,427,244	34.60%
2011	29,424,359	11,987,484	(17,436,875)	29,994,149	39.97%
2012	32,212,794	12,157,108	(20,055,686)	29,688,472	40.95%
2013	34,386,640	12,313,856	(22,072,784)	28,002,465	43.97%
2014	36,182,434	20,648,538	(15,533,896)	26,984,531	76.52%
2015	31,992,690	30,501,132	(1,491,558)	27,088,650	112.60%
2016	35,880,883	32,278,593	(3,602,290)	27,148,936	118.89%
2017	33,639,710	36,328,853	2,689,143	27,762,479	130.86%
2018	34,102,683	34,102,867	184	28,171,135	121.06%

**Old System**

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
2009	\$ 21,708,975	\$ 14,957,484	\$ (6,751,491)	-	N/A
2010	22,166,070	20,873,788	(1,292,282)	-	N/A
2011	22,612,929	20,975,753	(1,637,176)	-	N/A
2012	22,461,146	20,740,622	(1,720,524)	-	N/A
2013	22,532,004	20,896,181	(1,635,823)	-	N/A
2014	18,841,269	17,172,611	(1,668,658)	-	N/A
2015	17,404,180	18,065,912	661,732	-	N/A
2016	17,168,843	12,120,613	(5,048,230)	-	N/A
2017	16,598,777	12,380,499	(4,218,278)	-	N/A
2018	15,339,217	16,757,549	1,418,332	-	N/A

**Note to Schedule:**

See independent auditors' report and accompanying notes to the required supplementary information.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF INVESTMENT RETURNS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	New System Annual Money-Weighted Rate of Return*
2014	(7.43) %
2015	(10.92) %
2016	(3.10) %
2017	(11.24) %
2018	(28.80) %

	Old System Annual Money-Weighted Rate of Return*
2014	8.50 %
2015	1.33 %
2016	1.05 %
2017	0.67 %
2018	1.59 %

\* Annual money-weighted rates of return are presented net of investment expense. The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

**Notes to Schedule:**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report and accompanying notes to the required supplementary information.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**1. Schedule of Changes in Net Pension Liability**

The total pension liability contained in this schedule was provided by the Fund's actuary, Conefry & Company, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position for the New System and Old System.

**2. Schedule of Employer's Net Pension Liability**

The schedule of employer's net pension liability shows the percentage of the Fund's employer's net pension liability as a percentage of covered payroll for the New System and the Old System. The employer's net pension liability is the liability of contributing employers to members for benefits provided through the Fund. Covered payroll is the payroll of all employees that are provided with benefits through the plan.

**3. Schedule of Employer Contributions – Employer and Non-Employer Contributing Entities**

The difference between the actuarially determined contributions from employer and non-employer contributing entities and the contributions reported from employers and non-employer contributing entities, and the percentage of employer contributions received to covered employee payroll is presented in this schedule. Fire rebate revenue is considered support from non-employer contributing entities.

**4. Actuarial Assumptions**

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate and the total pension liability. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board.

Information on the actuarial methods and assumptions used at December 31, 2018 is as follows:

Valuation Date:	December 31, 2018 (same as measurement date)
Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	New System – 7.5% (net of investment expenses); Old System – 4.1% (net of investment expenses)
Salary Increases:	New System - 5.0%; Old System – N/A
Inflation Rate:	New System – 0.00%; Old System – N/A
Mortality:	1994 Uninsured Pensioner Table for active and retired; 1994 Uninsured Pensioner Table set forward 5-years for disabled annuitants.
Cost of Living Adjustments:	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**

**5. Changes of Assumptions**

Changes in the discount rate used to measure the total pension liability for the New System and Old System are listed below:

Valuation Date	<u>New System</u>	<u>Old System</u>
December 31, 2018	7.50%	4.10%
December 31, 2017	7.50%	3.50%
December 31, 2016	7.50%	3.83%
December 31, 2015	7.50%	5.37%
December 31, 2014	5.21%	3.70%

**SUPPLEMENTARY INFORMATION**

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	New System	Old System
Accounting, auditing, legal and other professional fees	\$ 46,227	\$ 134,922
Actuary fees	-	23,000
Computer support services	-	48,429
Employee benefits	-	27,663
Insurance	-	157,480
Interfund allocation	519,348	(519,348)
Office supplies and printing	-	14,460
Other	-	286
Payroll and payroll taxes	-	339,083
Pension seminars and education	-	23,654
Postage	-	12,129
Professional - medical	-	18,000
Rent	-	33,598
Telephone	-	8,912
	\$ 565,575	\$ 322,268

See independent auditors' report.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF COMPENSATION, BENEFITS**  
**AND OTHER PAYMENTS TO AGENCY HEAD**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Agency Head Name: Thomas F. Meagher III

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 65,000
Mileage reimbursement	771
Per diem	122
Travel	446
Registration fees	900
Conference travel	<u>3,176</u>
	<u>\$ 70,415</u>

See independent auditors' report.

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

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

We have audited, in accordance with the 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, the financial statements of each major fund of the Firefighters' Pension and Relief Fund of the City of New Orleans ("the Fund"), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.



### Fund's Response to Findings

The Fund's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
June 28, 2019

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2018**

**2018-001 Collateralizations of Bank Deposits**

- Criteria: The Fund should monitor compliance with collateralization of bank deposits. Louisiana Revised Statutes requires all deposits exceeding the amount insured by the Federal Deposit Insurance Corporation (FDIC) to be fully collateralized with specific approved securities designated therein valued at 102% of deposits
- Condition: The Fund had bank balances at one institution that exceeded deposits in excess of FDIC coverage and collateral held by the pledging banks' trust department or their agent held in the Fund's name by \$994,712 at December 31, 2018.
- Cause: The Fund did not properly ensure that the accounts were identified as public funding; thus, the Fund nor bank monitored collateral to insure the amount pledged was adequate to cover deposits in the Fund's name.
- Effect: The Fund's deposits were not sufficiently collateralized, which resulted in a violation of the Revised Statutes and subjected the Fund to custodial credit risk.
- Recommendation: We recommend that the Fund monitor compliance of collateralization of bank deposits to reduce credit risk and comply with Louisiana Revised Statutes.
- Management's Response: Management will review current procedures on monitoring compliance with collateralization of bank deposits to reduce custodial credit risk and to comply with Louisiana Revised Statutes and make appropriate changes were necessary.

**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2018**

**2017-001 Timely Submission of Audit Report to Legislative Auditor**

Criteria: Under Louisiana statute (LA R.S. 24:513), the Fund is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year.

Recommendation: We recommend that the Fund implement procedures to ensure that all required supporting documentation from outside entities is obtained timely to ensure that the Fund's audited financial statements are submitted to the Legislative Auditor by the deadline.

Status: Resolved.

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**FIREFIGHTERS' PENSION AND RELIEF FUND**  
**OF THE CITY OF NEW ORLEANS**

**STATEWIDE AGREED-UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**Independent Accountant’s Report  
On Applying Agreed-Upon Procedures**

Honorable Mayor and Council of the City of New Orleans, Louisiana,  
Board of the Firefighters’ Pension and Relief Fund of the City of New Orleans,  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A, which were agreed to by Firefighters’ Pension and Relief Fund of the City of New Orleans (the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity’s management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this, this report is distributed by the LLA as a public document.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
June 28, 2019

**FIREFIIGHTERS' PENSION AND RELIEF FUND OF THE CITY OF NEW ORLEANS**  
**AGREED-UPON PROCEDURES AND ASSOCIATED FINDINGS**  
**DECEMBER 31, 2018**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *no exception(s) noted*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

***Written Policies and Procedures***

---

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

*The Entity is not required to prepare a budget. Therefore, this procedure is not applicable.*

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*The Entity has written policies for Purchasing, however the policies do not contain the following attributes: (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.*

c) **Disbursements**, including processing, reviewing, and approving

*No exceptions noted.*

d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*The Entity does not have a written policy for Receipts.*

e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions noted.*

f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

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*The Entity has written policies for Contracting; however, the policies do not contain attribute (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, and (5) the monitoring process.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

*No exceptions noted.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

*No exceptions noted.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*The Entity does not have a written policy for Ethics.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*The Entity does not have debt. Therefore, this procedure is not applicable.*

***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*Board meetings were held for all months except for February.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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*Minutes referenced monthly financial statements for the 11 meetings held during 2018.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*The Fund does not have a general fund. This procedure is not applicable.*

***Bank Reconciliations***

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- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*A listing of bank accounts was provided and included a total of 3 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected 3 bank accounts (1 main operating and 2 other) and obtained the bank reconciliations for the month ending October 31, 2018, resulting in 3 bank reconciliations obtained and subjected to the below procedures.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Of the 3 bank reconciliations obtained, none had a reviewers' initials or any other documentation evidencing the review.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*Of the 3 bank accounts selected, 1 bank reconciliation had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.*

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***Collections***

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was provided and included 1 deposit site. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the 1 deposit site and performed the procedures below*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

*A listing of collection locations for each deposit site selected in procedure #4 was provided and included 1 collection location. No exceptions were noted as a result of performing this procedure.*

*We selected 1 collection location for 1 deposit site. Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*For the 1 collection location, the employees responsible for cash collections share cash drawers/registers.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*For the 1 locations, the employee responsible for collecting cash prepares/makes the bank deposit and reconciles collection documentation to the deposit.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*For the 1 location, the employee responsible for collecting cash posts collection entries to the general ledger and reconciles ledger postings to each other and the deposit.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

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*There is no formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the collection locations selected.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*The Entity stated that all employees who have access to cash are bonded and/or covered under the Fund's fiduciary policy.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

*We randomly selected two deposit dates for each of the 3 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 6 deposits and performed the procedures below.*

- a) Observe that receipts are sequentially pre-numbered.

*The Entity does not maintain sequentially pre-numbered receipts. As such, we were unable to perform the procedure.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*The Entity does not maintain sequentially pre-numbered receipts. As such, we were unable to perform the procedure.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions noted.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

*No exceptions noted.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions noted.*

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***Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we selected the 1 location and performed the procedures below.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for the payment processing location was provided. No exceptions were noted as a result of performing this procedure.*

*Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*For the 1 location, a single employee initiates purchase requests, approves purchases and is responsible for placing / making purchases.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*For the 1 location, the person processing payments was not prohibited from adding / modifying vendor files. The same employee is responsible for periodic review of vendor files.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted.*

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10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*A listing of non-payroll disbursements for the payment processing location was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

*From the listing, we selected 5 disbursements and performed the procedures below.*

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*The payment processor is not restricted from adding or modifying vendor files.*

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

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- b) Observe that finance charges and late fees were not assessed on the selected statements.

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.*

**Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*Of the 5 reimbursements selected for our procedures, none used a per diem. So this attribute is not applicable.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions noted.*

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- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 contracts and performed the procedures below.*

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*Of the 5 contracts selected for our procedures, none was subject to Louisiana Public Bid Law. So this procedure is not applicable.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*For 1 of the 5 contracts selected for testing, management could not provide us the contract documentation.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

*No exceptions noted.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*We selected 1 payment for each the 5 contracts selected in procedure #15 and performed the specified procedures. Management could not provide us the contract documentation to verify if the payment agreed to the terms and condition of the contract for 1 of the 5 payments selected for testing.*

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***Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*The Fund only employs 4 employees/officials; therefore, we selected all employees/officials and performed the specified procedures. No exceptions noted.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*We selected 1 pay period during the fiscal period and performed the procedures below for the 4 employees/officials selected in procedure #16.*

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

*The Fund's salaried employees/officials are not required to document their daily attendance. Annual leave usage is reported when taken. No attendance records were obtained for the Fund's 2 salaried employees.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*The Fund's salaried employees/officials are not required to document their daily attendance. Annual leave usage is reported when taken. No attendance records were obtained for the Fund's 2 salaried employees.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions noted.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.:

*No terminations occurred in current fiscal year. This attribute was not applicable.*

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19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*No terminations occurred in current fiscal year. This attribute was not applicable.*

***Ethics***

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*One of the Fund's 4 employees did not have documentation of completion of the one hour of ethics training.*

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*For all 4 employees/officials, signature verification evidencing that the employee/official had read the Entity's ethics policy during the fiscal period could not be obtained.*

***Debt Service***

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*Not applicable. The Entity does not issue debt.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Not applicable. The Entity does not issue debt.*

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*Other*

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*A listing of misappropriations of public funds and assets during the fiscal period was provided. No misappropriation of funds noted. No exceptions were noted as a result of performing this procedure.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

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MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN  
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Schedule B

**Management's Corrective Action Plan**

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25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

**1) Written Policies and Procedures**

***Purchasing:*** The Fund is entirely too small for the implementation of purchase orders and requisitions. While the Fund has no purchasing policies, best business practices govern the process. All major purchases are approved by the Board of Trustees. When applicable, services are bid out. The Fund has no major vendors. The Fund has had no major purchases during 2018 or other years. Office supplies are obtained from an office supply warehouse. All office supply purchases are approved prior to payment in writing. During 2013, the most recent year for a major purchase, the Fund solicited proposals for investment consultant services via a request for proposal process. Annual Fiduciary insurance is priced nationwide through its insurance broker, HUB International.

***Receipts:*** The Fund has four revenue sources: city appropriations, employee contributions, state fire insurance revenue, and investment income. No cash is ever received by the Fund. City appropriations and employee contributions are remitted by the City at least monthly. The state fire insurance payment is made once annually and represents the only major revenue not received electronically. The Fund does not receive payments via check other than the annual fire premium payment, transfers from other retirement systems (usually 2 to 3 per year). Check receipts are deposited the next business banking day.

***Contracting:*** All contracts are reviewed by Board attorney before approval. Best practices are followed on all of the limited contracts entered into. The Fund has had no major purchases during 2018 or other years. Office supplies are obtained from an office supply warehouse. All office supply purchases are approved prior to payment in writing. During 2013, the Fund solicited proposals for investment consultant services via a request for proposal process. Annual Fiduciary insurance is priced nationwide through its insurance broker, HUB International.

***Ethics:*** This is another symptom of a small work environment. All four employees take and participate in the State's ethics program, an annual commitment to understanding the State's ethics laws and or receive ethics training at industry conferences. Participation certificates are maintained in the Fund's office.

**2) Board or Finance Committee**

Board meetings are conducted to approve member retirement request and address other Board matters as necessary. There were no pending applications for retirement or matters of a significant nature that needed addressing in February as well as a lack of a quorum. Therefore, no meeting was held.

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MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN  
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**3) Bank Reconciliations**

***Bank reconciliations:** Management has performed an undocumented review in the past. Management will begin documenting its review.*

***Outstanding checks:** The Fund does not cancel outstanding checks. The quantity (3) and amount (<\$100) of the outstanding items are deemed minor.*

**4) Collections**

***Person responsible for collecting cash, making deposits and posting it to the general ledger (Segregation of duties):** The Fund does not receive any cash. The Fund only receives checks and wires. The Fund's limited staffing does not permit such segregation of duties.*

***Log of sequentially pre-numbered receipts:** The Fund does not collect any cash. The limited number of checks received are deposited on the day after receipt. The Fund will begin numbering the receipts sequentially to make sure none of the receipts are lost in transitions.*

**5) Non- Payroll disbursements**

***Purchase order initiation and approval:** The Fund does not use purchase orders.*

***Segregation of duties:** The Fund's limited staffing does not permit such segregation of duties. The check register is reviewed by management weekly for unauthorized activity.*

**6) Contracts**

***Contract documents retention:** The Fund will draft a new contract for the missing one and going forward, will retain all the contracts and agreements in a safe place so no data would be lost.*

**7) Payroll**

***Attendance and leave records:** This was a salaried employee tested. Attendance records are not required for days worked. Annual leave and sick leave are reported when taken. Leave records for the salaried employee are maintained, but there would be no documentation of approval of leave.*

**8) Ethics**

*Management received Ethics training via attendance at the Louisiana Public Employees Retirement Conference, Louisiana Trustee Education conference and National conference of Public Employee Retirement Plans. The Fund contains 4 employees and their policies has not changed in years. So the management does not find it necessary to sign the ethics policy every year if the state ethics training is completed.*