

REPORT
SHERIFFS' PENSION AND RELIEF FUND
JUNE 30, 2017 AND 2016

SHERIFFS' PENSION AND RELIEF FUND

TABLE OF CONTENTS

JUNE 30, 2017 AND 2016

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 – 13
FINANCIAL STATEMENTS:	
Statements of Fiduciary Net Position.....	14
Statements of Changes in Fiduciary Net Position	15
Notes to Financial Statements.....	16 – 43
SUPPLEMENTARY INFORMATION:	
Statements of Changes in Reserve Balances	44 – 45
Schedules of Administrative Expenses	46
Schedules of Per Diem and Travel Expenses Paid to Board of Trustees	47
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....	48
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Changes in Net Pension Liability.....	49
Schedules of Employers' Net Pension Liability	50
Schedules of Contributions – Employer and Non-Employer Contributing Entities.....	51
Schedules of Investment Returns	52
Schedules of Funding Progress – Postemployment Health and Life Insurance Benefits.....	53
Notes to Required Supplementary Information.....	54 – 55
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	56 – 57
SUMMARY SCHEDULE OF FINDINGS.....	58



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT

December 29, 2017

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

Board of Trustees of the
Sheriffs' Pension and Relief Fund
1225 Nicholson Drive
Baton Rouge, Louisiana 70802

We have audited the accompanying financial statements of the Sheriffs' Pension and Relief Fund as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Sheriffs' Pension and Relief Fund's basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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.

www.dhhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sheriffs' Pension and Relief Fund, as of June 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for the Sheriffs' Pension and Relief Fund was \$3,761,394,421 and \$3,545,155,452 as of June 30, 2017 and 2016, respectively. The actuarial valuation was based on various assumptions made by the Sheriffs' Pension and Relief Fund's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2017 and 2016 could be under or overstated. Our opinion is not modified with respect to this matter.

The Fund's financial statements include investments valued at \$26,122,522 and \$32,912,845 as of June 30, 2017 and 2016, respectively, whose fair value was estimated by management of the investment fund in the absence of readily ascertainable fair market values. The estimate of fair value was based primarily on the net asset values and other financial information provided management of each underlying private investment fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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 an opinion on the financial statements that collectively comprise the Sheriff's Pension and Relief Fund's basic financial statements. The supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supporting 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 basic 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 December 29, 2017 on our consideration of the Sheriffs' Pension and Relief Fund's 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 Sheriffs' Pension and Relief Fund's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

The Management's Discussion and Analysis of the Sheriffs' Pension and Relief Fund (Fund or LSPRF) financial performance presents a narrative overview and analysis of the Sheriffs' Pension and Relief Fund's financial activities for the year ended June 30, 2017. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Sheriffs' Pension and Relief Fund's financial statements which begin on page 14.

Economy and the Global Investment Markets for FY 2016-2017

A very good year of investment performance by the Fund, along with the long-term positive impact of our major benefits reform legislation effective beginning in 2012 continued to produce a positive trend for the growth and funding of the LSPRF for the fiscal year ended June 30, 2017.

As in other recent years, both US and global events have impacted our economic and market conditions. Expectations from US Presidential elections have been a positive impact on US investment markets, resulting in new all time highs in major equity indices while decreasing market volatility. In addition, better than expected global and non-US economic data and accommodative policies from global central banks contributed to the positive impact on markets for the fiscal year. While equity and some other risk strategies returns were very favorable for the FY, high expectations also created greater uncertainty in the markets as other concerns developed and the year progressed. Elections in other developed countries were a factor at times, again creating market uncertainty. Other distracting factors experienced were:

- Concerns over what congress can actually accomplish from the high expectations.
- Uncertainty over timing & scale of tax reform.
- Geopolitical concerns and conflicts
 - North Korea threats
 - Middle East turmoil
 - Russia issues
 - Throughout the year – concerns over economic data continuing to support lofty market valuations.

With the planning of our Board, Investment Committee, staff and consultants, our portfolio and asset allocation were well positioned to take advantage of the market opportunities offered during this fiscal year, but also relatively conservative to withstand the uncertain times created by US and global happenings.

Favorable earnings and other positive economic reports, along with the high prospects for the markets resulted in very favorable earnings for our Fund for the fiscal year. LSPRF'S Investments returned a highly respectable 13.8% net of fees for the fiscal year ended June 30, 2017. This substantially exceeded the Fund's valuation interest rate or target rate of return of 7.5% resulting in a very favorable impact on the funding of the LSPRF and a reduction in the Plan's Actuary's required employer contribution rate for the fiscal year beginning July 1, 2018 which is a positive development for our Plan sponsors, the Louisiana Sheriffs' Offices and their budgets.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Results of the Years' Experience on Fund Net Position and Historical Review

As measured by our auditors, the Fund closed this year with the Fiduciary Net Position at \$3,328,367,058, representing an increase over last year of \$417,901,102 from the 2016 level of \$2,910,465,956 and an all time record high for the Fund in the Fiduciary Net Position at year end close. This represents the Fund's market value of assets using fiscal year end 2017 results, as compared to the actuarial value of assets covered later in the analysis.

For comparison to other recent years, this year's closing Net Fiduciary Position represents an increase of \$445,993,488 over the 2015 level of \$2,882,373,570, and an increase of \$595,234,941 over the 2014 net position of \$2,733,132,117.

From a longer term historical perspective, the Fund's growth in the net position or market value of assets has increased by \$2.021 billion or about 155% during the recovery from the 2009 recession and the continuing favorable capital markets since.

This very positive performance has made a substantial impact in reducing the required employer contribution rate that increased to a high of 14.5% as a result of the recession to a recommended rate of 10% for fiscal 2018 and a recommended rate of 9.5% for fiscal 2019. This is a favorable budget development for our employer plan sponsors

Discussion of 2017 Actuarial Valuation Results

Due to the perpetual nature of the Fund, it is important to recognize that the Fund is necessarily a long-term investor and is subject to periods of favorable and unfavorable volatile global market conditions over time. To manage and measure funding progress and prepare to meet liabilities that will become due well out into the future, the Fund uses actuarial funding methods to help ensure sufficient funding is accumulated over the working lifetime of members to meet member's benefits that will be due upon retirement. This is the Fund's most important mission and obligation.

As recommended by our actuaries, the Fund uses an actuarial smoothing method to help mitigate the impact of market volatility and assist in providing more stable funding requirements in keeping with capital market conditions. The Plan's investment gains or losses are smoothed over a 5-year period to stabilize funding requirements and to set the required employer contribution rates necessary to meet each year's funding needs. The actuarial methods used by the Fund's actuaries provided an actuarial rate of return of 8.3% for the 2017 valuation year ended June 30, 2017. This actuarial rate of return is compared to the Funds valuation interest rate, or assumed rate of return, as a factor in determining the recommended employer contribution rate for the 2019 fiscal year.

This smoothing period is also a factor in determining the Actuarial Value of Assets as compared to each year's Market Value of Assets that are subject to market volatility, and to help in measuring the longer term Funding progress of the Fund.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

The 2017 actuarial valuation reflects an Actuarial Value of Assets of \$3,322,151,803 for an increase of \$272,740,750 over the prior year level of \$3,049,411,053. This favorable increase is a result of a number of years of very solid gains since the last recession, using the Fund's five-year actuarial smoothing method.

Employer Contribution Rates and Funding Deposit Account Discussion

As noted previously, the Fund's actuarially recommended rate for fiscal year 2017 was 9.50%. The Board of trustees approved collecting an actual rate of 13.25%, or 3.75% above the minimum recommended employer contribution rate in order to replenish reserves in the Plan's Funding Deposit Account (FDA). The 13.25% was a reduction of .50% from the prior year level of 13.75% in order to assist our plan sponsors.

This collection of the additional 3.75% resulted in placing an additional \$24,163,838 in Funding Deposit Account reserves, providing options for the future. When combined with the \$30,142,795 placed in the FDA at the end of Fiscal 2016, the total in the FDA as of June 30, 2017 is \$56,567,343. An explanation of the FDA is included later in this section

For the current year – fiscal 2018, the Fund's actuarially recommended employer contribution rate is set at 10.00%. The Board again approved a reduction of .50% in the actual rate being collected of 13.25% for 2017 and approved an actual rate collected of 12.75% or 2.75% above the recommended rate for fiscal year 2018. Please note that the recommended rate for the year and the actual required rate for the year will differ based on the Fund's performance and experience and will not be known until fiscal year end. The difference between the 12.75% being collected for the year and the actual rate necessary to meet funding needs for the year will again be deposited in the Funding Deposit Account to further increase reserves for future use.

For fiscal 2019 (beginning July 1, 2018) this year's actuarial valuation has set the minimum recommended employer contribution rate at 9.50%, a decrease of .50% over the 2018 fiscal year recommended rate due to the Fund exceeding the assumed rate of return of 7.5% for fiscal year 2017 because of favorable capital market conditions. The Board will consider a recommendation to again reduce the actual contribution rate from the current collected rate of 12.75%, but still collect a rate above the minimum recommended rate of 9.50% to further strengthen our FDA reserves to meet future economic conditions.

One of the measures of the health of a plan is the recommended annual contribution rate. The LSPRF is fortunate to annually have among the lowest recommended rates of the Louisiana pension systems. This position gives the Fund the option to take the measures of collecting rates above recommended rates to provide reserves as described in this section of the analysis.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

An additional measure taken by the LSPRF Board and plan sponsors in 2014 was to voluntarily increase the employee contribution rate from 10% to 10.25% to provide additional funding into the Plan to strength the plan for the future. We plan to maintain this increase for the foreseeable future. This is a reflection of the support the LSPRF receives from the plan sponsors and membership to assist in continuing to strengthen our Fund.

Funding Deposit Account (FDA) Provisions

The FDA was established by law effective June 30, 2009 to provide a reserve fund into which excess employer contributions collected above the required amount, as described above are credited. Funds accumulated in the FDA may be used, at the discretion of the Board for the following purposes only:

- To reduce the Unfunded Accrued Liability (UAL)
- Reduce future normal costs
- As an offset to the recommended direct employer contributions
- To pre-fund a cost of living increase for retirees

Prior to passage of this Act excess contributions could be used by the Board to reduce the Frozen UAL. In 2008 the Board used excess contributions to substantially reduce the Frozen UAL by \$22,548,024. Based on this payment, LSPRF is 6 years ahead of the amortization and will be fully paid by June 30, 2023 rather than the original amortization schedule of 2029. Annual payments continue to reduce the UAL.

As a result of the severe recession of 2009, FDA excess contributions have been used to partially offset or reduce the rising employer contributions resulting from the impact of the recession to assist our plan sponsors (sheriffs' offices) to reduce the impact on their required contributions and their local budgets. The FDA reserves were depleted prior to the credit of the \$30,142,795 from the excess contributions collected in 2016 and \$24,163,838 in 2017 as previously described.

The Board's Funding Study Committee and our actuary will meet in the near future to determine the best use and timing of the current reserves.

Pension Fund Reform and Valuation Interest Rate Discussion

In the 2011 legislative session, the Fund's Board was a leader in voluntarily sponsoring major pension reform in the benefits structure and retirement eligibility. The legislation was effective beginning January 1, 2012, and the Fund began to benefit from costs savings from new hires in the first year of implementation. The Fund has continued to accrue costs savings annually, and will continue to do so well out into the long-term future. This action by the Fund's Board and other cost savings measures going back to 2007 were an important accomplishment in the Fund's management of long-term liabilities.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Also in 2012, the Board of Trustees approved a plan to reduce the valuation interest rate or assumed rate of return of 8% used to fund the Plan by decreasing the rate by .10% over a 5-year period to a rate of 7.5%. This was based on the downward trend in capital market assumptions and expected rates of return on investments for the long-term outlook. Capital market assumptions are projected by consultants and various financial institutions and are published annually. Since that time, the Board has approved further lowering of the assumed rate of return over time to 7.25% upon reaching the original rate of 7.5%. The result of lowering the rate has a negative impact on the Employer's Normal Cost Accrual Rate that flows into an increase in the recommended employer contribution rate. While this is a negative impact initially, it is important to use a realistic assumed rate of return. The current year's rate (fiscal year 2018) is set at 7.4%, and the fiscal year 2019 is planned to be lowered to 7.25%. The Board's plans are to continue to reduce the rate to 7.0% with a series of incremental reductions.

Depending on investment experience this reduction in the assumption can be a favorable impact on actuarial experience when investment experience exceeds the lower assumed rate of return, and also has the effect of lessening the actuarial impact when investment returns end the fiscal year below the lowered assumed rate of return. Over time, this change is expected to be positive for the Fund.

The reason for discussing pension fund reform and the reduction in the assumed rate of return and the resulting cost impact of the reduction in the same section of the analysis is that the savings from the major pension reform effective January 1, 2012 is substantially offsetting the increase from lowering the assumed rate beginning in 2012 providing a positive impact on the Normal Cost Accrual Rate and the employer contribution rate. Combined, these two actions represent responsible decision making by the Board of Trustees.

Non-Investment Revenue Discussion

The Fund has dedications of special revenues for funding of the Plan. As measured by our auditors and actuaries, for the 2017 fiscal year revenues received for the Fund's statutorily dedicated portion from insurance premium tax collections totaled \$19,090,190, an increase of \$485,126 over the prior year. The Fund's receipts of dedicated ad valorem taxes were \$20,184,244, an increase of \$350,145 over the prior year, and receipts of \$420,764 from State Revenue Sharing for an increase of \$14,441 from fiscal year 2016.

Contributions to the Plan by employers and members totaled \$162,756,083 for a decrease of \$1,334,868 over 2016. Employer contributions were collected at 13.25%, and employee contributions collected at 10.25%

The annual actuarial valuation of the Fund reflects contributions and other non-investment income that exceeded payments for benefits paid to members, refunds, transfers and administrative expenses by \$19,951,430, a decrease of \$20,418,562 from fiscal year 2016. For fiscal 2017 the Fund had a positive cash flow and did not rely on investment income to pay current benefits to members, and is not expected to for fiscal 2018.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Benefits Payments Discussion

Pension and disability benefits paid to retirees and beneficiaries, as verified by the Fund's auditors totaled \$167,386,535, an increase of \$18,175,976 over the prior year. Refunds of contributions paid to members upon termination, and transfers to other systems on behalf of members totaled \$22,342,357, for an increase of \$3,969,248 from the prior year.

Funded Ratio and Progress of Payment of Frozen UAL

Using the GASB 25 method of measuring progress in payment of the Fund's frozen UAL, the Plan's funded ratio for fiscal 2017 is 98.68%, an increase over the prior year's ratio of 98.39%. The GASB 25 ratio measure has been replaced and is no longer stated in the actuarial valuation, but the frozen UAL is stated annually and we continue to monitor the progress in eliminating the liability.

The new funded ratio as stated in the Actuarial Valuation of the Plan for 2017 is 88.32%, for an increase in the ratio over the prior year's ratio of 86.02%. This ratio represents the Actual Value of Assets to the Actuarial Accrued Liability, and is the method used by our actuaries in the actuarial funding of the Plan. This ratio replaces the former GASB 25 ratio due to changes in reporting methods.

Subsequent Event Note

For the current 2018 fiscal year, investment performance has continued to be positive at this point. The Fund's performance at the time of this analysis (November 2017) is estimated at 6.6% for the fiscal year to date and is less than 1.0% from reaching our valuation interest rate. Prospects appear reasonable at this point that the Fund may meet or exceed the valuation interest rate again this year, barring unforeseeable market or economic developments that could result in a market correction that would prevent this. As always a relatively high level of uncertainty remains in investment markets for the balance of the fiscal, and there can be no guarantees of any results at fiscal year end.

Summary and Other Relevant Information

As explained in this analysis, the Plan has made substantial progress in recovering from the last severe recession and has continued to grow the Plan's assets far beyond recession and pre-recession levels. The Board has had the foresight to implement major pension reform to help manage the Fund's liabilities for the long-term future. As noted earlier in the report, the Fund's employer contribution rates are among the lowest of Louisiana retirement systems providing the Board with options to accrue reserves that will be of assistance during unfavorable market and economic conditions in the future.

The Board maintains professional investment consultants and investment managers to advise the Fund, and strives to maintain a conservative and diversified asset allocation to take advantage of favorable investment markets, and to protect assets to a sound extent in unfavorable economic times.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

The Fund also employs legal counsel that is highly competent in pension fund matters to advise the Board and staff, and to assist in due diligence and protection in entering into contracts with investment managers.

The Board and staff management have continued to improve the professionalism and educational requirements of the staff over time, and have enhanced technology and operational methods to better serve our members. The Fund has a strong succession plan in place for senior management and has developed future leaders.

In closing, the Board of Trustees has provided substantial growth and progress over time, and has been a leader in pension reform to control liabilities for future benefits and assist in protecting the soundness and perpetual nature of the Fund.

Using This Financial Report

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.

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and five required schedules of historical trend information. The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position provide information about the activities of the pension funds as a whole. Sheriffs' Pension and Relief Fund is the fiduciary of funds held in trust for sheriffs, deputies, non-commissioned employees of sheriffs' offices throughout the State of Louisiana and employees of the Louisiana Sheriffs' Association and the Sheriffs' Pension Fund office.

The required supplementary information consists of five schedules and related notes disclosing the changes in net pension liability, employers' net pension liability, employer contributions, money-weighted rate of investment returns, and funding progress of Other Postemployment Benefits (OPEB).

The supplementary information includes the Schedule of Changes in Reserve Balances, Schedule of Administrative Expenses, and the Schedule of Per Diem and Travel Expenses Paid to Board Members.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Financial Analysis of the Fund

Sheriffs' Pension and Relief Fund's fiduciary net position increased during the year ended June 30, 2017 by \$417,901,102 from \$2,910,465,956. Plan net position for the prior fiscal year increased by \$28,092,386. The current year increase in plan net position was primarily attributable to contributions exceeding benefit payments in the current fiscal year and also to improved investment performance in the current fiscal year.

This analysis focuses on fiduciary net position (Table 1) and changes in fiduciary net position (Table 2) of the Fund.

TABLE 1
FIDUCIARY NET POSITION
(In Thousands)

	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 3,490,765	\$ 3,011,720
Receivables and prepaid	143,995	144,178
Capital assets	<u>2,213</u>	<u>2,254</u>
Total assets	3,636,973	3,158,152
Total liabilities	<u>308,606</u>	<u>247,686</u>
Fiduciary net position	<u>\$ 3,328,367</u>	<u>\$ 2,910,466</u>

TABLE 2
CHANGES IN FIDUCIARY NET POSITION
(In Thousands)

	<u>2017</u>	<u>2016</u>
Additions:		
Contributions	\$ 202,451	\$ 202,937
Net investment income (loss)	397,950	(12,278)
Other	<u>9,010</u>	<u>6,794</u>
Total additions, net of investment losses	<u>609,411</u>	<u>197,453</u>
Deductions:		
Benefits	167,387	149,211
Refunds and transfers	22,342	18,373
Administrative expenses and depreciation	<u>1,781</u>	<u>1,777</u>
Total deductions	<u>191,510</u>	<u>169,361</u>
Changes in fiduciary net position	<u>\$ 417,901</u>	<u>\$ 28,092</u>

Fiduciary net position increased by \$417,901,102 or 14% during the year ended June 30, 2017 from \$2,910,465,956. These assets are restricted in use to provide monthly retirement allowances to members who contributed to the Fund as employees and their beneficiaries.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Additions to Fiduciary Net Position

Additions to Sheriffs' Pension and Relief Fund fiduciary net position were primarily derived from member and employer contributions and net investment income. Member contributions increased \$903,200 or 1.3% while employer contributions decreased \$2,238,068 or 2.4%.

The decrease in employer contributions of \$2,238,068 was primarily due to a decrease in the employer contribution rate from 13.75% to 13.25% in the current year offset by an increase in covered employee payroll in the current year. The increase in employee contributions of \$903,200 was primarily due to an increase in covered employee payroll in the current year. The Fund experienced a net investment income of \$397,949,672 as compared to net investment loss of \$12,277,606 in the prior year. The increase in net investment income was primarily due to an improvement market conditions in the current year.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Member Contributions	\$ 70,997,859	\$ 70,094,659	\$ 903,200
Employer Contributions	91,758,224	93,996,292	(2,238,068)
Insurance Premium Taxes	19,090,190	18,605,064	485,126
Ad Valorem Taxes	20,184,244	19,834,099	350,145
State Revenue Sharing	420,764	406,323	14,441
Net Investment Income (Loss)	397,949,672	(12,277,606)	410,227,278
Other Additions	<u>9,009,925</u>	<u>6,794,166</u>	<u>2,215,759</u>
Total Additions	<u>\$ 609,410,878</u>	<u>\$ 197,452,997</u>	<u>\$ 411,957,881</u>

Deductions from Fiduciary Net Position

Deductions from fiduciary net position include mainly retirement, death, survivor benefits, refunds and transfers of contributions to other retirement plans and administrative expenses. Deductions from plan net position totaled \$191,509,776 in fiscal year 2017. This is an increase of \$22,149,165 when compared to fiscal year 2016. Retirement benefit payments increased by \$18,175,976 and refunds of contributions increased by \$4,398,280 in fiscal 2017. Increase in retirement benefit payments was primarily due to an increase in the number of retirees in the current year while the refunds increase was attributable to an increase in the number of members refunding.

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Retirement Benefits	\$ 167,386,535	\$ 149,210,559	\$ 18,175,976
Refunds of Contributions	20,637,999	16,239,719	4,398,280
Administrative Expenses and Depreciation	1,780,884	1,776,943	3,941
Transfers to Other Systems	<u>1,704,358</u>	<u>2,133,390</u>	<u>(429,032)</u>
Total deductions	<u>\$ 191,509,776</u>	<u>\$ 169,360,611</u>	<u>\$ 22,149,165</u>

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2017

Investments

The Fund is responsible for the prudent management of funds held in trust for the exclusive benefits of the members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2017 amounted to \$3,475,254,852 as compared to \$2,999,787,402 at June 30, 2016, which is an increase of \$475,467,450 or 15.9%. The increase in investments was primarily due to the net investment gain incurred in the current year in addition to the investment of excess contributions received over benefit payments in the current year.

Sheriffs' Pension and Relief Fund's investments in various markets at the end of the 2017 and 2016 fiscal years are indicated in the following table:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Cash Equivalents	\$ 136,027,781	\$ 79,242,144	\$ 56,785,637
Collateral Held Under			
Securities Lending Program	34,343,294	32,460,530	1,882,764
Bonds	876,377,555	824,819,736	51,557,819
Equities	1,978,533,217	1,654,452,466	324,080,751
Alternative Investments	<u>449,973,005</u>	<u>408,812,526</u>	<u>41,160,479</u>
Total	<u>\$ 3,475,254,852</u>	<u>\$ 2,999,787,402</u>	<u>\$ 475,467,450</u>

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Osey McGee, Jr., Sheriffs' Pension and Relief Fund, 1225 Nicholson Drive, Baton Rouge, Louisiana 70802, (225) 219-0500.

SHERIFFS' PENSION AND RELIEF FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash (Note 6)	\$ <u>15,510,559</u>	\$ <u>11,932,993</u>
Receivables and prepaid expense:		
Member contributions	4,979,101	4,718,844
Employer contributions	6,443,350	6,332,163
Accrued interest and dividends	4,912,181	4,706,945
Receivable for investments sold	127,213,824	122,807,111
Other receivables and prepaids (Note 14)	<u>446,272</u>	<u>5,612,637</u>
Total receivables and prepaid expense	<u>143,994,728</u>	<u>144,177,700</u>
Investments (at fair value): (Notes 1, 5, 6, 7, 8)		
Cash equivalents	136,027,781	79,242,144
Collateral held under Securities Lending Program	34,343,294	32,460,530
Bonds	876,377,555	824,819,736
Equities	1,978,533,217	1,654,452,466
Alternative investments	<u>449,973,005</u>	<u>408,812,526</u>
Total investments	<u>3,475,254,852</u>	<u>2,999,787,402</u>
Land, property, plant, and equipment: (Notes 1 and 13)		
Building	2,745,809	2,727,329
Land and improvements	92,692	92,692
Furnishings, equipment, and vehicles	<u>1,060,811</u>	<u>1,042,737</u>
	3,899,312	3,862,758
Less: Accumulated depreciation	<u>1,686,488</u>	<u>1,608,964</u>
Total land, property, plant, and equipment	<u>2,212,824</u>	<u>2,253,794</u>
Total assets	<u>3,636,972,963</u>	<u>3,158,151,889</u>
LIABILITIES:		
Obligations under Securities Lending Program (Notes 6 and 7)	34,334,252	32,451,728
Payable for investments purchased	251,266,188	209,681,190
Refunds payable	1,004,142	1,020,090
Other payables	18,379,258	1,636,306
Accounts payable	3,442,882	2,768,066
Pension payable	70,616	21,983
Accrued leave payable	<u>108,567</u>	<u>106,570</u>
Total liabilities	<u>308,605,905</u>	<u>247,685,933</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 3,328,367,058</u>	<u>\$ 2,910,465,956</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ADDITIONS:		
Contributions: (Note 3)		
Members	\$ 70,997,859	\$ 70,094,659
Employers	91,758,224	93,996,292
Insurance premium tax	19,090,190	18,605,064
Ad valorem taxes	20,184,244	19,834,099
State revenue sharing	420,764	406,323
Total contributions	<u>202,451,281</u>	<u>202,936,437</u>
Investment income: (Note 1)		
Interest income	18,098,502	18,393,001
Dividend income	18,294,945	17,603,965
Net change in fair value of investments	373,253,328	(37,459,188)
Commission recapture	3,174	9,430
	<u>409,649,949</u>	<u>(1,452,792)</u>
Less investment expense:		
Investment advisory fees	11,101,939	10,053,828
Custodian fee and bank charges	598,338	770,986
	<u>11,700,277</u>	<u>10,824,814</u>
Net investment income	<u>397,949,672</u>	<u>(12,277,606)</u>
Other additions:		
Transfers from other retirement systems	9,009,586	6,793,850
Miscellaneous income	339	316
Total other additions	<u>9,009,925</u>	<u>6,794,166</u>
Total additions	<u>609,410,878</u>	<u>197,452,997</u>
DEDUCTIONS:		
Benefits	167,386,535	149,210,559
Refund of contributions	20,637,999	16,239,719
Transfers to other retirement systems	1,704,358	2,133,390
Administrative expenses (Page 46)	1,670,725	1,658,172
Depreciation (Notes 1 and 13)	110,159	118,771
Total deductions	<u>191,509,776</u>	<u>169,360,611</u>
NET CHANGE IN FIDUCIARY NET POSITION	417,901,102	28,092,386
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of Year	<u>2,910,465,956</u>	<u>2,882,373,570</u>
End of Year	<u>\$ 3,328,367,058</u>	<u>\$ 2,910,465,956</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

The Sheriffs' Pension and Relief Fund (Fund) is a public corporation created in accordance with the provisions of Louisiana Revised Statute 11:2171 to provide retirement, disability and survivor benefits to employees of sheriffs' offices throughout the State of Louisiana, employees of the Louisiana Sheriffs' Association (LSA) and the Sheriffs' Pension and Relief Fund's office.

The Fund is governed by a Board of Trustees composed of 14 elected members and two legislators who serve as ex-officio members, all of whom are voting members consisting of a president, vice president, three active, participating sheriffs, and three full-time participating deputy sheriffs, three retired sheriffs and three retired deputy sheriffs participating in the Fund, and the chairman of the Senate Finance and House Retirement Committee serve as ex-officio members. The President may be either an active or retired sheriff, elected by the members of the LSA for a term of three years from the date of taking office. Reelection is permissible. At the annual sheriffs' conference, the general membership of the LSA elects one active sheriff and one retired sheriff to serve three-year staggered terms on the Board. Active and retired deputy sheriff members are elected from their respective ranks to three-year staggered terms. The members of the LSA elect the vice president every three years. All candidates for service on the Board of Trustees must complete legislatively required hours of training prior to becoming a candidate. Office personnel and retained professionals serve as authorized by the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In addition, these financial statements include the management's discussion and analysis as supplementary information, as required by of GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards.

Basis of Accounting:

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

Interest and dividend income is recognized when earned. Ad valorem taxes and state revenue sharing monies are recognized in the year appropriated by the legislature. Insurance premium tax income is recorded in the fiscal year for which it is allocated.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

The Fund implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. As required by GASB Statement No. 72, investments are reported at fair value. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques used to measure fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value based on three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Lastly, Level 3 inputs are unobservable inputs, such as management's assumptions or investment manager assumptions that are unobservable. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques used. These disclosures are organized by type of asset or liability. GASB Statement No. 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in partnerships is calculated as the Fund's percentage of ownership of the partner's capital reported by the partnership.

Property, Plant and Equipment:

Property, plant and equipment are accounted for and capitalized in the Fund. Depreciation of these assets is recorded as an expense in the Fund. The assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Vehicles	5 years
Office furniture and equipment	3-10 years

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION:

The Sheriffs' Pension and Relief Fund, State of Louisiana, is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The Sheriffs' Pension and Relief Fund received a favorable determination from the IRS regarding its status as a qualified plan in August 1995. The determination applied to plan years beginning after December 31, 1988.

The Sheriffs' Pension and Relief Fund, State of Louisiana, provides retirement benefits for employees of Sheriffs' offices throughout the State of Louisiana. There are sixty-four contributing sheriff offices, with employees of the Louisiana Sheriffs' Association office and the Fund's staff also contributing. At June 30, 2017 and 2016 statewide retirement membership consisted of:

	<u>2017</u>	<u>2016</u>
Inactive members or beneficiaries		
currently receiving benefits	5,341	5,014
Inactive members entitled to but		
not yet receiving benefits	6,334	6,079
Active members	<u>14,609</u>	<u>14,684</u>
Total Participants as of the Valuation Date	<u>26,284</u>	<u>25,777</u>

Laws that govern the Fund are located in the Louisiana Revised Statutes beginning with 11:2171 et seq. which specifically pertains to the Sheriffs' Pension Fund, and 11:11 et seq. which governs all public retirement systems in Louisiana.

Eligibility Requirements:

Membership in the Fund is required for all eligible sheriffs and deputies. Court criers of specified courts and non-deputized employees may become members. They are eligible immediately upon employment as long as they meet statutory criteria as to age and physical condition. All salaried employees of the Sheriffs' Pension and Relief Fund and the Louisiana Sheriffs' Association who meet certain requirements are also eligible to become members of the Fund. Members are vested after twelve years of service time.

Retirement Benefits:

For members who become eligible for membership on or before December 31, 2011: Members with twelve years of creditable service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three and one-third percent of the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Active, contributing members with at least ten years of creditable service may retire

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

at age sixty. The accrued normal retirement benefit is reduced actuarially for each month or fraction thereof that retirement begins prior to the member's earliest normal retirement date assuming continuous service.

For members whose first employment making them eligible for membership in the system began on or after January 1, 2012: Members with twelve years of creditable service may retire at age sixty two; members with twenty years of service may retire at age sixty; members with thirty years of creditable service may retire at age fifty-five. The benefit accrual rate for such members with less than thirty years of service is three percent; for members with thirty or more years of service, the accrual rate is three and one-third percent. The retirement allowance is equal to the benefit accrual rate times the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Members with twenty or more years of service may retire with a reduced retirement at age fifty.

For a member whose first employment making him eligible for membership in the system began on or before June 30, 2006, final average compensation is based on the average monthly earnings during the highest thirty-six consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the thirty-six month period shall not exceed 125% of the preceding twelve-month period.

For a member whose first employment making him eligible for membership in the system began after June 30, 2006 and before July 1, 2013, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the sixty-month period shall not exceed 125% of the preceding twelve-month period.

For a member whose first employment making him eligible for membership in the system began on or after July 1, 2013, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the sixty-month period shall not exceed 115% of the preceding twelve-month period.

Cost-of-Living Increases:

The Board of Trustees is authorized to grant retired members and survivors of members who have retired an annual cost of living increase of 2.5% of their current benefit. When such a cost-of-living increase is granted in any fiscal year, no such cost-of-living increase may be granted in the immediately following fiscal year. Members are eligible to receive this cost-of-living adjustment

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION: (Continued)

Cost-of-Living Increases: (Continued)

when they have attained the sixty years of age and they have been retired for at least one year. In order for the Board to grant a cost-of-living adjustment, the Fund must meet certain criteria in the statutes related to funding status and excess investment earnings. The funding criteria for granting cost-of-living adjustments are as follows:

- Funding Criteria 1 - if the funded ratio is equal to or in excess of 90%, the Fund is eligible to grant a cost-of-living adjustment every other year.
- Funding Criteria 2 - if the funded ratio is equal to or in excess of 80%, the Fund is eligible to grant a cost-of-living adjustment every three years.
- Funding Criteria 3 - if the funded ratio is equal to or in excess of 70%, the Fund is eligible to grant a cost-of-living adjustment every four years.

If the funded ratio is less than 70%, the Fund is not eligible to grant a cost-of-living adjustment in any year.

Deferred Benefits:

The Fund does provide for deferred benefits for vested members who terminate before being eligible for retirement. Benefits become payable once the member reaches the appropriate age for retirement.

Disability Benefits:

A member is eligible to receive disability benefits if he has at least ten years of creditable service when a non-service related disability is incurred; there are no service requirements for a service related disability. Disability benefits shall be the lesser of 1) a sum equal to the greatest of 45% of final average compensation or the members' accrued retirement benefit at the time of termination of employment due to disability, or 2) the retirement benefit which would be payable assuming continued service to the earliest normal retirement age. Members who become partially disabled receive 75% of the amount payable for total disability.

Survivor Benefits:

Survivor benefits for death solely as a result of injuries received in the line of duty are based on the following. For a spouse alone, a sum equal to 50% of the member's final average compensation with a minimum of \$150 per month. If a spouse is entitled to benefits and has a child or children under eighteen years of age (or over said age if physically or mentally incapacitated and dependent upon the member at the time of his death), an additional sum of 15% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

to exceed 100%. If a member dies with no surviving spouse, surviving children under age eighteen will receive monthly benefits of 15% of the member's final average compensation up to a maximum of 60% of final average compensation if there are more than four children. If a member is eligible for normal retirement at the time of death, the surviving spouse receives an automatic option 2 benefit. The additional benefit payable to children shall be the same as those available for members who die in the line of duty. In lieu of receiving option 2 benefit, the surviving spouse may receive a refund of the member's accumulated contributions. All benefits payable to surviving children shall be extended through age twenty-three, if the child is a full-time student in good standing enrolled at a board approved or accredited school, college, or university.

Contribution Refunds:

Upon withdrawal from service, members who have remained out of service for a period of thirty days, are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued benefits in the system.

Back Deferred Retirement Option Plan (Back-DROP):

In lieu of receiving a service retirement allowance, any member of the Fund who has more than sufficient service for a regular service retirement may elect to receive a "Back-DROP" benefit. The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. For those individuals with thirty or more years, the Back-DROP period is the lesser of four years or service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement the member's maximum monthly retirement benefit is based upon his service, final average compensation and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In addition, the member's Back-DROP account will be credited with employee contributions received by the retirement fund during the Back-DROP period. The member's DROP and Back-DROP balances left on deposit are managed by a third party, fixed income investment manager, see Note 7. Participants have the option to opt out of this program and take a distribution, if eligible, or to rollover the assets to another qualified plan.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members were established by the Board of Trustees for the year ended June 30, 2017 and 2016. The employee contribution rate cannot be less than 9.8% or more than 10.25% of earnable compensation. The employee contribution rate for the years ended June 30, 2017 and 2016 was 10.25% of payroll. Contributions are deducted from the member's salary and remitted monthly by the participating parish.

Gross employer contributions are determined by actuarial valuation and are subject to change each year in accordance with R.S. 11:103. For the year ended June 30, 2017 and 2016, the employers contributed 13.25% and 13.75%, respectively, of members' salaries with an additional 0% and 0%, respectively, allocated from the Funding Deposit Account. Also, the Fund annually receives revenue sharing funds, 0.5% of the aggregate amount of the ad valorem tax shown to be collected by the tax roll of each respective parish, and additional funds as indicated by valuation and apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premium taxes described in RS 22:1419.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor eligible for a benefit, the member's accumulated contributions are transferred from the Annuity Savings to the Annuity Reserve. When a member retires, his accumulated contributions are transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings balance as of June 30, 2017 and 2016 was \$594,345,079 and \$576,668,835, respectively.

B) Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not included in other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve at June 30, 2017 and 2016 was \$1,139,343,119 and \$900,827,008, respectively.

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) Funding Deposit Account:

The Funding Deposit Account consists of excess contributions collected by the Fund. The excess funds earn interest at the board approved actuarial valuation rate and are credited to the Fund at least once a year. These funds are available due to the Fund setting the employer rate at a higher rate than minimum recommended rate. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability, (2) reduce the present value of future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account as of June 30, 2017 and 2016 was \$56,567,343 and \$30,142,795, respectively.

D) Annuity Reserve:

The Annuity Reserve is the reserve for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2017 and 2016 was \$1,525,862,355 and \$1,389,938,934, respectively.

E) Deferred Retirement Option Plan:

The Deferred Retirement Option Plan consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. Members participate in the program for up to three or four years, and upon termination receive benefits in a lump sum payment or annuity. The deferred retirement option plan as of June 30, 2017 and 2016 was \$12,249,162 and \$12,888,384, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the liability of the Fund's employers to plan members for benefits provided through the pension plan was as follows as of June 30, 2017 and 2016:

	<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>
2017	\$ 3,761,394,421	\$ 3,328,367,058	\$ 433,027,363	88.49%
2016	3,545,155,452	2,910,465,956	634,689,496	82.10

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

4. NET PENSION LIABILITY OF EMPLOYERS: (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 new estimates are made about the future. The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an experience study for the period from July 1, 2009 and June 30, 2014. The required Schedules of Employers' Net Pension Liability located in the required supplementary information presents multi-year trend information regarding whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability.

Additional information on the actuarial methods and assumptions used in the latest actuarial valuation was as follows:

Valuation Date	June 30, 2017 and 2016
Actuarial Cost Method	Entry Age Normal Method
Actuarial Asset Values:	
Bonds and Equities	The actuarial value of assets is based on the market value of assets adjusted to phase in asset earnings above or below the assumed rate of return over a five-year period with limits set at 85% and 115% of the market value of assets. When the adjusted value falls outside of the limits, the actuarial value is set equal to the average of the limited and adjusted value.
Actuarial Assumptions:	
Investment Rate of Return	2017 – 7.5%, net of investment expense 2016 – 7.6%, net of investment expense
Discount Rate	2017 – 7.4% 2016 – 7.5%
Projected Salary Increases	2017 – 5.5% (2.775% Inflation, 2.725% Merit) 2016 – 5.5% (2.875% Inflation, 2.625% Merit)
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table 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.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Changes in Valuation

Methods and Assumptions The discount rate was lowered from 7.5% to 7.4% for the year ended June 30, 2017. The investment rate of return was lowered from 7.6% to 7.5%, net of investment expenses.

The 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.

Estimates of arithmetic real rates of return for each major asset class based on the Fund's target asset allocation as of June 30, 2017 were as follows:

	Expected Rate of Return		
<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Equity Securities	60%	7.4%	4.4%
Bonds	25	2.6	0.7
Alternative Investments	15	4.2	0.6
Totals	<u>100%</u>		<u>5.7%</u>
Inflation			<u>2.6</u>
Expected Arithmetic Nominal Return			<u>8.3%</u>

Estimates of arithmetic real rates of return for each major asset class based on the Fund's target asset allocation as of June 30, 2016 were as follows:

	Expected Rate of Return		
<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Equity Securities	60%	6.4%	3.9%
Bonds	25	1.9	0.5
Alternative Investments	15	4.3	0.6
Totals	<u>100%</u>		<u>5.0%</u>
Inflation			<u>2.7</u>
Expected Arithmetic Nominal Return			<u>7.7%</u>

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The discount rate used to measure the total pension liability was 7.4%. 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 actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund's fiduciary net position was projected 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 was applied to all periods of 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 7.4%, 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 June 30, 2017 and 2016:

		June 30, 2017		
		<u>Changes in Discount Rate</u>		
		1%	Current	1%
		Decrease	Discount	Increase
		<u>6.4%</u>	<u>7.4%</u>	<u>8.4%</u>
Net Pension Liability		\$ <u>892,150,557</u>	\$ <u>433,027,363</u>	\$ <u>46,737,746</u>
		June 30, 2016		
		<u>Changes in Discount Rate</u>		
		1%	Current	1%
		Decrease	Discount	Increase
		<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Net Pension Liability		\$ <u>1,076,815,425</u>	\$ <u>634,689,496</u>	\$ <u>269,766,988</u>

5. INVESTMENT FAIR VALUE:

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of June 30, 2017 and 2016, respectively:

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. INVESTMENT FAIR VALUE: (Continued)

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Investments:				
U.S. Government Obligations	\$ 277,064,408	\$ 261,310,183	\$ 15,754,225	\$ -
U.S. Agency Obligations	189,531,593	-	189,531,593	-
Asset-Backed Securities	51,842,750	-	43,123,371	8,719,379
Commingled Bond Funds	48,523,713	-	46,813,412	1,710,301
Corporate Bonds	272,125,275	-	271,875,978	249,297
Emerging Market Debt	29,705,489	27,058,183	-	2,647,306
International Bonds	7,102,134	357,135	6,744,999	-
Mortgage-Backed Securities	11,574,732	-	11,574,732	-
Short-Term Investments	113,267,490	98,910,587	3,357,299	10,999,604
Total Debt Securities	<u>\$ 1,000,737,584</u>	<u>\$ 387,636,088</u>	<u>\$ 588,775,609</u>	<u>\$ 24,325,887</u>
Equity securities:				
Collective Trust Funds	\$ 429,558,258	\$ 429,558,258	\$ -	\$ -
Commingled Funds	761,544,404	-	761,544,404	-
Consumer Discretionary	49,161,574	49,161,574	-	-
Consumer Staples	19,756,398	19,756,398	-	-
Energy	32,192,398	32,192,398	-	-
Financials	122,137,287	122,137,287	-	-
Health Care	98,148,399	98,148,399	-	-
Index Funds	51,098,369	-	51,098,369	-
Industrials	100,912,153	100,912,153	-	-
Information Technology	198,452,278	198,452,278	-	-
Materials	5,327,205	5,327,205	-	-
Real Estate	8,052,823	8,052,823	-	-
Telecommunication	13,623,891	13,623,891	-	-
Utilities	8,901,989	8,901,989	-	-
Other	79,665,791	31,755,868	47,909,923	-
Total Equity Securities	<u>\$ 1,978,533,217</u>	<u>\$ 1,117,980,521</u>	<u>\$ 860,552,696</u>	<u>\$ -</u>
Alternative investments				
Commingled Funds	\$ 275,924,193	\$ -	\$ 26,589,935	\$ 249,334,258
Total Alternative Investments	<u>\$ 275,924,193</u>	<u>\$ -</u>	<u>\$ 26,589,935</u>	<u>\$ 249,334,258</u>
Securities Lending Cash Collateral	<u>\$ 34,343,294</u>	<u>\$ -</u>	<u>\$ 34,343,294</u>	<u>\$ -</u>
Total Investments at Fair Value Level	<u>\$ 3,289,538,288</u>	<u>\$ 1,505,616,609</u>	<u>\$ 1,510,261,534</u>	<u>\$ 273,660,145</u>
Investments measured at Net Asset Value (NAV):				
Cash Equivalents	\$ 11,667,752			
Commingled Funds	117,656,399			
Hedge Funds	56,392,413			
Total Investments at NAV	<u>\$ 185,716,564</u>			
Total Investments at Fair Value	<u>\$ 3,475,254,852</u>			

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. INVESTMENT FAIR VALUE: (Continued)

	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Investments:				
U.S. Government Obligations	\$ 253,664,421	\$ 237,661,643	\$ 16,002,778	\$ -
U.S. Agency Obligations	195,164,895	-	195,164,895	-
Asset-Backed Securities	33,805,387	-	20,867,103	12,938,284
Commingled Bond Funds	42,517,530	-	41,001,843	1,515,687
Corporate Bonds	214,782,407	-	211,304,245	3,478,162
Emerging Market Debt	28,810,341	24,343,644	-	4,466,697
International Bonds	36,487,980	378,427	36,109,553	-
Mortgage-Backed Securities	31,036,030	-	31,036,030	-
Short-Term Investments	56,156,563	43,392,691	2,448,918	10,314,954
Total Debt Securities	<u>\$ 892,425,554</u>	<u>\$ 305,776,405</u>	<u>\$ 553,935,365</u>	<u>\$ 32,713,784</u>
Equity securities:				
Collective Trust Funds	\$ 299,984,298	\$ 299,984,298	\$ -	\$ -
Commingled Funds	597,126,833	-	597,126,833	-
Consumer Discretionary	79,306,225	79,306,225	-	-
Consumer Staples	41,561,152	41,561,152	-	-
Energy	42,138,935	42,138,935	-	-
Financials	86,436,531	86,436,531	-	-
Health Care	104,797,846	104,797,846	-	-
Index Funds	99,941,454	-	99,941,454	-
Industrials	55,552,690	55,552,690	-	-
Information Technology	160,357,092	160,357,092	-	-
Materials	10,500,705	10,500,705	-	-
Real Estate	7,105,030	7,105,030	-	-
Telecommunication Services	14,497,501	14,497,501	-	-
Utilities	11,935,511	11,935,511	-	-
Other	43,210,663	4,633,601	38,577,062	-
Total Equity Securities	<u>\$ 1,654,452,466</u>	<u>\$ 918,807,117</u>	<u>\$ 735,645,349</u>	<u>\$ -</u>
Alternative investments:				
Commingled Funds	\$ 264,415,654	\$ -	\$ 28,568,549	235,847,105
Total Alternative Investments	<u>\$ 264,415,654</u>	<u>\$ -</u>	<u>\$ 28,568,549</u>	<u>\$ 235,847,105</u>
Securities Lending Cash Collateral	\$ 32,460,530	\$ -	\$ 32,460,530	\$ -
Total Investments at Fair Value Level	<u>\$ 2,843,754,204</u>	<u>\$ 1,224,583,522</u>	<u>\$ 1,350,609,793</u>	<u>\$ 268,560,889</u>
Investments measured at Net Asset Value (NAV):				
Cash Equivalents	\$ 11,636,326			
Commingled Funds	92,252,046			
Hedge Funds	52,144,826			
Total Investments at NAV	<u>\$ 156,033,198</u>			
Total Investments at Fair Value	<u>\$ 2,999,787,402</u>			

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. INVESTMENT FAIR VALUE: (Continued)

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.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates. Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share or its equivalent as of June 30, 2017 is presented on the following table:

	Net Asset Value 2017	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Cash Equivalents	\$ 11,667,752	\$ -	Daily	5 - 30 days
Commingled Funds	117,656,399	-	Monthly	5 - 30 days
Hedge Funds	56,392,413	-	Monthly	5 - 30 days
Total Investments at NAV	<u>\$ 185,716,564</u>			

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share or its equivalent as of June 30, 2016 is presented on the following table:

	Net Asset Value 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Cash Equivalents	\$ 11,636,326	\$ -	Daily	5 - 30 days
Commingled Funds	92,252,046	-	Monthly	5 - 30 days
Hedge Funds	52,144,826	-	Monthly	5 - 30 days
Total Investments at NAV	<u>\$ 156,033,198</u>			

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

5. INVESTMENT FAIR VALUE: (Continued)

Cash Equivalents:

This investment type includes an investment held in a 2a7-like external investment pool. This investment aims to provide a conservative vehicle for investing in short-term, high quality investments. The fair value of the investment in this pool has been determined using the NAV per share or equivalent of the investments. Units are valued weekly and redemption of units varies from five to thirty days advance notice. Any amount redeemed will be paid within five to thirty business days following the date following the date the redemption notice was submitted.

Commingled Funds:

This investment type includes investments in commingled investment funds that pursue a variety of investment strategies. The fair value of the investments in these funds has been determined using the NAV per share or equivalent of the investments. Units are valued monthly and redemption of units varies from five to thirty days advance notice.

Hedge Funds:

Hedge fund is an asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange. Hedge funds employ a combination of strategies to earn superior risk-adjusted returns. The fair values of the investments in this asset class have been determined using the NAV per share or equivalent of the hedge funds capital. These investments can't be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Units are valued monthly.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Fund's deposits, cash equivalents and investments at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deposits (bank balance)	\$ 18,826,255	\$ 12,705,122
Cash equivalents	133,136,814	79,242,144
Investments	<u>3,339,227,071</u>	<u>2,920,545,258</u>
	<u>\$ 3,491,190,140</u>	<u>\$ 3,012,492,524</u>

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Deposits:

At June 30, 2017, \$17,585,748 of the Fund's bank deposits were insured or collateralized with securities held by the Federal Reserve Bank in the Fund's name and \$1,240,507 of the Fund's bank deposits were uninsured and uncollateralized. On July 1, 2017, the Fund transferred out \$2,890,967 of bank deposits resulting in bank deposits being fully insured or collateralized with securities held by the Fund's bank. At June 30, 2016, The Fund's bank deposits were fully insured or collateralized with securities held by the Fund's bank in the name of the Fund.

Cash Equivalents:

At June 30, 2017 and 2016 cash equivalents in the amount of \$121,469,062 and \$67,605,818, respectively, consisted of government-backed pooled funds. These funds are held by a sub-custodian, are managed by separate money managers and are in the name of the Fund's custodian's trust department. At June 30, 2017 and 2016, cash equivalents also included amounts invested in the Louisiana Asset Management Pool totaling \$11,667,752 and \$11,636,326, respectively. (See Note 8)

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. Pursuant to Louisiana Revised Statute 11:263, the Prudent-Man rule requires each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the Fund shall not invest more than sixty-five percent of the total portfolio in equity investments.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to a lack of diversification. The Fund's investment policy establishes concentration limits for certain types of investments as a means of managing risk. Following is a summary of certain limits included in the Fund's policy:

- a) Short-term investments may not exceed 5% of each manager's assigned portfolio allocation without Board approval.
- b) Maximum single stock ownership shall not exceed 7% and 5%, respectively, of each manager's portfolio for domestic and international equities.
- c) Maximum single bond ownership shall not exceed 5% of each manager's portfolio, excluding securities issued or guaranteed by the U. S. Government, its Agencies, or Government Sponsored Enterprises or securities or loans collateralized by such investments.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Concentration of Credit Risk: (Continued)

- d) Mortgages, as a percentage of each advisor's fixed income portfolio at market value, shall not be more than 10% greater than the mortgage sector's current percent of the Barclay's Aggregate index. Collateralized mortgage obligations shall not exceed 15% of each advisor's fixed income portfolio at market value.

At June 30, 2017 and 2016, there were no investments in any one organization, other than those issued or guaranteed by the U.S. Government or mutual funds, which represented 5% of plan net position or plan investments.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the Fund's investments in long-term debt securities as of June 30, 2017 and 2016:

	<u>2017</u>				
<u>Credit Rating</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed/ Collateralized Mortgage Obligations</u>	<u>U.S. Government</u>	<u>Other</u>	<u>Total</u>
AAA	\$ 21,507,804	\$ 14,308,434	\$ 292,052,648	\$ 18,646,213	\$ 346,515,099
AA	10,255,810	-	8,322,693	-	18,578,503
A	29,254,693	46,656	1,694,617	1,019,813	32,015,779
BAA	111,561,829	1,859,607	2,628,160	-	116,049,596
BA	16,344,770	136,088	-	-	16,480,858
B	1,359,518	240,583	-	-	1,600,101
CAA	-	505,167	-	-	505,167
CA	-	74,804	-	-	74,804
Not Rated	<u>16,970,286</u>	<u>8,096,426</u>	<u>97,280,648</u>	<u>222,210,288</u>	<u>344,557,648</u>
	<u>\$ 207,254,710</u>	<u>\$ 25,267,765</u>	<u>\$ 401,978,766</u>	<u>\$ 241,876,314</u>	<u>\$ 876,377,555</u>

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Credit Risk: (Continued)

<u>2016</u>					
<u>Credit Rating</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed/ Collateralized Mortgage Obligations</u>	<u>U.S. Government</u>	<u>Other</u>	<u>Total</u>
AAA	\$ 12,195,255	\$ 20,271,776	\$ 255,288,189	\$ 30,533,695	\$ 318,288,915
AA	5,135,558	161,164	7,454,826	754,686	13,506,234
A	26,800,976	3,994,629	2,317,391	613,624	33,726,620
BAA	112,479,433	2,247,659	3,964,326	491,243	119,182,661
BA	19,471,568	283,029	-	720,970	20,475,567
B	3,178,494	340,744	-	-	3,519,238
CAA	1,932,750	542,266	-	-	2,475,016
CA	-	165,180	-	-	165,180
Not Rated	<u>12,631,676</u>	<u>4,422,930</u>	<u>76,689,458</u>	<u>219,736,241</u>	<u>313,480,305</u>
	<u>\$ 193,825,710</u>	<u>\$ 32,429,377</u>	<u>\$ 345,714,190</u>	<u>\$ 252,850,459</u>	<u>\$ 824,819,736</u>

All security types included in the benchmark (Barclays Aggregate Bond Index) are candidates for purchase and placement in the bond portfolio. Bond portfolios must have a minimum average quality rating of A. Securities must be rated Baa3/BBB- by at least two of the major rating agencies at the time of the purchase. Any security that falls below Baa3/BBB-rating by any of the major rating agencies must be sold within 90 days of the downgrade announcement. The investment manager must contact the consultant and/or investment committee for approval should they wish to hold the security beyond 90 days.

Derivatives are limited to the use of U.S. Treasury bond futures, primarily for the purpose of adjusting fixed income duration. The use of futures shall not cause asset class policy ranges to be exceeded, or cause the total fund to be leveraged. The net notional principal amounts outstanding of all derivative investments, expressed in terms of the value of the underlying position, shall not exceed 15% of the market value of the Fund. All derivatives positions must be incorporated into the overall portfolio market values and risk measures.

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 is not exposed to custodial credit risk at June 30, 2017 and 2016 for investments and cash equivalents in the amount of \$3,438,020,591 and \$2,967,326,872, respectively, since the investments and cash equivalents are

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Custodial Credit Risk: (Continued)

held in the name of the Fund. At June 30, 2017 and 2016, collateral held under securities lending in the amount of \$34,343,294 and \$32,460,530, respectively, and non-cash collateral received under the securities lending program in the amount of \$77,642,525 and \$37,901,617, respectively, was exposed to custodial credit risk since these investments are not held in the name of the Fund. These securities are held in the name of a counterparty or counterparty's trust department or agent.

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Fund's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2017 and 2016 as follows:

<u>Currency</u>	<u>2017</u>	<u>2016</u>
Australian dollar	\$ 2,941,319	\$ 4,092,573
Canadian dollar	158,691	14,595
Danish krone	670,675	744,282
European euro	27,823,894	23,299,455
Hong Kong dollar	817,967	1,119,744
Israeli shekel	115,773	770,853
Japanese yen	27,521,892	12,742,043
Mexican new peso	140,277	140,241
New Zealand dollar	407,595	223,061
Norwegian krone	5,471	245,162
Pound sterling	11,416,190	11,785,822
Singapore dollar	1,194,546	79,714
Swedish krona	4,598,552	2,486,487
Swiss franc	<u>3,058,989</u>	<u>5,502,274</u>
	<u>\$ 80,871,831</u>	<u>\$ 63,246,306</u>

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. At June 30, 2017 and 2016, the Fund had the following investments in long-term debt securities and maturities:

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

Interest Rate Risk: (Continued)

<u>Investment Type</u>	<u>2017</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater Than 10</u>
U.S. Government and Government agency obligations	\$ 401,978,766	\$ 6,394,703	\$ 99,447,515	\$ 69,520,319	\$ 226,616,229
Other Bonds:					
Corporate bonds	207,254,710	47,727,580	65,319,592	51,662,937	42,544,601
Mortgage-backed securities and collateralized mortgage obligations	25,267,765	8,877,963	4,203,666	2,759,959	9,426,177
Other	<u>241,876,314</u>	<u>176,482,834</u>	<u>2,254,723</u>	<u>15,890,110</u>	<u>47,248,647</u>
	<u>\$ 876,377,555</u>	<u>\$ 239,483,080</u>	<u>\$ 171,225,496</u>	<u>\$ 139,833,325</u>	<u>\$ 325,835,654</u>
Collateral held under Securities Lending Program	<u>\$ 34,343,294</u>	<u>\$ 34,343,294</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

<u>Investment Type</u>	<u>2016</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater Than 10</u>
U.S. Government and Government agency obligations	\$ 345,714,191	\$ 21,375,615	\$ 66,475,642	\$ 49,572,712	\$ 208,290,222
Other Bonds:					
Corporate bonds	193,825,710	23,526,379	60,439,061	60,791,038	49,069,232
Mortgage-backed securities and collateralized mortgage obligations	32,429,376	7,611,912	1,505,331	2,550,933	20,761,200
Other	<u>252,850,459</u>	<u>183,210,684</u>	<u>2,816,335</u>	<u>13,851,325</u>	<u>52,972,115</u>
	<u>\$ 824,819,736</u>	<u>\$ 235,724,590</u>	<u>\$ 131,236,369</u>	<u>\$ 126,766,008</u>	<u>\$ 331,092,769</u>
Collateral held under Securities Lending Program	<u>\$ 32,460,530</u>	<u>\$ 32,460,530</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

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

Money-Weighted Rate of Return:

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the year ended June 30, 2017 and 2016 was 13.75% and (0.45)%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

7. SECURITIES LENDING PROGRAM:

State statutes and board of trustee policies authorize the Fund to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the Fund is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund enters into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the Fund's lendable portfolio or available assets. The agent lends available assets such as U.S. Treasury, government-guaranteed and corporate fixed income securities, and equities. The lending agent has discretion over the selection of borrowers and continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them; however, the Fund may restrict borrowers. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit. Collateralization of loans is required to be 102% of the market value of the loaned securities plus accrued income. As a result of the required collateralization percentage, the Fund has no credit risk.

The lending agent and the Fund enter into contracts with all approved borrowers. In the case of security loans in which the collateral received by the Fund is cash, the value of the amount invested is reported as an asset with a corresponding liability for the value of the collateral. When the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the Statement of Plan Net Assets and in Note 5. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the Fund) in approved investments outlined in the contract between the agent and the Fund. Acceptable collateral from approved borrowers for repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

The fair value of the securities on loan as of June 30, 2017 and 2016 was \$109,553,554 and \$68,767,372, respectively. The fair value of noncash collateral on loan as of June 30, 2017 and 2016 was \$76,108,912 and \$37,105,934, respectively.

The contracts with the lending agent require the lending agent to indemnify the Fund from any and all claims, actions, demands or lawsuits of any kind whatsoever resulting from the lending agent's gross negligence or willful misconduct in its administration of the program and to replace loaned securities not returned to the Fund for any reason.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements with maturities of one to two days.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net amount of income received from the transactions is recorded in the financial statements in investment income.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

8. LOUISIANA ASSET MANAGEMENT POOL:

Investments held at June 30, 2017 and 2016 include \$11,667,752 and \$11,636,326, respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

Credit risk: LAMP is rated AAAM by Standard and Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: The weighted average maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at net asset value based on quoted market rates. The net asset value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

9. EMPLOYEES' DEFERRED COMPENSATION PLAN:

The Sheriffs' Pension and Relief Fund offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Board of Trustees has authorized matching contributions to be made to the plan by the Fund on behalf of the employees. The contributions for the years ended June 30, 2017 and 2016 totaled \$41,530 and \$37,880, respectively.

All assets and income are held in a custodial trust account for the exclusive benefit of the participants and their beneficiaries.

10. ANNUAL AND SICK LEAVE:

Employees' leave is accrued at rates of 12 to 20 days per year depending upon length of service. Upon separation, employees are compensated for accumulated annual leave, up to a maximum of 60 days. Employees are not compensated for accumulated sick leave upon termination. The liability for annual leave accrued at June 30, 2017 and 2016 was \$108,567 and \$106,570, respectively.

11. OPERATING BUDGET:

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

12. USE OF ESTIMATES:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

13. PROPERTY AND EQUIPMENT:

A summary of changes in property and equipment follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Land	\$ 92,692	\$ -	\$ -	\$ 92,692
Building	2,727,329	18,480	-	2,745,809
Vehicles	31,085	28,280	(32,635)	26,730
Office furniture and equipment	<u>1,011,652</u>	<u>22,429</u>	<u>-</u>	<u>1,034,081</u>
	3,862,758	69,189	(32,635)	3,899,312
Accumulated depreciation	<u>(1,608,964)</u>	<u>(110,159)</u>	<u>32,635</u>	<u>(1,686,488)</u>
Total Property and Equipment	<u>\$ 2,253,794</u>	<u>\$ (40,970)</u>	<u>\$ -</u>	<u>\$ 2,212,824</u>

Depreciation expense for the year ended June 30, 2017 and 2016 totaled \$110,159 and \$118,771, respectively.

14. OTHER RECEIVABLES AND PREPAIDS:

The following is a schedule of other receivables and prepaid expenses at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Other receivables:		
Pension	\$ 6,744	\$ 7,119
Taxes	1,103	-
Other investment receivables	<u>425,445</u>	<u>5,599,462</u>
Total other receivables	433,292	5,606,581
Prepaid expenses	<u>12,980</u>	<u>6,056</u>
Total Receivables and Prepaids	<u>\$ 446,272</u>	<u>\$ 5,612,637</u>

Pension receivable represents amounts that were determined to have been paid for benefits that were not due to the recipient. Amounts due are generally established through legal judgments. Taxes receivable represent ad valorem and revenue sharing taxes due from parishes.

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS:

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the employee provides services. GASB 45 requires employers

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

to account for and report the annual cost of OPEB and the outstanding obligations and commitments related to them in the same manner as they currently do for pensions. All of the Fund's retired employees continue their life insurance and continue to receive health insurance benefits at various percentages of the Fund's cost.

Substantially all of the Fund's employees become eligible for postemployment health care, life insurance and dental benefits if they reach normal retirement age while working for the Fund. These benefits for retirees and similar benefits for active employees are provided through the Louisiana Sheriffs Association whose premiums are paid jointly by the employee and the Fund. At June 30, 2017 and 2016, 4 and 5 retirees, respectively, were receiving postemployment benefits.

Plan Description

The Plan is required to comply with House Bill 253, Act 314 of 1999 which provides that the premium costs of group hospital, surgical, medical expenses, and dental insurance and the first \$10,000 of life insurance contracted under the provisions of the bill shall be paid in full from the Sheriffs' general fund for all sheriffs and deputy sheriffs retired with a minimum of fifteen years of service and fifty-five years of age. The Fund's employees may participate in the Louisiana Sheriffs' Association employee benefit plan, an agent multi-employer plan, which provides welfare and dental benefits. The insurance advisory committee of the Louisiana Sheriffs' Association is the plan administrator. The participating sheriffs and participants make the necessary contributions to fund the Plan. Plan assets are held under the Louisiana Sheriffs' Association Group Benefits Trust. The Louisiana Sheriffs' Association did not have an actuarial valuation prepared for the Plan as of June 30, 2017 and 2016. Benefits are paid from the trust fund. The Plan's fiscal year ends on June 30th of each year.

Funding Policy

The Plan is currently financed on a pay as you go basis. The Fund contributed \$424 and \$402, respectively, per month for retiree-only coverage with Medicare or \$621 and \$590, respectively, per month for retiree-only coverage without Medicare during the years ended June 30, 2017 and 2016.

For the year ended June 30, 2017 and 2016, the Plan also provided dental coverage with the Fund contributing \$16 and \$16, respectively, per month for an employee only.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Annual OPEB Cost

The Fund's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The entry age actuarial cost method and the level percentage of payroll amortization method, open period, was used to calculate the ARC. The total ARC for the years ended June 30, 2017 and 2016 was \$61,295 and \$64,160, respectively, as set forth below:

	<u>2017</u>	<u>2016</u>
Normal Cost	\$ 25,507	\$ 26,016
30-year UAL amortization amount	<u>35,788</u>	<u>38,144</u>
Annual required contribution (ARC)	<u>\$ 61,295</u>	<u>\$ 64,160</u>

The following table presents the Fund's OPEB obligation for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning Net OPEB Obligation July 1	\$ <u>116,784</u>	\$ <u>125,872</u>
Annual required contribution	61,295	64,160
Interest on net OPEB obligation	7,591	8,182
Adjustment to ARC	<u>(4,491)</u>	<u>(4,840)</u>
OPEB cost	64,395	67,502
Age Adjusted Contributions made	<u>(72,485)</u>	<u>(76,590)</u>
Change in Net OPEB Obligation	<u>(8,090)</u>	<u>(9,088)</u>
Ending Net OPEB Obligation June 30	<u>\$ 108,694</u>	<u>\$ 116,784</u>

The following table shows the Fund's annual other postemployment benefits (OPEB) cost, percentage of the cost contributed utilizing the pay-as-you-go method, and the net unfunded other postemployment benefits (OPEB) liability:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 64,395	41.2%	\$ 108,694
June 30, 2016	67,502	40.5	116,784
June 30, 2015	62,729	40.4	125,872

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Funded Status and Funding Progress

Other than credited age adjusted contributions, the Fund made no contributions to its postemployment benefits plan. The Plan was not funded at all, has no assets, and hence has a funded ratio of zero. Since the Plan was not funded, the entire actuarial accrued liability of \$882,161 and \$940,232 at June 30, 2017 and 2016, respectively, was unfunded.

The funded status of the Plan as of June 30, 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Actuarial accrued liability (AAL)	\$ 882,161	\$ 940,232
Actuarial value of plan assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 882,161</u>	<u>\$ 940,232</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>	<u>0%</u>
Covered payroll (annual payroll of active employees covered by the plan)	<u>\$ 845,098</u>	<u>\$ 824,642</u>
UAAL as a percentage of covered payroll	<u>104.39%</u>	<u>114.02%</u>

Actuarial Methods and Assumptions

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

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

Since the Sheriffs' Pension and Relief Fund has fewer than 100 Plan members, it qualified to use the Alternative Measurement Method (AMM), which is the calculation of the actuarial accrued liability and annual contribution without a traditional actuarial valuation. The AMM calculation process is similar to an actuarial valuation, but with simplifications of several assumptions permitted under GASB guidelines.

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions (Continued)

The following key assumptions were used in the AMM valuation dated June 30, 2017 and 2016:

<u>Description</u>	<u>Assumption Used</u>
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Amortization Period	30 years
Employer Asset Return	6.5%
Discount Rate	6.5%
Projected Salary Increases	5.5% for 2017 and 2016
Average Retirement Age	68 for 2017 and 67 for 2016
Mortality Table	RP2000 Mortality Table for Males and Females projected 10 years
Turnover Assumptions	Standard Turnover Assumptions GASB 45 Paragraph 35b
Health Care Cost Trends:	
Health	8%
Pharmacy	9%
Dental	4%
Vision	3%

In accordance with GASB 45, information in the Required Supplementary Schedule on page 54 is designed to provide historical information related to the postemployment healthcare and life insurance benefits provided.

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION	DEFERRED RETIREMENT OPTION PLAN (DROP)	FUNDING DEPOSIT ACCOUNT	TOTAL
BALANCES - BEGINNING OF YEAR	\$ 1,389,938,934	\$ 576,668,835	\$ 900,827,008	\$ 12,888,384	\$ 30,142,795	\$ 2,910,465,956
REVENUES INVESTMENTS INCOME AND TRANSFERS:						
Contributions	-	70,997,859	107,289,584	-	24,163,838	202,451,281
Net income from investments	-	-	395,608,725	80,237	2,260,710	397,949,672
Miscellaneous income	-	-	339	-	-	339
Annuities derived from accumulated savings and DROP	41,248,275	-	-	-	-	41,248,275
Contributions for purchased or transferred services	-	2,112,439	6,897,147	-	-	9,009,586
Transfer of post-DROP contributions	-	-	-	3,081,518	-	3,081,518
Transfer of DROP recinds	-	-	-	-	-	-
DROP pensions accumulated from Annuity Reserve	-	-	-	23,666,021	-	23,666,021
Actuarial transfer	267,794,442	-	-	-	-	267,794,442
Total revenues investment income and transfers	<u>309,042,717</u>	<u>73,110,298</u>	<u>509,795,795</u>	<u>26,827,776</u>	<u>26,424,548</u>	<u>945,201,134</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid during the period	149,453,275	-	-	-	-	149,453,275
Transfer to Annuity Reserve	-	31,714,537	-	9,533,738	-	41,248,275
Transfer of post-DROP contributions	-	3,081,518	-	-	-	3,081,518
Transfer of DROP recinds	-	-	-	-	-	-
Refunds to members	-	20,637,999	-	-	-	20,637,999
Administrative expenses and depreciation	-	-	1,780,884	-	-	1,780,884
Funds transferred to other systems	-	-	1,704,358	-	-	1,704,358
Pensions paid into DROP	23,666,021	-	-	-	-	23,666,021
Pensions paid out of DROP	-	-	-	17,933,260	-	17,933,260
Actuarial transfer	-	-	267,794,442	-	-	267,794,442
Total expenses and transfers	<u>173,119,296</u>	<u>55,434,054</u>	<u>271,279,684</u>	<u>27,466,998</u>	<u>-</u>	<u>527,300,032</u>
Net change	<u>135,923,421</u>	<u>17,676,244</u>	<u>238,516,111</u>	<u>(639,222)</u>	<u>26,424,548</u>	<u>417,901,102</u>
BALANCES - END OF YEAR	<u>\$ 1,525,862,355</u>	<u>\$ 594,345,079</u>	<u>\$ 1,139,343,119</u>	<u>\$ 12,249,162</u>	<u>\$ 56,567,343</u>	<u>\$ 3,328,367,058</u>

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION	DEFERRED RETIREMENT OPTION PLAN (DROP)	FUNDING DEPOSIT ACCOUNT	TOTAL
BALANCES - BEGINNING OF YEAR	\$ 1,269,334,823	\$ 548,475,244	\$ 1,052,296,490	\$ 12,267,013	\$ -	\$ 2,882,373,570
REVENUES INVESTMENTS INCOME AND TRANSFERS:						
Contributions	-	70,094,659	102,698,983	-	30,142,795	202,936,437
Net income from investments	-	-	(12,303,619)	26,013	-	(12,277,606)
Miscellaneous income	-	-	316	-	-	316
Annuities derived from accumulated savings and DROP	31,062,377	-	-	-	-	31,062,377
Contributions for purchased or transferred services	-	1,585,494	5,208,356	-	-	6,793,850
Transfer of post-DROP contributions	-	-	-	2,221,420	-	2,221,420
Transfer of DROP recinds	-	4,985	-	-	-	4,985
DROP pensions accumulated from Annuity Reserve	-	-	-	18,418,029	-	18,418,029
Actuarial transfer	243,163,185	-	-	-	-	243,163,185
Total revenues investment income and transfers	<u>274,225,562</u>	<u>71,685,138</u>	<u>95,604,036</u>	<u>20,665,462</u>	<u>30,142,795</u>	<u>492,322,993</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid during the period	135,203,422	-	-	-	-	135,203,422
Transfer to Annuity Reserve	-	25,030,408	-	6,031,969	-	31,062,377
Transfer of post-DROP contributions	-	2,221,420	-	-	-	2,221,420
Transfer of DROP recinds	-	-	-	4,985	-	4,985
Refunds to members	-	16,239,719	-	-	-	16,239,719
Administrative expenses and depreciation	-	-	1,776,943	-	-	1,776,943
Funds transferred to other systems	-	-	2,133,390	-	-	2,133,390
Pensions paid into DROP	18,418,029	-	-	-	-	18,418,029
Pensions paid out of DROP	-	-	-	14,007,137	-	14,007,137
Actuarial transfer	-	-	243,163,185	-	-	243,163,185
Total expenses and transfers	<u>153,621,451</u>	<u>43,491,547</u>	<u>247,073,518</u>	<u>20,044,091</u>	<u>-</u>	<u>464,230,607</u>
Net change	<u>120,604,111</u>	<u>28,193,591</u>	<u>(151,469,482)</u>	<u>621,371</u>	<u>30,142,795</u>	<u>28,092,386</u>
BALANCES - END OF YEAR	<u>\$ 1,389,938,934</u>	<u>\$ 576,668,835</u>	<u>\$ 900,827,008</u>	<u>\$ 12,888,384</u>	<u>\$ 30,142,795</u>	<u>\$ 2,910,465,956</u>

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Building maintenance	\$ 11,883	\$ 6,398
Computer services	38,030	25,823
Equipment maintenance	32,965	47,075
Equipment rental	5,150	5,100
Group medical and bond insurance	153,748	154,878
Janitorial, garage, yard	20,410	19,134
Leases - office equipment	7,553	8,685
Medical fees - members	3,050	6,300
Members education	4,822	2,051
Office supplies and expense	84,382	83,976
Payroll taxes	16,766	16,454
Professional development	4,046	2,298
Professional retainers and legal fees	272,861	266,231
Salaries and related cost	916,288	898,457
Security	6,463	7,538
Telephone	15,221	13,573
Travel - Board and Committee meeting expenses	21,561	25,783
Travel - LSA conferences ¹	1,938	8,798
Board educational expense	17,984	22,537
Utilities	35,604	37,083
	\$ 1,670,725	\$ 1,658,172
Professional retainers and legal fees:		
Legal	\$ 110,612	\$ 98,576
GASB 67 and GASB 68 expenses	9,744	10,260
Professional services	47,205	52,095
Retainer - actuary	105,300	105,300
	\$ 272,861	\$ 266,231

¹ Due to a longstanding agreement with the Louisiana Sheriffs' Association, our plan sponsors, Board of Trustees and limited staff attend the annual LSA Conference, where elections and re-elections are held for active and retired Sheriffs' for the Pension Fund Board of Trustees, as provided by law. In addition, LSPRF also provides financial reporting and educational seminars for the membership. For Fiscal Year 2017, the expense was substantially reduced to \$1,938, due to in-state venue, the same is expected for 2018.

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 PER DIEM AND TRAVEL EXPENSES PAID TO BOARD OF TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	<u>Per Diem</u>	<u>Travel Reimbursement</u>	<u>Total</u>	<u>Per Diem</u>	<u>Travel Reimbursement</u>	<u>Total</u>
Wayne F. McElveen	\$ 525	\$ 883	\$ 1,408	\$ 675	\$ 1,460	\$ 2,135
Kenneth Goss	300	432	732	900	1,773	2,673
Calvin McFerrin	-	971	971	-	782	782
Donald L. Rittenberry	750	2,532	3,282	1,275	6,189	7,464
Harold Turner	225	195	420	1,200	2,303	3,503
Totals	\$ 1,800	\$ 5,013	\$ 6,813	\$ 4,050	\$ 12,507	\$ 16,557

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Agency head: Sheriff William Hilton, Chairman of the Board

<u>Purpose</u>	<u>2017</u>	<u>2016</u>
LSA conference expenses - lodging*	358	687
Board educational conference expenses - lodging**	<u>373</u>	<u>370</u>
Total	<u>\$ 731</u>	<u>\$ 1,057</u>

* Due to a longstanding agreement with the Louisiana Sheriffs' Association, our plan sponsors our Board of Trustees and limited staff attend the annual LSA conference where elections and re-elections are held for active and retired Sheriffs for the Pension Fund Board of Trustees, as provided by law. In addition, the Fund also provides financial reporting and education seminars for the membership. Due to extenuating circumstance, during the time the LSA Conference was scheduled for in 2016, it was cancelled before the conference began. However, in allowance by our travel policy, Sheriff Hilton and a few other board members arrived a day ahead of time, prior to the cancellation decision. The charge is for two nights of stay as a result of arriving prior to the cancellation.

** To meet the annual education requirement provided by law for the Board of Trustees.

SHERIFFS' PENSION AND RELIEF FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 116,587,142	\$ 113,145,678	\$ 110,234,168	\$ 107,079,257
Interest	267,976,249	255,538,471	243,675,277	232,540,719
Changes of Benefit Terms	-	-	20,857,099	-
Difference Between Expected and Actual Experience	(29,559,195)	(30,213,211)	(24,230,357)	(49,042,594)
Changes of Assumptions	41,953,740	39,348,710	786,746	35,200,402
Retirement Benefits	(167,386,535)	(149,210,559)	(139,219,191)	(127,604,168)
Refunds and Transfers of Member Contributions	(13,332,432)	(11,578,943)	(13,111,071)	(11,498,541)
Net Change in Total Pension Liability	<u>216,238,969</u>	<u>217,030,146</u>	<u>198,992,671</u>	<u>186,675,075</u>
Total Pension Liability - Beginning	<u>3,545,155,452</u>	<u>3,328,125,306</u>	<u>3,129,132,635</u>	<u>2,942,457,560</u>
Total Pension Liability - Ending (a)	<u>\$ 3,761,394,421</u>	<u>\$ 3,545,155,452</u>	<u>\$ 3,328,125,306</u>	<u>\$ 3,129,132,635</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 91,758,224	\$ 93,996,292	\$ 94,496,664	\$ 89,359,583
Contributions - Member	70,997,859	70,094,659	68,009,895	65,974,932
Contributions - Nonemployer Contributing Entities	39,695,198	38,845,486	37,442,873	35,621,011
Net Investment Income	397,949,672	(12,277,606)	103,374,920	410,664,372
Retirement Benefits	(167,386,535)	(149,210,559)	(139,219,191)	(127,604,168)
Refunds and Transfers of Member Contributions	(13,332,432)	(11,578,943)	(13,111,071)	(11,498,541)
Administrative Expenses	(1,670,725)	(1,658,172)	(1,640,879)	(1,491,074)
Depreciation Expense	(110,159)	(118,771)	(111,758)	(157,122)
Net Change in Plan Fiduciary Net Position	<u>417,901,102</u>	<u>28,092,386</u>	<u>149,241,453</u>	<u>460,868,993</u>
Plan Fiduciary Net Position - Beginning	<u>2,910,465,956</u>	<u>2,882,373,570</u>	<u>2,733,132,117</u>	<u>2,272,263,124</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,328,367,058</u>	<u>\$ 2,910,465,956</u>	<u>\$ 2,882,373,570</u>	<u>\$ 2,733,132,117</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 433,027,363</u>	<u>\$ 634,689,496</u>	<u>\$ 445,751,736</u>	<u>\$ 396,000,518</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	88.49%	82.10%	86.61%	87.34%
Covered Employee Payroll	\$ 692,514,898	\$ 683,609,396	\$ 663,134,484	\$ 643,337,531
Net Pension Liability as a % of Covered Employee Payroll	62.53%	92.84%	67.22%	61.55%

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

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a % of Covered Employee Payroll
2017	\$ 3,761,394,421	\$ 3,328,367,058	\$ 433,027,363	88.49 %	\$ 692,514,898	62.53 %
2016	3,545,155,452	2,910,465,956	634,689,496	82.10	683,609,396	92.84
2015	3,328,125,306	2,882,373,570	445,751,736	86.61	663,134,484	67.22
2014	3,129,132,635	2,733,132,117	396,000,518	87.34	643,337,531	61.55

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

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS
 EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	\$ 105,465,110	\$ 131,453,422	\$ (25,988,312)	\$ 692,514,898	18.98 %
2016	119,551,166	132,841,778	(13,290,612)	683,609,396	19.43
2015	132,152,310	131,939,537	212,773	663,134,484	19.90
2014	125,191,048	124,980,594	210,454	643,337,531	19.43

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

SHERIFFS' PENSION AND RELIEF FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
FOR THE FOUR YEARS ENDED JUNE 30, 2017

	Annual Money-Weighted <u>Rate of Return*</u>
2017	13.75 %
2016	(0.45)
2015	3.82
2014	18.04

*Annual money-weighted rates of return are presented net of investment expense. Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTH
 AND LIFE INSURANCE BENEFITS
FOR THE THREE YEARS ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2017	\$ -	\$ 882,161	\$ 882,161	- %	\$ 845,098	104.39 %
June 30, 2016	-	940,232	940,232	-	824,642	114.02
June 30, 2015	-	868,649	868,649	-	775,968	111.94

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FOUR YEARS ENDED JUNE 30, 2017

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the Fund's actuary, G.S. Curran and Company. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the Funds employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the Fund. Covered employee payroll is the payroll of all employees that are provided with benefits through the Plan.

3. SCHEDULE OF CONTRIBUTIONS – EMPLOYERS 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. Ad valorem and state revenue sharing funds received are considered support from non-employer contributing entities.

4. SCHEDULE OF INVESTMENT RETURNS:

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.

5. 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. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are noted in Note 4, Net Pension Liability of Employers.

6. CHANGES OF BENEFIT TERMS:

During the year ended June 30, 2015, the Fund granted a 2.5% Cost of Living Adjustment (COLA) to retired members and beneficiaries. The actuarial cost of the COLA was included as a change of benefit in the Schedule of Changes in Net Pension Liability for the year ended June 30, 2015.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FOUR YEARS ENDED JUNE 30, 2017

7. CHANGES OF ASSUMPTIONS:

During the year ended June 30, 2017, the discount rate was reduced from 7.5% to 7.4%. During the year ended June 30, 2016, the discount rate was reduced from 7.6% to 7.5%, the salary increase assumption was reduced from 6% to 5.5%, and the inflation assumption was reduced from 2.875% to 2.775%.



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

New Orleans

1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore

1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma

247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville

5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

December 29, 2017

Board of Trustees
Sheriffs' Pension and Relief Fund
State of Louisiana
Baton Rouge, 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 the Sheriffs' Pension and Relief Fund, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Sheriffs' Pension and Relief Fund's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriffs' Pension and Relief Fund's internal control over financial reporting 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 Sheriffs' Pension and Relief Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriffs' Pension and Relief Fund's internal control.

www.dhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

SHERIFFS' PENSION AND RELIEF FUND
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS:

1. The opinions issued on the financial statements of Sheriffs' Pension and Relief Fund, State of Louisiana for the years ended June 30, 2017 and 2016 were unmodified.

2. Internal Control:

Material weaknesses: None noted
Significant deficiencies: None noted

3. Compliance and Other Matters:

Noncompliance material to financial statements: None noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

None

SUMMARY OF PRIOR YEAR FINDINGS:

None

SHERIFFS' PENSION AND RELIEF FUND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
MARCH 31, 2017

SHERIFFS' PENSION AND RELIEF FUND

TABLE OF CONTENTS

MARCH 31, 2017

	<u>PAGE</u>
STATEWIDE AGREED UPON PROCEDURES	1 - 11



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA
(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

December 15, 2017

To the Board of Trustees of the
Sheriffs' Pension and Relief Fund and the
Louisiana Legislative Auditor

We have applied the procedures enumerated below which were agreed to by the Sheriffs' Pension and Relief Fund (the Fund) and the Louisiana Legislative Auditor, solely to assist you with respect on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures for the period April 1, 2016 to March 31, 2017. The Fund's management is responsible for the control and compliance areas identified in the Statewide Agreed Upon Procedures. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
 - 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.
 - c) Disbursements, including processing, reviewing, and approving.
 - d) Receipts, including receiving, recording, and preparing deposits.

www.dhhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

- e) Payroll/Personnel, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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.
- 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, and (5) monitoring card usage.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- 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. Note: Ethics requirements are not applicable to nonprofits.
- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Upon applying the agreed upon procedures above, we noted that the ethics policy did not include the actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, or a requirement that all employees should annually attest through signature verification that they have read the ethics policy.

Board

- 2) We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - c) Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No findings were noted as a result of applying the procedure above.

Bank Reconciliations

- 3) We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

No findings were noted as a result of applying the procedure above.

- 4) Using the listing provided by management, we selected all of the entity's bank accounts. For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations included evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

No findings were noted as a result of applying the procedure above.

Collections

- 5) We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing was complete.

No findings were noted as a result of applying the procedure above.

- 6) Using the listing provided by management, we selected all of the entity's cash collection locations. For each cash location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash was (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a 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 was not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- i. Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
- ii. Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections were completely supported by documentation and report any exceptions.

No findings were noted as a result of applying the procedure above.

- 7) We obtained existing written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who was not responsible for collections.

No findings were noted as a result of applying the procedure above.

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We also obtained management's representation that the listing or general ledger population was complete.

No findings were noted as a result of applying the procedure above.

- 9) Using the disbursement population from number 8 above, we randomly selected 25 disbursements excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

No findings were noted as a result of applying the procedure above.

- 10) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the person responsible for processing payments was prohibited from adding vendors to the entity's purchasing/disbursement system.

No findings were noted as a result of applying the procedure above.

- 11) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No findings were noted as a result of applying the procedure above.

- 12) We inquired of management and observed whether the supply of unused checks was maintained in a locked location, with access restricted to those persons that do not have signatory authority, and noted any exceptions. Alternately, if the checks were electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and determined whether the persons with signatory authority have system access to print checks.

No findings were noted as a result of applying the procedure above.

- 13) When signature stamp or signature machine was used, we inquired of the signer whether his or her signature was maintained under his or her control or was used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

No findings were noted as a result of applying the procedure above.

Credit Cards

- 14) We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We also obtained management's representation that the listing was complete.

No findings were noted as a result of applying the procedure above.

- 15) Using the listing prepared by management, we randomly selected one-third of the credit cards (the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
- a) Determined whether there was evidence that the monthly statement or combined statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Determined whether finance charges and/or late fees were assessed on the selected statements.

No findings were noted as a result of applying the procedure above.

- 16) Using the monthly statements or combined statements selected under number 15 above, we obtained supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction was supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased)
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
 - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction was a large or recurring purchase requiring the solicitation of bids or quotes) and noted any exceptions.
 - c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

No findings were noted as a result of applying the procedure above.

Travel and Expense Reimbursement

- 17) We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sorted/filtered for travel reimbursements. We also obtained management's representation that the listing and general ledger was complete.

No findings were noted as a result of applying the procedure above.

- 18) We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.

No findings were noted as a result of applying the procedure above.

- 19) Using the listing or general ledger from number 17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, we compared to the GSA rates (number 18 above) and determined each reimbursement that exceeded those rates.
- b) We determined whether each expense was supported by:
 - i. An original itemized receipt that identified precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) did not require a receipt.)
 - ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

- d) We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Upon applying the agreed upon procedure above, we noted one instance in which an expense was not reimbursed in accordance with the written policy.

Contracts

- 20) We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. We also obtained management's representation that the listing or general ledger was complete.

No findings were noted as a result of applying the procedure above.

- 21) Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:

- a) Determined whether there was a formal/written contract that supported the services arrangement and the amount paid.
- b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We determined whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:
- i. If yes, we obtained/compared supporting contract documentation to legal requirements and determined whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, we obtained supporting contract documentation and determined whether the entity solicited quotes as a best practice.
- c) We determined whether the contract was amended. If so, we determined the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.
- e) We obtained/reviewed contract documentation and board minutes and determined whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No findings were noted as a result of applying the procedure above.

Payroll and Personnel

22) We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing was complete. We randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.

No findings were noted as a result of applying the procedure above.

23) We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected one-third of employees/officials (the entity had less than 25 employees during the fiscal period), and:

- a) Determined whether 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.)
- b) Determined whether there was written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Determined whether there was written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No findings were noted as a result of applying the procedure above.

24) We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list was complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We determined whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No findings were noted as a result of applying the procedure above.

- 25) We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We determined whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No findings were noted as a result of applying the procedure above.

Ethics

- 26) Using the five randomly selected employees/officials from agreed upon procedure number 22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.

No findings were noted as a result of applying the procedure above.

- 27) We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrated whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No findings were noted as a result of applying the procedure above.

Debt Service (excluding nonprofits)

- 28) For debt that was issued during the fiscal period, we obtained supporting documentation from the entity, and determined whether State Bond Commission approval was obtained.

Debt service was not applicable.

- 29) For the outstanding debt during the fiscal period, we obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Debt service was not applicable.

- 30) For the tax millages relating to debt service, we obtained supporting documentation and determined whether millage collections exceeded debt service payments by more than 10% during the fiscal period. Also, we determined any millages that continued to be received for debt that has been paid off.

Debt service was not applicable.

Other

- 31) We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and determined whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No findings were noted as a result of applying the procedure above.

- 32) We observed and determined whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No findings were noted as a result of applying the procedure above.

- 33) When the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, the practitioner reported the nature of each exception.

No findings were noted as a result of applying the procedure above.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the control and compliance areas identified in the Statewide Agreed Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Fund and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

Louisiana Sheriffs' Pension & Relief Fund

1225 Nicholson Drive • Baton Rouge, Louisiana 70802
Phone: (225) 219-0500 • (800) 586-9049 • FAX: (225) 219-0521
www.lsprf.com



December 29, 2017

TRUSTEES

President
Sheriff William Hilton

Vice President
Sheriff Willy Martin

Active Sheriffs
Jay Russell
Greg Champagne
Jeffrey F. Wiley

Retired Sheriffs
Ken Goss
Wayne F. McElveen
Harold A. Turner

Active Deputies
Sharon Cutrera
Debbie McBeth
Calvin K. McFerrin

Retired Deputies
Joey Alcede
Ronald J. Morse
Don Rittenberry

Ex-Officio
Sen. Barrow Peacock
Rep. Gregory A. Miller

Duplantier, Hrapmann, Hogan & Maher LLP
Eddie McIntyre, CPA, Audit Supervisor
Bill Stamm, CPA, Audit Partner
1615 Poydras Street
Suite 2100
New Orleans, LA 70112

Dear Eddie and Bill:

In response to the two findings resulting from the Agreed Upon Procedures engagement for the period of April 1, 2016 through March 31, 2017, and report issued on December 15, 2017, please find below the actions we have taken to correct the findings noted and additional policies and procedures put into place to correct them.

Travel and Expense Reimbursement

19) (a) Procedure: Compare expense documentation to written policies and determine whether each expense was reimbursed or prepaid in accordance with written policy.

Finding: One instance was noted in which an expense was not reimbursed in accordance with the written policy.

Response: There was one trustee educational training opportunity during this time period that occurred out of state and at a distance where travel by normal air fare rates would cost less than the mileage allowance at the then current federal rate for motor vehicles. One of our trustees in attendance made the trip by vehicle and was reimbursed fully at the federal rate in effect for the time period. Our travel policy states that mileage allowance costs should not exceed the cost of travel by normal air fare rates. When brought to our attention, the expense totals by air fare, including a rental car for travel from the airport to the training venue (as allowed in our travel policy), and mileage allowance were compared and we found that his expense was overpaid by \$315.85. Our trustee immediately repaid the overpayment with a check in the full amount of the difference, dated November 21, 2017.

We have amended the Expense Report that our Trustees complete for reimbursement to include a statement upon signing, attesting to the fact that they have taken or requested reimbursement for the most advantageous travel method, according to our travel policy. We have also added a statement for the approving staff member to attest to the fact that he/she has reviewed all expenses requested and they are allowable per our travel policy.

Written Policies and Procedures

1)(i) Procedure: Review the policy on 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.

Serving Those Who Serve

Executive Director
Osey McGee, Jr.

Assistant Director
Keith Duplechain

Legal Counsel
Robert D. Klausner

Actuary
Gary S. Curran

Trustees Emeritus
Larry Deen
Laura Endsley
Graham Hendricks

Finding: It was noted that the ethics policy did not include the actions to be taken if an ethics violation takes place, a system to monitor possible ethics violations, or a requirement that all employees should annually attest through signature verification that they have read the ethics policy.

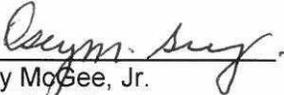
Response: In response to the finding concerning the LSPRF Ethics Policy, we revised the policy to include the following:

1. All employees are required to read and review this policy on an annual basis.
2. Employees are required to sign a notarized form attesting to the fact that they have reviewed this policy and to the best of their knowledge have not violated the policy in any way.
3. Any possible violations are to be reported in writing to the Executive Director and Assistant Director of the Fund. The Executive Director and Assistant Director will review the facts of the possible violation with the Fund's General Counsel. If a violation is deemed to have occurred, the Fund will follow the advice of legal counsel in dealing with the violation in accordance with the provisions of Louisiana Law.

All employees have read the policy and signed their attest statements for calendar year 2017.

As always, feel free to contact me with any questions or concerns you may have.

Sincerely,



Osey Mobe, Jr.
Executive Director