
POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

Board of Trustees and Management of
the Police Pension Fund of
the City of New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Police Pension Fund of the City of New Orleans (the "Fund"), a fiduciary fund of the City of New Orleans, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Police Pension Fund of the City of New Orleans as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7, the Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios on page 16, the Schedule of Employer Contributions on page 17, and the Schedule of Investment Returns on page 18 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 Fund's basic financial statements. The Statement of Changes in Reserve Balances, Schedule of Administrative Expenses, and Schedule of Compensation, Benefits, and Other Payments to Agency Head on pages 19, 20, and 21 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was 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 Statement of Changes in Reserve Balances, Schedule of Administrative Expenses, and Schedule of Compensation, Benefits, and Other Payments to the Agency Head 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 the *Government Auditing Standards*, we have also issued our report dated March 29, 2022 on our consideration of the 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the Fund's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
March 29, 2022

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

FINANCIAL HIGHLIGHTS

- Assets of the Fund exceeded its liabilities at year end by \$1,446,055 (net position).
- For the Fund's year ended December 31, 2020, drivers and chauffeurs' licenses decreased by 56% or \$86,764.
- The Fund recorded an overall decrease in net position of \$77,900.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of fiduciary net position
- Statement of changes in fiduciary net position, and
- Notes to the financial statements

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

The statement of fiduciary net position reports the pension fund's assets, liabilities and net position held in trust for pension and other postemployment benefits. It discloses the financial position of the Fund as of December 31, 2020. The statement of changes in fiduciary net position reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan's net position. It supports the change that has occurred to the prior year's net position value on the statement of fiduciary net position. In 2004, the Fund moved all pension operations and activities to the Municipal Police Employee's Retirement System ("MPERS"). The Fund currently exists for two reasons, to provide a fixed \$2,000 death and survivor benefit, and to hold deposits due to inactive members who left service without vesting in the prior plan and have not requested a refund.

Supplemental schedules include information on changes in reserve balances, administrative expenses, and compensation for the agency head.

FUND FINANCIAL ANALYSIS

The Police Pension Fund of the City of New Orleans provided retirement benefits to all eligible police officers, members, and employees of the police department in the City of New Orleans. On March 6, 1983, the City of New Orleans entered into a merger contract with MPERS to transfer all active policemen who were participating in the City's Police Pension Fund.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

In addition to the active policemen, all retirees, widows and survivors were also merged. Due to a difference in benefits, retirees with less than twenty years of service did not transfer on the date of the merger. The final retiree in this category merged during October 2002. Employer contributions funded these benefits.

Statement of Fiduciary Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash	\$ 52,875	\$ 60,490
Receivables	11,276	10,176
Investments	<u>1,387,904</u>	<u>1,459,289</u>
Total assets	<u>1,452,055</u>	<u>1,529,955</u>
Total liabilities	<u>6,000</u>	<u>6,000</u>
Net position restricted for for pension benefits and other postemployment benefits	<u>\$ 1,446,055</u>	<u>\$ 1,523,955</u>

Statement of Changes in Fiduciary Net Position
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Additions:		
Drivers' and chauffeurs' licenses	\$ 69,294	\$ 156,058
Net investment income	<u>3,751</u>	<u>27,435</u>
Total additions	<u>73,045</u>	<u>183,493</u>
Total deductions	<u>150,945</u>	<u>224,825</u>
Decrease in plan net position	<u>\$ (77,900)</u>	<u>\$ (41,332)</u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Additions to Plan Net Position

Additions to Fund plan net position were derived primarily from drivers' license revenue and investment income. The change in drivers' and chauffeur's license revenues is primarily due to changes in driver's license renewal periods. Senate Bill 582 provided for drivers' licenses to be renewed for six years instead of four years beginning July 1, 2015. Net investment income decreased by 60% as a result of the decrease in dividends received during 2020 due to less favorable market outcomes throughout 2020 compared to prior year.

	<u>2020</u>	<u>2019</u>	Increase (Decrease) Percentage
Drivers' and chauffeur's licenses	\$ 69,294	\$ 156,058	-56%
Net investment income	3,751	27,435	-86%
	<u>\$ 73,045</u>	<u>\$ 183,493</u>	-60%

Deductions from Plan Net Position

Deductions from plan net position include death and survivor benefits, transfers to other retirement systems and administrative expenses. Death benefits are paid to the beneficiaries of a deceased member from the Fund. Drivers' and chauffeur's license revenues in excess of administrative expenses are remitted to MPERS each month or when paid and reported as transfers to other retirement systems. Deductions from plan net position decreased by 33% (\$73,880) in 2020. As drivers' and chauffeur's license revenues significantly declined, administrative costs were not covered; therefore, no transfer to other retirement systems occurred in 2020.

	<u>2020</u>	<u>2019</u>	Increase (Decrease) Percentage
Death benefits	\$ 38,000	\$ 37,001	3%
Transfer to other retirement systems	-	73,492	-100%
Administrative expenses	112,945	114,332	-1%
	<u>\$ 150,945</u>	<u>\$ 224,825</u>	-33%

Investments

The Police Pension Fund of the City of New Orleans is responsible for the prudent management of funds held in trust for the exclusive benefits of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. As such, funds are invested in U.S. Treasury Money Market Funds. Total investments at December 31, 2020 amounted to \$1,387,904 as compared to \$1,459,289 at December 31, 2019, a reduction of \$71,385. Investments were used to fund the current year benefits and administrative costs.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to William Roth, Board of Trustees of the Police Pension Fund of the City of New Orleans, New Police Complex, Room 408, 715 South Broad Avenue, New Orleans, Louisiana 70119.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

<u>Assets</u>	
Cash	\$ 52,875
Receivables:	
Drivers' and chauffeurs' license receivable	11,276
Investments:	
US Treasury securities money market fund	<u>1,387,904</u>
 Total assets	 <u>1,452,055</u>
 <u>Liabilities</u>	
Benefits payable	<u>6,000</u>
 <u>Net Position - Restricted for Pension Benefits and</u>	
<u>Other Postemployment Benefits</u>	 <u><u>\$ 1,446,055</u></u>

The accompanying notes are an integral part of this statement.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Additions: (Note 1)	
Other income:	
Drivers' and chauffeurs' licenses	\$ 69,294
Investment income	<u>3,751</u>
Total additions	<u>73,045</u>
Deductions: (Note 1)	
Benefits paid	38,000
Administrative expenses	<u>112,945</u>
Total deductions	<u>150,945</u>
Net decrease	(77,900)
Net position - restricted for pension benefits and other postemployment benefits:	
Beginning of year	<u>1,523,955</u>
End of year	<u><u>\$ 1,446,055</u></u>

The accompanying notes are an integral part of this statement.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Description of Plan

General

The Police Pension Fund of the City of New Orleans (the "Fund"), a fiduciary fund of the City of New Orleans (the "City"), is the administrator of a single employer pension plan. The Fund was originally established as a defined benefit pension plan under the laws of the State of Louisiana. The Fund was originally created for the purpose of providing retirement allowances and other benefits as stated under the provisions of Louisiana Revised Statute 11 for police officers, members and employees of the police department in the City of New Orleans. As described below, as the Fund now provides only death and survivor benefits, the Fund is considered to be an other postemployment benefit plan ("OPEB" plan) as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

On March 6, 1983, the City of New Orleans entered into a merger contract with the Municipal Police Employees' Retirement System ("MPERS") to transfer all active policemen who were participating in the Fund (which was comprised of an "old" pre-1968 and a "new" post-1968 retirement system) to MPERS. In addition to the active policemen, all retirees, widows and survivors were also merged. (All full-time policemen hired after July 12, 1977 are directly enrolled in the MPERS through legislative mandate.)

As a result of the merger, all active policemen are subject to the benefit formula and retirement eligibility requirements prescribed by MPERS. In addition, all retirees, widows and survivors were guaranteed to continue receiving their current benefit regardless of MPERS' benefit provisions.

In conjunction with the merger of active policemen with the MPERS, the City entered into a private agreement "No Loss in Benefit Guarantee" with the local policemen. The purpose of the agreement was to guarantee those policemen who were merged, retirement benefits which would become payable by the Fund. Specifically, the Police Pension Fund provided retirement eligibility requirements of 16 and 20 years at any age, if employed prior to December 31, 1967. These eligibility requirements were more liberal than those of MPERS in that benefits are not payable until age 50 with 20 years of service or age 55 with a minimum of 12 years of service. Therefore, if a policeman retires prior to age 50, the agreement guarantees that the Fund will pay the benefit until age 50, at which time MPERS will commence retirement benefit payments. Similarly, for those policemen who were members of the old system, who retired with 16 years but less than 20 years, the agreement guarantees that the Fund will pay the benefit until age 55, at which time MPERS will commence retirement benefit payments. Effective October 31, 2002, all members had reached the eligibility requirements of MPERS and the Fund has no additional liability associated under this agreement.

Act No. 793 of the 2004 Regular Session was enacted into law on July 8, 2004. This law provided for the disposition of the assets of the Fund by requiring that the total and final actuarial liabilities of the Fund be determined and maintained as well as funds sufficient to administer the Fund for a period of not less than the retirement age of the youngest member. Any amounts above these amounts were transferred to MPERS for the satisfaction of any debt or obligation owed by the City of New Orleans to that system.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Description of Plan (Continued)

After July 8, 2004, the Fund moved all pension operations and activities to MPERS. The Fund now exists solely to provide a \$2,000 death and survivor benefit, and to hold deposits due to inactive members who left service without vesting in the prior plan and have not requested a refund. An unfunded actuarial liability is no longer applicable to the Fund due to the transfer of pension operations to MPERS.

Plan Membership

At December 31, 2020, the Fund's membership consisted of 169 beneficiaries who have not yet received their death benefit.

Effective March 6, 1983, the Fund was closed to new entrants.

Death and Survivor Benefits

When a retired policeman dies, a death benefit of \$2,000 shall be paid to the beneficiary of the deceased member from the Fund.

Administrative Expenses

Administrative expenses of \$112,945 were paid out of the Fund's assets for the year ended December 31, 2020. Expenses include salaries to administer the Fund and office expenses.

Contributions

The Fund receives fifty percent of the license fee on the sale of drivers' and chauffeurs' licenses in the City of New Orleans (the City). The Fund received \$69,294 in 2020. Revenue is recognized in the period fees are collected by the City.

Act No. 793 of the 2004 regular session went into effect July 8, 2004 requiring that all excess revenue over operating expenses related to driver's license fees in New Orleans be remitted to Municipal Police Employees' Retirement System (MPERS). The Fund did not receive excess funds to remit to MPERS during the year ended December 31, 2020.

Plan Administration and Trusteeship

The Fund is administered by a Board of Trustees. Based on State statute, the board shall be composed of the Superintendent of Police, Director of Finance, Deputy Chief of the Police Department, all former Chiefs of Police, and six members from the active or retired rank of the police department. Election of the members from the active or retired rank shall be conducted under the direction and authority of the board.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. Description of Plan (Continued)

Pass Through Transactions

The Fund serves as an agent for previous plan participants who have transferred over to Municipal Police Employees Retirement System (MPERS) (as discussed above) and for which bills are received monthly by the Fund from 6 agencies (CNO Hospitalization, Fraternal Order of Police, NOPD Employees' Credit Union, Police & Fireman's Insurance Assoc., Police Mutual Benevolent Assoc., Police Assoc. of New Orleans) for insurances, dues and other withholdings to be paid from these participant's pension distributions. Since the Fund no longer is responsible for these payments, a copy of these bills are sent to MPERS and MPERS sends the withheld amounts back to the Fund. The Fund then distributes the payments to the 6 agencies. The total amount passed through the fund was \$4,623,849 during 2020. There were no amounts received but not yet disbursed as of year-end.

2. Summary of Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Investment Transactions

The Fund holds only short-term investments with a remaining maturity at the time of purchase of one year or less which are reported at amortized cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade date basis. Costs of investments disposed of are determined on the average cost basis. Interest income is recognized on an accrual basis.

Payments of Death Benefits

Benefits and refunds are recognized when due and payable in accordance with the terms of the fund.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. 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 for the purchase of prior service. The Annuity Savings is debited when the prior service purchased is transferred to another retirement system. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve.

The Annuity Savings balance is \$366,494 at December 31, 2020 and it is fully funded. Refunds and transfers to other systems are permitted for contributions made after December 31, 1967. Contributions made prior to December 31, 1967 may only be transferred to other systems.

B) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance is \$541,634 at December 31, 2020 and it is fully funded.

C) Pension Accumulation:

The Pension Accumulation consists of contributions from the driver's license fees, interest earned on investments, and any other income not covered by other accounts. This fund is relieved when expenditures are not covered by other accounts. The Pension Accumulation balance is \$537,927 at December 31, 2020.

4. Cash

Demand deposits account at December 31, 2020 for the Fund is summarized as follows:

<u>Carrying Amount</u>	<u>Bank Balance</u>
\$52,875	\$53,541

The Fund's bank balance of deposits at December 31, 2020 is not exposed to any custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned. The bank deposits were completely secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Fund's name at December 31, 2020.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. Investments

Investment policy - The Board of Trustees shall have full power to invest and reinvest such funds, subject to the prudent-man rule limitations regarding investments set forth in Subtitle I, Chapter 4, Part II, Subpart I of Title 11 of Louisiana Revised Statutes and shall have full power to hold, purchase, sell, assign, transfer, and dispose of any of the securities and investments in which any of the funds created herein shall have been invested, as well as the proceeds of said investments and any monies belonging to said funds. The following was the asset allocation policy as of December 31, 2020:

Asset Class	Target Allocation
Money Market	100%

Rate of Return – For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 0.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

6. Net Other Postemployment Benefits Liability (Assets) of the City of New Orleans

The components of the net OPEB liability (asset) of the Fund at December 31, 2020, were as follows:

Total OPEB liability	\$	271,519
Plan fiduciary net position		1,446,055
City’s net OPEB liability (asset)	\$	(1,174,536)

Plan fiduciary net position as a percentage of the total OPEB liability (asset) (432.58)%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0% annually
Salary increases	0.0% annually
Discount rate	2.5% annually
Healthcare cost trend rates	None

Mortality rates were based on the SOA RP 2014 Combined Tables.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of ongoing evaluations of the assumptions from December 31, 2014 to December 31, 2020.

The long-term expected rate of return on OPEB 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 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.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. Net Other Postemployment Benefits Liability (Asset) of the City of New Orleans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Money Market	2.5%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.50%. The projection of cash flows used to determine the discount rate assumed that the City’s contributions (if any) will be made at rates equal to the actuarially determined contribution rates. 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 the Fund’s investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB asset to changes in the discount rate – The following represents the net OPEB asset of Police Pension Fund, as well as what the Police Pension Fund’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.5%) or 1-percentage-point higher (3.5%) than the current discount rate:

	<u>1.0% Decrease (1.5%)</u>	<u>Current Discount Rate (2.5%)</u>	<u>1.0% Increase (3.5%)</u>
Total OPEB liability	\$ 295,343	\$ 271,519	\$ 250,692
Plan fiduciary net position	1,446,055	1,446,055	1,446,055
Net OPEB liability (asset)	<u>\$ (1,150,712)</u>	<u>\$ (1,174,536)</u>	<u>\$ (1,195,363)</u>

7. Measurement of Pension Liability

GASB Statement No. 67 defines the financial reporting standards for pension plans. Statement No. 67 enhances note disclosures and required supplementary information for defined benefit pension plans. The Fund is a fiduciary fund to provide for the payment of remaining assets to the beneficiaries of deceased members and refunding of deposits that are being held for inactive members who left without vesting and have not yet requested a refund. The Fund no longer functions as a pension trust fund. The Fund Administrator has evaluated the requirements of Statement No. 67 and determined that the reporting requirements are not applicable to the Fund.

REQUIRED SUPPLEMENTARY INFORMATION

Police Pension Fund of the City of New Orleans
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
For the Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ -	\$ -	\$ -
Interest	12,531	12,394	12,252
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(224,445)	(6,896)	(6,572)
Changes of assumptions	(17,822)	-	-
Benefit payments	-	-	-
Net change in total OPEB liability	<u>(229,736)</u>	<u>5,498</u>	<u>5,680</u>
Total OPEB liability - beginning	<u>501,255</u>	<u>495,757</u>	<u>490,077</u>
Total OPEB liability - ending (a)	<u>\$ 271,519</u>	<u>\$ 501,255</u>	<u>\$ 495,757</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 69,294	\$ 156,058	\$ 253,454
Contributions - member	-	-	-
Net investment income	3,751	27,435	22,243
Benefit payments	(38,000)	(37,001)	(48,000)
Transfer to other retirement system	-	(73,492)	(140,315)
Administrative expense	(112,945)	(114,332)	(112,592)
Net change in plan fiduciary net position	<u>(77,900)</u>	<u>(41,332)</u>	<u>(25,210)</u>
Plan fiduciary net position - beginning	<u>1,523,955</u>	<u>1,565,287</u>	<u>1,590,497</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,446,055</u>	<u>\$ 1,523,955</u>	<u>\$ 1,565,287</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ (1,174,536)</u>	<u>\$ (1,022,700)</u>	<u>\$ (1,069,530)</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	-432.58%	-204.03%	-215.74%
Covered payroll	\$ -	\$ -	\$ -

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms.

Changes of Assumptions. Inflation assumption changed from 0.00% to 2.00% annually for the year ended December 31, 2020.

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

Police Pension Fund of the City of New Orleans
Schedule of Employer Contributions
For the Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution			
Employer contributions to trust	-	-	-
Employer-paid retiree premiums	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ -	\$ -	\$ -
 Contributions as a percentage of covered payroll	 0.00%	 0.00%	 0.00%

Notes to Schedule:

Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported.

Valuation date	December 31 of applicable year
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.00% for 2020, 0.00% for previous years
Healthcare trend	None
Salary increases	None
Investment return	2.50%
Retirement age	100% of participants are retired
Mortality	SOA RP-200 Combined Mortality Table
Turnover	0%

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

Police Pension Fund of the City of New Orleans
Schedule of Investment Returns
For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	0.25%	1.80%	1.46%	0.48%	0.01%

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

SUPPLEMENTARY INFORMATION

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Annuity Savings</u>	<u>Pension Reserve</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ 366,494	\$ 579,634	\$ 577,827	\$ 1,523,955
REVENUES AND TRANSFERS				
Drivers' and chauffeurs' licenses	-	-	69,294	69,294
Other - Miscellaneous	-	-	-	-
Net investment income	-	-	3,751	3,751
	-	-	73,045	73,045
EXPENDITURES AND TRANSFERS				
Benefits paid	-	38,000	-	38,000
Transfers to other state retirement systems	-	-	-	-
Administrative services	-	-	112,945	112,945
	-	38,000	112,945	150,945
NET (DECREASE) INCREASE	-	(38,000)	(39,900)	(77,900)
BALANCE - END OF YEAR	<u>\$ 366,494</u>	<u>\$ 541,634</u>	<u>\$ 537,927</u>	<u>\$ 1,446,055</u>

See independent auditors' report.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

Office salaries	\$ 103,200
Office expense	1,431
Payroll taxes	<u>8,314</u>
	<u>\$ 112,945</u>

See independent auditors' report.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head Name: David G. Lentz

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 51,937
Benefits	-
Reimbursements	-
	<u>\$ 51,937</u>

See independent auditors' report.

**INDEPENDENT AUDITORS' 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**

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

Board of Trustees and Management of
the Police Pension Fund of
the City of New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pension Fund of the City of New Orleans (the Fund) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 29, 2022.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Postlethwaite & Netterville

New Orleans, Louisiana
March 29, 2022

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

SUMMARY OF AUDITORS' RESULTS:

1. The opinion issued on the financial statements of Police Pension Fund of the City of New Orleans for the year ended December 31, 2020 was unmodified.

2. Internal Control:

Significant deficiencies: None noted

Material weaknesses: 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