Luther Speight & Company
Certified Public Accountants and Consultants

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Employees' Retirement System of the City of New Orleans (the Plan), a component unit of the City of New Orleans, which comprises the statements of fiduciary net position as of December 31, 2019, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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 audits 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 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 Plan'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 Plan'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.

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/(504)561-8600
Memphis Office: 119 S. Main Street, Suite 500/Memphis, TN 38103/(901)322-4238
Atlanta Office: Five Concourse Pkwy/Atlanta, GA 30328/(770)399-8808

Continued,

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Employees' Retirement System of the City of New Orleans' net position as of December 31, 2019, and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As disclosed in Note C to the financial statements, the total pension liability for the Plan was $723,145,441 at December 31, 2019. The actuarial valuations were based on various assumptions made by the Plan's actuary and presented in the actuary's valuation and review report as of January 1, 2020. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total actuarial accrued liability at December 31, 2019 could be understated or overstated.

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 City of New Orleans Employees' Retirement System's basic financial statements. The supporting schedules, as listed in the table of contents and the *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* 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.

Continued,

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2020 on our consideration of the City of New Orleans Employees' Retirement System'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 Plan's internal control over financial reporting and compliance.

Luther Speight & Company CPAs
New Orleans, Louisiana
October 15, 2020

The following is management's discussion and analysis of the financial performance of the Employees' Retirement System of the City of New Orleans. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the year ended December 31, 2019.

Financial Highlights

- The Plan's net assets at market value for the current year totaled $419 million as compared to the prior year of $366 million. This represents an increase of $53 million or 14%.

- The Plan's net assets at actuarial value for the current year totaled $425 million as compared to the prior year of $403 million. This represents an increase of $22 million or 5%.

- Net appreciation in fair value reflected a balance of $53 million for the current year. This balance represents an increase of $74 million as compared to the previous year net depreciation in fair value of ($21) million.

- Total investments increased from a 2018 level of $374 million to the reported level of $415 million for the year 2019.

- Total contributions to the Plan were recorded at $43 million for 2019, which reflected a $3 million increase from the previous year.

Overview of the Financial Statements

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

- Statement of Fiduciary Net Position – This statement reports the Plan's assets, liabilities, and resulting net position restricted for pension benefits as of December 31, 2019.

- Statement of Changes in Fiduciary Net Position – This statement reports the results of the Plan's activities during the calendar year 2019, categorically disclosing the additions to and deduction from Plan's net position. The net increase to Plan net position on this statement supports the change in net position on the Statement of Fiduciary Net Position between the years ended December 31, 2018 and 2019.

THE EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Continued,

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

- Required Supplementary Information (RSI) – During the 2015 year, the Plan implemented Governmental Accounting Standards Board (GASB) Statement 68. The Plan implemented GASB Statement 67 during the 2014 year. The RSI is presented in accordance with those Statement requirements. Substantial actuarial information included within the RSI is provided by the Plan's Actuary with an actuarial valuation date of January 1, 2020.

A comparative analysis of the Plan's Assets at market value is as follows:

	December 31, 2019	December 31,2018
Cash Equivalents	$34,976,333	$33,356,057
Total Accounts Receivable	$3,638,180	$2,081,766
Investments:		
Stocks and Equity	$231,978,736	$210,556,930
Fixed Income	73,600,546	69,183,824
Alternatives	76,358,814	60,642,549
Total investments at market value	$381,938,096	$340,383,303
Total assets	$420,552,609	$375,821,126
Total accounts payable	(1,581,278)	(10,083,817)
Net assets at market value	**$418,971,331**	**$365,737,309**
Net assets at actuarial value	**$425,079,078**	**$403,015,342**

Additions to Plan Net Assets

Additions to the Plan's net position were derived primarily from contributions from employees and employers in addition to investment income. Net investment income increased by $75 million compared to the prior year. The balance for 2019 reflected a gain in net investment income of $59 million while the year 2018 reflected negative results of $(16) million. The significant increase in net investment income was a reflection of the Plan's investment portfolio's overall performance as compared to the prior year.

The Plan's contributions are comprised primarily of employer and employee contributions. As indicated below, the contribution levels reflected increases between the 2018 and 2019 years:

Contributions	2019	2018
Employer - City of New Orleans	$ 30,743,553	$ 28,095,672
Employee	9,134,139	8,246,577
Other	3,405,775	3,476,750
	43,283,467	39,818,999

Deductions From Plan Net Assets

Deductions from Plan net assets include retirement, disability, death, and survivor benefits. These deductions remained relatively constant between 2018 and 2019 at a reported level of $50 million for 2018 and $49 million for 2019. A summary of Plan additions and deductions are as follows:

	2019	2018
Total Additions	$102,326,904	$ 24,229,383
Total Deductions	(49,092,882)	(50,319,390)
Net Increase/(Decrease) in System Net Assets	$ 53,234,022	($ 26,090,007)

Significant Actuarial Matters

The actuarial valuation for the plan was performed by Segal Consulting. The summary of significant actuarial matters is substantially based upon their actuarial valuation and review report effective January 1, 2020. The actuarial highlights include:

1. An actuarial funding method that targets 100% funding of the actuarial accrued liability was recommended by Segal Consulting. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance. On June 10, 2020, the Board approved updating its funding policy from an open, 15-year, level dollar, amortization of the unfunded liability to a level percent of payroll amortization with layered bases, each having a closed 25-year amortization period. The new funding policy meets this standard.

Continued,

2. It is important to note that this actuarial valuation is based on plan assets as of December 31, 2019. Due to the COVID-19 pandemic, market conditions have changed significantly since the valuation date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year.

3. The actuarially determined contribution (ADC) for the upcoming year is $22,890,640, a decrease of $5,799,119 from last year. The contribution as a percentage of payroll decreased from 22.32 % of payroll to 15.31% of payroll, based on a 15-year level dollar amortization of the unfunded actuarial accrued liability.

4. Actual contributions made during the fiscal year ending December 31, 2019 were $33,884,678, 118.1% of the actuarially determined contribution (ADC). In the prior fiscal year, actual contributions were $31,065,227, 110.9%% of the prior year ADC.

5. The funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) is 58.78%, compared to the prior year funded ratio of 61.22%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio is 57.94%, compared to 55.55% as of the prior valuation date. These measurements are not necessarily appropriate for assessing the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligation or the need for the amount of future contributions.

6. The unfunded actuarial accrued liability is $298.1 million, which is an increase of $42.8 million since the prior valuation.

7. The total actuarial gain for the year was $12,750,278, or 1.95% of actuarial accrued liability.
    - The actuarial loss from investment experience is $2,135,147, or 0.33% of actuarial accrued liability.
    - The net experience gain from sources other than investment experience was $14,885,425, or 2.28% of the actuarial accrued liability. This gain was primarily due to data adjustments.

8. The rate of return on the market value of assets was 16.27 for the January 1, 2019 to December 31, 2019 plan year. The return on the actuarial value of assets was 6.97% for the same period due to the recognition of prior years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.50%. This actuarial investment loss increased the average employer contribution rate by 0.09% of pay.

Continued,

Given the low fixed income interest rate environment, target asset allocation and expectations of future investment returns for various classes, we advise the Board to continue to monitor actual and anticipated investment returns relative to the assumed long-term investment return. The Board adopted an investment return assumption of 7.25% with this valuation.

9. The actuarial value of assets is 101.46% of the market value of assets. The investment experience in the past years has only been partially recognized in the actuarial value of assets. As the deferred net loss is recognized in future years, the cost of the Plan is likely to increase unless the net loss is offset by future experience. The recognition of the cumulative market losses of $6.1 million will also have an impact on the future funded ratio. If the net deferred losses were recognized immediately in the actuarial value of assets, the ADC would increase from 15.31% to 15.56% of payroll.

10. The following actuarial assumptions and methods were approved by the Board and changed with this valuation, following the completion of an experience study of the period between January 1, 2011 through December 31, 2016 by another actuary hired by the System, along with suggested changes by Segal:
    - Update the mortality rates to use the PubG-2010 amount-weighted mortality tables for healthy lives, and PubNS-2010 Disabled Retiree table for disabled lives, and project the mortality improvement for all participants with Scale MP-2018
    - Change the retirement rates to use age-based rates, rather than 100% at selected eligibilities
    - Lower the assumed rate of investment return from 7.50% to 7.25%
    - Change the salary scale to use age-based rates that reflects decreasing pay growth as a participant ages, rather than use
    - 5% increases for all ages
    - Update the turnover rates to reflect recent experience
    - Update the disability rates to only begin after ten years of service, and stop at age 60
    - The amortization methodology was changed from an open, 15-year, level dollar, amortization of the unfunded liability to a level percent of payroll amortization with layered bases, each having a closed 25-year amortization period.

As a result of these assumption changes, the total normal cost increased by $1,255,157 and the actuarial accrued liability increased by $70,869,862. When combined with the change in amortization methodology, the total impact was a decrease in the ADC of $3.3 million, or 2.28% of payroll.

11. There are no material Plan changes included for the first time in this valuation.

12. Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions.

A comparative summary of key actuarial results for the Plan as of January 1, 2020 actuarial valuation is presented below. This information is reproduced from the Segal Consulting Actuarial Valuation and Review Report, effective January 1, 2020.

		2020	2019
Contributions for plan year beginning January 1:	Actuarially determined employer contributions	$22,890,640	$28,689,759
	Actuarially determined employer contributions as a percent of payroll	15.31%	22.32%
	Actual employer contributions	--	$33,884,678
Actuarial accrued liability for plan year beginning January 1:	Retired participants and beneficiaries	$478,363,660	$427,073,020
	Inactive vested participants	19,391,301	18,173,208
	Active participants	225,390,480	213,106,398
	Total	723,145,441	658,352,626
	Normal cost including administrative expenses	12,385,743	9,493,233
Assets for plan year beginning January 1:	Market value of assets (MVA)	$418,971,331	$365,737,309
	Actuarial value of assets (AVA)	425,079,078	403,015,342
	Actuarial value of assets as a percentage of market value of assets	101.46%	110.19%
Funded status for plan year beginning January 1:	Unfunded actuarial accrued liability on market value of assets	$304,174,110	$292,615,317
	Funded percentage on MVA basis	57.94%	55.55%
	Unfunded actuarial accrued liability on actuarial value of assets	$298,066,363	$255,337,284
	Funded percentage on AVA basis	58.78%	61.22%
	Amortization period on an AVA basis	15	15
Demographic data for plan year beginning January 1:	Number of retired participants and beneficiaries	2,130	2,143
	Number of inactive vested participants	298	328
	Number of active participants	3,024	2,873
	Total payroll	$149,538,039	$128,530,078
	Average payroll	49,450	44,737

Requests for Information

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

EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2019

ASSETS		
Cash	$	2,250,556
RECEIVABLES		
Accounts Receivables		193,707
Accrued Interest & Dividends		76,162
Contributions		3,368,311
Due from Broker for securities sold		-
Total Receivables		3,638,180
INVESTMENTS		
(Markets Quoted in Active Markets)		
Cash & Cash Equivalents		14,405,280
Cash Reserves		18,320,497
Domestic Fixed Income		73,600,546
Foreign Obligations		8,025,801
Domestic Equity		164,362,579
Foreign Equity		59,590,356
Subtotal		338,305,059
(Market Prices Determined by Other Means)		
Investment in Private Equities		17,893,568
Investment in Real estate		23,915,435
Middle Market Debt		8,694,165
Hedge Funds		25,855,646
Subtotal		76,358,814
TOTAL INVESTMENTS AT FAIR VALUE		414,663,873
TOTAL ASSETS	$	420,552,609
LIABILITIES		
Due to Terminated Employees		1,265,970
Accrued Management and Custodial Fee		306,209
Escrow Accounts		9,099
TOTAL LIABILITIES		1,581,278
NET ASSETS AVAILABLE FOR BENEFITS		$418,971,331

The accompanying notes are an intergral part of these financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

ADDITIONS TO NET ASSETS	
Investment Income:	
Interest and Dividends	$6,534,938
Net Appreciation	53,259,588
Commission Recapture	183
Securities Litigation and Lending	12,923
Total Investment Income	59,807,632
Less: Investment Expenses	(764,195)
Net Investment Income	59,043,437
Contributions:	
Employer-City of New Orleans	30,743,553
Employer-Other Agencies	3,141,125
Employee	9,134,139
Payments for Military Service	5,208
Transfer from S&WB	121,234
Transfers from State System	118,238
Transfers from Municipal Police ERS	19,970
Total Contributions:	43,283,467
TOTAL ADDITIONS TO NET ASSETS	102,326,904
DEDUCTIONS FROM NET ASSETS	
Retirement Allowance	19,700,251
Ordinary Disability	1,352,822
Accidental Disability	508,397
Separation Allowances	1,692,379
Retirement Allowance Op. II III IV	15,361,779
Refund to Members	1,951,589
Transfers To State System	395,572
Transfers To S&WB	92,369
Transfers To Firefighters	2,020
Transfers To MPERS	129,066
Lump Sum Benefits Due to Death of Members	84,070
Option I Death Benefits	19,105
Cost of Living Benefits	1,464,150
Drop Withdrawal	1,551,134
DROP Annuity	981,748
Policy 4 Annuity	3,403,257
Policy 4 Cash Withdrawal	27,172
Other Administrative Expenses	376,002
TOTAL DEDUCTIONS FROM NET ASSETS	49,092,882
Net (Decrease)/increase	53,234,022
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of Year	365,737,309
End of the Year	$418,971,331

The accompanying notes are an integral part of these financial statements.

I. DESCRIPTION OF THE SYSTEM

A. PLAN DESCRIPTION

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

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

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

At December 31, 2019 the Employee Retirement System of the City of New Orleans' membership consisted of:

Active Participants	3,024
Retired Participants	1,794
Inactive Vested Participants	298
Beneficiaries	211
Disabled Participants	125
Total participants as of the measurement date	5,452

Continued,

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans' regularly employed persons. Membership and eligibility information is summarized below:

Plan Year:	January 1 through December 31
Plan Status:	Ongoing
Normal Retirement:	
Members Hired Prior to January 1, 2019	
Eligibility	Age 65 and 5 years of service
Amount	2.5% of average compensation times creditable service for the first 25 years plus 4.0% of average compensation times creditable service thereafter
Average Annual Compensation	Average annual compensation for highest consecutive 60 month period. Compensation for purposes of calculating a pension is capped at $200,000 per year.
Members Hired on or After January 1, 2019	
Eligibility	Age 65 and 5 years of service
Amount	1.9% of average compensation times creditable service
Average Annual Compensation	Average annual compensation for highest consecutive 60 month period. Compensation for purposes of calculating a pension is capped at $100,000 per year, adjusted for inflation as determined by the Trustees from time to time.
Unreduced Early Retirement:	
Members Hired Prior to January 1, 2019	
Eligibility	Any age with 30 years of service or age plus service equals 80
Amount	Normal Retirement amount, unreduced
Members Hired on or After January 1, 2019	
Eligibility	Any age with 30 years of service or age 62 with 20 years of service
Amount	Normal Retirement amount, unreduced

Continued,

Early Retirement:	
Members Hired Prior to January 1, 2019	
Eligibility	Age 60 and 10 years of service
Amount	Normal Retirement amount, reduced by 3% per year prior to age 62
Minimum Retirement Benefit:	$3,600 per year for any member with at least 10 years of creditable service
Ordinary Disability:	
Eligibility	Any age with 10 years of service
Amount	75% of the benefit the member would have earned had they worked until age 65
Accidental Disability:	
Eligibility	Disability occurs as a result of an accident sustained while in the actual performance of duty, without willful negligence on the member's part
Amount	65% of the member's compensation for the 12 months preceding the accident, offset by any payments received from Workers Compensation
Vesting:	5 years of service
Spouse's Pre-Retirement Death Benefit:	
Death while an Active Member	
Member had less than three years of service at date of death	Refund of member contributions plus interest
Member had at least three years of service at date of death	Refund of member contributions plus interest plus 25% of the member's base pensionable earnings in the year preceding death plus 5% of the member's base pensionable earnings for each full year in excess of three years
Death after Separation from Service	
Not Retirent Eligible	Refund of member contributions plus interest
Retirement Eligible	Survivor's portion of 100% Joint and Survivor benefit with Pop-Up, payable as if member retired immediately prior to death
Post-Retirement Death Benefit:	Based on form of payment chosen by member upon retirement
Optional Forms of Benefits:	Life Only Annuity; 50% or 100% Joint and Survivor Pension with Pop-Up

Continued,

DROP:	Members eligible for Normal Retirement or Unreduced Early Retirement may elect to defer receipt of their retirement benefits while continuing employment*. Upon the effective date of participating in the DROP, a member's years of service and Average Monthly Compensation become frozen for purposes of determining pension benefits. Additional service beyond the date of DROP participation no longer accrues any additional benefits under the Retirement System. Benefits that would have been payable are accumulated at interest to date of termination and paid in a single lump sum or in substantially equal payments over a period designated by the member but not to exceed 119 months. The interest rate shall be determined annually by the Trustees and credited as of each December 31st. *Members with at least 10 years of creditable service as of January 1, 2019 have a maximum DROP period of five (5) years; all other members have a maximum DROP period of three (3) years.
Contribution Rates:	
Member	6.0% of pensionable compensation
Employer	Actuarial Determined Contribution less member contributions
Changes in Plan Provisions:	There are no plan changes reflected for the first time in this valuation.

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

DESCRIPTION OF ACTUARIAL COST METHOD

Entry Age Actuarial Cost Method. Entry Age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined using the plan of benefits applicable to each participant.

The following assumptions were changed with this valuation, based on an experience study for the period of January 1, 2011 through December 31. 2016 conducted by another actuary employed by the City, with suggested changes by Segal:

- Update the mortality rates to use the PubG-2010 mortality tables for healthy lives, and PubNS-2010 Disabled
- Retiree table for Disabled lives, and project the mortality improvement for all participants with Scale MP-2018
- Change the retirement rates to use an age-based approach, rather than 100% at selected eligibilities

Continued,

- Lower the assumed rate of investment return from 7.50% to 7.25%
- Change the salary scale to use an age-based approach that reflects decreasing pay growth as a participant ages, rather than use 5% increases for all ages
- Update the turnover rates to reflect recent experience
- Update the disability rates to only begin after ten years of service, and stop at age 60

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with the standards established by the Government Accounting Standards Board (GASB). The following are the significant accounting policies followed by the plan:

Basis of Accounting – The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions are recognized as revenue in the period in which employee services are performed. Interest income is recognized in the period earned and dividends are recognized in the period declared. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

During the year ended December 31, 2014, the Plan adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans.* GASB Statement No. 67 established standards of financial reporting for defined benefit pension plans. Significant changes included specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

Method Used to Value Investments – The Plan implemented GASB 72, *Fair Value Measurement and Application*, during the year ended December 31, 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 with sufficient data available to measure fair value. Valuation techniques are used to measure fair value and maximize the use of relevant 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;

Continued,

- 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.
- 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 investment in certain securities that calculate net asset value per share (or its equivalent).

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of mutual funds and exchange traded funds not traded on a national or international exchange are calculated using the net asset value reported by the exchange traded funds and mutual funds. The fair value of investments in limited partnerships and limited liability companies were calculated as the Plan's percentage of ownership of the partner's capital reported by the limited partnership or limited liability company.

C. NET PENSION LIABILITY OF EMPLOYERS

The components of the liability of the Plan's employers to plan members for benefits provided through the pension plan was as follows as of December 31, 2019:

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a % of the Total Pension Liability
$ 723,145,441	$ 418,971,331	$ 304,174,110	57.94%

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 December 31, 2019 audit were based on the results of an actuarial valuation report as of January 1, 2020. The Schedule of Employers' Net Pension Liability is located in the required supplementary information following the *Notes to the Financial Statements* presents the financial activity affecting whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability.

Continued,

Significant actuarial assumptions used in the latest valuation are as follows:

Rationale for Assumptions The information and analysis used in selecting each demographic assumption that has a significant effect on this actuarial valuation is from the 2011– 2016 Actuarial Experience Study as performed by the prior actuary.

Net Investment Return: 7.25%

Salary Increases: Age- based annual rates ranging from 10% to 3.2%

Mortality Rates: *Healthy Pre-Retirement*: PubG-2010 Employee Mortality Tables, amount-weighted, projected generationally with Scale MP-2018
Healthy Post-Retirement: PubG-2010 General Healthy Retiree Tables, amount-weighted, projected generationally with Scale MP-2018
Disabled: PubNS-2010 Non-Safety Disabled Retiree Tables, amount-weighted, projected generationally with Scale MP-2018

Termination Rates before Retirement:

	Rate (%)				
Age	Mortality		Withdrawal after 5 years of Service		
	Male	Female	Disability	Male	Female
20	0.037	0.013	0.1650	20.00	18.00
30	0.036	0.015	0.1650	15.00	12.00
40	0.066	0.036	0.1350	7.00	6.00
50	0.149	0.083	0.5250	7.00	6.00
60	0.319	0.186	0.0000	7.00	6.00
70	0.703	0.489	0.0000	7.00	6.00
80	1.730	1.330	0.0000	7.00	6.00
90	1.730	1.330	0.0000	7.00	6.00

1 Mortality rates shown for base table.

2 All disabilities are assumed to be Ordinary Disabilities.

3 For the first five years of service, turnover is as shown on the next page.

Long-term Expected Rate of Return

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 expenses 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target allocation as of December 31, 2019 were determined by the System's investment advisors and are summarized as follows:

Continued,

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	2.00%	0.65%
Domestic equity	42.50%	6.40%
International equity	14.00%	7.05%
Fixed Income	22.00%	1.15%
Real Estate	5.00%	4.50%
Hedge funds and GTAA	9.50%	3.32%
Private Investments	5.00%	10.40%
	100.00%	

The discount rates used to measure the Total Pension Liability (TPL) was 7.25% as of December 31, 2019. The projection of cashflows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments for 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 TPL as of December 31, 2019.

The rate of return on the market value of assets was 16.27% for the January 1, 2019 to December 31, 2019 plan year. The return on the actuarial value of assets was 6.97% for the same period due to the recognition of prior years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 7.50%.

Based upon the low fixed income interest rate environment, target asset allocation and expectations of future investment returns for various classes, and with the recommendation of the recommendation of the Board's financial advisor, the Board adopted an investment return assumption of 7.25% with the January 1, 2020 valuation. This investment return assumption included an assumed inflation rate determined at 2.2%.

Continued,

In accordance with GASB 67, regarding the disclosure of sensitivity of net pension liability to changes in discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.25% 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 6.25% or one percentage point higher 8.25% than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	$ 802,900,330	$ 723,145,441	$ 656,481,652
Fiduciary Net Position	418,971,331	418,971,331	418,971,331
Net Pension Liability	$ 383,928,999	$ 304,174,110	$ 237,510,321

D. INVESTMENTS

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following fair value measurements as of December 31, 2019:

		Fair Value Measurement Using		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets - Level 1	Significant Other Observable Inputs - Level 2	Significant Other Unobservable Inputs - Level 3
Cash Equivalents	$ 24,205,541	$ -	$ 24,205,541	$ -
Equity Securities				
Domestic Equity	169,006,839	169,006,839	-	-
International Equity	59,590,355	12,989,146	26,149,093	20,452,116
	228,597,194	181,995,985	26,149,093	20,452,116
Fixed Income Securities				
Corporate Bonds	1,836	-	1,836.00	-
Core Fixed Incomes	73,600,546	-	73,600,546	-
Foreign Fixed Incomes	8,025,801	8,025,801	-	-
	81,628,183	8,025,801	73,602,382	-
Global Tactical Allocations (GTA)	20,066,095	10,131,566	9,934,529	-
Total Investments at Fair Value Level	354,497,013	200,153,352	157,806,980	20,452,116
Investments measured at the Net Asset Value (NAV)				
Private Equity	30,288,535			
Real Estate	23,915,435			
Hedge Funds	5,962,890			
Total investments at NAV	60,166,860			
Total investments at fair value	$ 414,663,873			

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 matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share or its equivalent as of December 31, 2019 is presented on the following table:

Asset Category	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds	$ 5,409,069	$ -	Quarterly	90 Days
Private Equity	$ 26,699,441	$ 1,640,419	N/A	N/A
Real Estate Funds	$ 24,181,348	$ -	Quarterly	90 Days

Private Equity

Private equity is an asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange. This asset class includes investments in various private equity funds. The fair values of the investments in this asset class have been determined using the Net Asset Value (NAV) per share or equivalent of the private equity capital.

A summary of significant positions in this category include;

Fund Name	Fund Description
Private Equity	
Vanguard Growth Fund	Large Cap Growth Index Mutual Fund
Wedge Capital Management	Large Cap Value Fund
Cornerstone	Large Cap Core
Vanguard Index 500	S&P 500 index mutual fund
Vanguard Extended Market Index	Mid/small cap index mutual fund
First Eagle International Equity	International equity collective investment fund
Vanguard Total International Index	International equity index mutual fund
Invesco Oppenheimer – Emerging Market	International emerging market equity collective investment fund
Wasatch Small Cap – Emerging Market	International emerging market small cap equity collective investment fund
Fixed Income	
Macquarie – Core Plus Fixed Income	Core plus fixed-income collective investment fund
TCW – Core Fixed Income	Core fixed income collective investment fund
Corbin Capital – Core Fixed Income	Hedge fund of funds with a focus on opportunistic fixed income strategies

Continued,

Hedge Funds

The hedge fund category of investments includes securities in a variety of strategies including real estate, fund of funds, derivatives and others. Securities in this category are not actively traded on stock exchanges and do not have quoted market prices. Fair value is determined and reported by the respective investment manager to the Plan's trustee on a recurring basis. The Plan's investment advisor reviews the reported values on a recurring basis and provides analysis to the Plan's board.

A summary of significant positions in this category include;

- Millennium International, LTD (Millennium) – This fund is engaged in in the business of trading equities, fixed income products, options, futures and other financial instruments.

- IIG Trade Opportunities is a global trade finance manager. The Plan has an investment in their IIG Trade Opportunities fund. The fund invests in short-term financial instruments issued in connection with trade finance transactions on a global basis. These transactions focus on trade and commodity inventory finance, including but not limited to pre-export production and processing finance.

  As discussed further in these footnotes, management determined that investment's value, stated at $3.8 million had been substantially impaired and was written-off during the 2019 year.

Investments of the Plan are reported at fair market value, where published values are available in actively traded markets. Estimated values are reported where published values are not available. Total reported value of investments at December 31, 2019 were $414,663,873.

Continued,

The following table presents the reported values of investments that represent 5% or more of the Plan's net position.

SECURITY DESCRIPTION		
Equity		**Fair Value**
Vanguard Growth - Large Cap Growth	$	26,901,128
Wedge Capital Management - Large Cap Value		27, 510,254
Cornerstone - Large Cap Core		33, 055,609
Vanguard 500 Index		48,761,468
Vanguard Extended Market Index		30,055,609
First Eagle - International Equity		20,452,123
Vanguard Total International Index		12,989,146
Invesco Oppenheimer - Emerging Market		17,835,326
Wasatch Small Cap - Emerging Market		8,313,767
Fixed Income		
Macquarie - Core Plus Fixed Income	$	25,753,838
TCW - Core Fixed Income		25,227,849
Corbin Capital - Core Fixed Income		23,112,187
	$	299,968,304

The Plan's overall investment policy sets forth an investment time horizon of greater than ten years for the aggregate fund however no specific limitations are placed upon the maturities for fixed income securities.

Net Appreciation/(Depreciation)

During 2019, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year appreciated in value by $53 million. The details are as follows:

Asset Category		Net Appreciation/ (Depreciation)
Domestic Equities	$	36,800,651
Foreign Equities		10,649,939
Domestic Fixed Incomes		4,416,722
Foreign Obligations		1,577,389
Alternative Investments		
Hedge Funds		(1,883,301)
Private Equities		242,073
Middle Market Debt		32,375
Real Estate		1,423,740
Total	$	53,259,588

Continued,

The Plan's Board sets forth an investment policy that establishes asset allocations by asset class that includes both target percentages and ranges. The details of the Plan's asset allocation are as follows:

Asset Category	Target Allocation	Actual Allocation
Domestic Equity	42%	40%
International Equity	14%	14%
Core Plus Fixed Income	20%	20%
Foreign Fixed Income	2%	2%
GTAA	8%	5%
Real Estate	5%	6%
Hedge Funds	2%	3%
Private Equity	5%	8%
Cash Reserves	2%	2%
	100%	100%

E. INVESTMENT EXPENSES

Investment expenses reported at $764,195 include the amounts paid directly to various investment managers by the Plan. These costs are separately identified in the Plan's investment trust statement. The recorded amount does not include other investment expenses that may have been incurred and charged directly by the certain commingled funds. These expenses are reflected in the changes in net asset value (NAV) of those funds. These expenses are ultimately reflected in the net appreciation/depreciation of investment balance on the Plan's financial statements.

F. ALTERNATIVE INVESTMENTS

In recognition of the increasing opportunities available in today's dynamic investment universe to seek returns that may be less correlated to traditional broad equity and fixed income markets, the Board may allocate up to 20% of the Aggregate Fund to alternative investments.

The Board recognized that alternative investments may contain a high-level of risk due to, but not limited to, such factors as potential liquidity constraints, restrictions on the ability to withdraw invested capital, concentrated positions, short positions, leverage, high volatility and the marketability of such investments. These investments include, but are not limited to real estate, private equity, options and derivatives. As of December 31, 2019, alternative investments were $32 million or 8% of the total investments.

Continued,

Quoted market prices are generally not available for these alternative investments. Accordingly, the recorded amounts represent estimated fair values. The Plan engages independent investment managers to advise and execute trades regarding alternative investments. These firms monitor the estimated valuations based upon receipt and review relevant financial data and periodic independent audits. The estimated market values are forwarded to the Plan's custodian financial institution on a monthly or quarterly basis. These market values are updated by the Plan's custodian. These updated values are included within these financial statements.

G. INVESTMENT CREDIT QUALITY

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

Cash on Deposit

As of December 31, 2019, the Plan's cash balances in bank accounts totaling $2,250,556. The account exceeded the FDIC insurance limit by $2,000,556. The account is on deposit with the Plan's investment custody bank. Daily cash balances in the cash reserve account are typically significantly lower than the year-end balance. Additionally, the Plan has not experienced any losses due to bank failure and does not believe it is exposed to any significant credit risk relating to its cash balance.

Concentration of Credit Risk

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issuer. The Plan's investment policy limits the concentration in any one issuer to 5% of fair value. At December 31, 2019 the Plan had no exposure of less than 5% in any single investment issuer.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. At December 31, 2019, the Plan was not exposed to custodial credit risk. The Plan has no investment policy regarding custodial credit risk.

Continued,

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At December 31, 2019 the Plan's fixed income securities were managed only in commingled or pooled accounts.

The Plan has no investment policy regarding credit risk on fixed income commingled or pooled accounts. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk. The Plan's investment policy provides that fixed income securities may include U.S. Treasury obligations, obligations of government sponsored enterprises, federal agency obligations, corporate bonds, debentures, asset backed securities, convertible securities, preferred stock commercial paper, and commercial bank certificates of deposit. All investments in interest-bearing nonconvertible obligations of corporations must be rated within the six highest ratings of a major rating service at the time of purchase (minimum B or higher).

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 December 31, 2019, the Plan had the following investments in long-term debt securities.

Investment Category	Market Value	Effective Life Not Available	Effective Life Less Than 1 Year	Effective Life 1-5 Years	Effective Life 6-10 Years	Effective Life Over 10 Years
Corporate Bonds	$1,837	$ 358	$ -	$ -	$ -	$ 1,479

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's investment policy restricts equity investments to securities that are U.S. dollar denominated and are registered with the SEC. The Plan had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

H. TREND INFORMATION

Trend information, which gives an indication of the progress made in accumulating sufficient assets to pay pension benefits when due, are presented in the following required supplementary information section of this report.

Continued,

I. COST-OF-LIVING BENEFITS

During 2017 the Board amended its policy regarding Cost of Living Adjustments (COLAs) as follows:

The board shall be authorized to retain trust earnings or gains in excess of an average three and one-half percent, which amount may be applied to provide one or more cost-of-living increases or bonuses for members who have retired, in an annual amount not to exceed three percent of each such members' initial retirement allowance multiplied by each year of such member's retirement, provided that the system's funded ratio is at least ninety-five percent. Such benefit, if any, shall be awarded and paid only when funds are available from this source as provided herein, and in the manner and at the time or times determined in the discretion of the trustees.

J. COSTS OF PLAN ADMINISTRATION

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

K. USE OF ESTIMATES

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

L. SETTLED ARBITRATION

During the prior year the Plan reached an arbitrated consent agreement with the City of New Orleans (the City) related to the Plan's claim that employer contributions from the City were not fully funded as required by the Actuary's report for certain years past. The settlement requires the City to pay the Plan a total of $4 million, payable in sixty (60) consecutive monthly pension payments of $66,666 through December 2024. The City did not remit any installment payments to the Plan during the year ended December 31, 2019. Budgetary considerations for the City could also impact the timing of future regular installments.

M. 5 – YEAR ACTUARIAL STUDY

The Plan engaged an independent actuary firm to perform a study of the Plan's actuarial assumptions and related matters with a 5-year look-back period. The study was issued on April 8, 2019. The study offered several recommendations that could impact the Plan's funding status if implemented in the future. No decisions have been made regarding the recommendations as of December 31, 2019.

Continued,

N. SUBSEQUENT EVENTS

Management evaluated subsequent events as of October 15, 2020, which was the date these financial statements were available to be issued. Significant events are summarized as follows:

On June 10, 2020, the Board approved updating its funding policy from an open, 15-year, level dollar, amortization of the unfunded liability to a level percent of payroll amortization with layered bases, each having a closed 25-year amortization period. The new funding policy meets this standard. This change is intended to assure that payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance. The Plan's actuary has indicated this change meets this standard.

Due to the COVID-19 pandemic, market conditions have changed significantly since the valuation date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. The effects of short-term market fluctuations in connection with the COVID-19 pandemic have not been considered.

Management has noted that there are no additional adjustments or disclosures required related to these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2019

Total Pension Liability	2019	2018	2017	2016	2015	2014
Service cost	$ 11,937,129	$ 9,107,643	$ 9,447,990	$ 9,062,738	$ 8,164,544	$ 7,231,227
Interest cost at 7.50%	48,444,849	46,037,729	45,680,973	42,201,480	40,513,176	40,840,178
Changes of benefit terms	-	(437,937)	-	-	-	-
Difference between expected and actual experience	(17,742,145)	23,954,158	13,756,022	43,807,817	20,288,669	(11,566,812)
Changes of assumptions	70,869,862	-	-	-	-	-
Benefit payments and net transfers	(48,716,880)	(50,075,418)	(48,198,171)	(48,678,803)	(46,455,662)	(40,864,625)
Net change in total pension liability:	64,792,815	28,586,175	20,686,814	46,393,232	22,510,727	(4,360,032)
Total pension liability - beginning	658,352,626	629,766,451	$ 609,079,637	562,686,405	540,175,678	544,535,710
Total pension liability - ending	$ 723,145,441	$ 658,352,626	$ 629,766,451	$ 609,079,637	$ 562,686,405	$ 540,175,678
Plan fiduciary net position						
Contributions - employer	$ 33,884,678	$ 31,065,227	$ 27,169,921	$ 27,304,527	$ 22,447,281	$ 20,306,887
Contributions - member	9,134,139	8,246,577	7,677,009	7,444,419	6,490,092	6,193,573
Net investment income	59,043,437	(15,589,616)	51,906,523	28,611,585	(14,044,748)	12,930,693
Benefit payments and net transfers	(48,716,880)	(50,075,418)	(48,198,171)	(48,678,803)	(46,455,662)	(40,864,625)
Administrative expense	(376,002)	(243,972)	(337,564)	(170,780)	(88,383)	(272,072)
Transfers into the System	264,650	507,195				
Net change in plan fiduciary net position:	53,234,022	(26,090,007)	38,217,718	14,510,948	(31,651,420)	(1,705,544)
Plan fiduciary net position - beginning	365,737,309	391,827,316	353,609,598	339,098,650	370,750,070	372,455,614
Plan fiduciary net position - ending	418,971,331	365,737,309	391,827,316	353,609,598	339,098,650	$ 370,750,070
Net pension liability - ending:	$ 304,174,110	$ 292,615,317	$ 237,939,135	$ 255,470,039	$ 223,587,755	$ 169,425,608
Plan fiduciary net position as a percentage of the total pension liability:	57.94%	55.55%	62.22%	58.06%	60.26%	68.64%
Covered-employee payroll	149,538,039	128,530,078	120,808,711	115,504,517	105,691,915	97,243,871
Net pension liability as a percentage of covered-employee payroll:	203.41%	227.66%	196.96%	221.18%	211.55%	174.23%

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

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
SCHEDULE OF SYSTEM'S CONTRIBUTIONS
DECEMBER 31, 2019

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution (Deficiency) /Excess	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2009	17,066,353	12,614,236	4,452,117	89,366,260	14.12%
2010	21,281,308	13,031,810	8,249,498	85,926,577	15.17%
2011	20,850,837	19,917,899	932,938	93,636,301	21.27%
2012	18,828,387	19,010,841	(182,454)	92,881,497	20.47%
2013	20,228,129	18,544,682	1,683,447	92,440,354	20.06%
2014	20,871,424	20,306,887	564,537	97,243,872	20.88%
2015	21,891,996	22,447,281	(555,285)	105,691,915	21.24%
2016	22,713,296	27,304,527	(4,591,231)	115,504,517	23.64%
2017	26,857,512	27,169,921	(312,409)	120,808,711	22.49%
2018	28,015,495	31,065,227	(3,049,732)	128,530,078	24.17%
2019	28,689,759	33,884,678	(5,194,919)	149,538,039	22.66%

The accompanying notes to required supplementary information is an integral part of this statement.

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
SCHEDULE OF INVESTMENT RETURNS
DECEMBER 31, 2019

Year	Annual Money-Weighted Rate of Return
2008	-30.18%
2009	23.13%
2010	14.11%
2011	-1.30%
2012	11.56%
2013	15.17%
2014	4.17%
2015	-3.88%
2016	8.62%
2017	8.52%
2018	5.57%
2019	5.03%

The accompanying notes to the required supplementary information is an integral part of this statement.

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the Plan's actuary. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Plan.

2. SCHEDULE OF EMPLOYERS' NET POSITION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the Plan's employer 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 Plan. Covered employee payroll is the payroll of all employees that are provided with benefits through the Plan.

3. SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES:

The difference between the actuarially determined contributions from employer and non-employer contributing entities and the percentage of employer contributions received to covered employee payroll is presented in this schedule.

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 on 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 Plan's Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are noted in Note C, Net Pension Liability of Employers.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
DECEMBER 31, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weakness(es) identified?	____yes	_X_no
Significant deficiency(s) identified not considered to be material weaknesses?	_X_yes	____no
Noncompliance material to financial statements noted?	____yes	_X_no

Federal Awards **(Not Applicable)**

Luther Speight & Company
Certified Public Accountants and Consultants

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*

To the Honorable Mayor and City Council
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 Employees' Retirement System of the City of New Orleans (the Plan), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated October 15, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and management responses as Finding #19-01, that we consider to be a significant deficiency.

Continued,

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan'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.

Luther Speight & Co

New Orleans, Louisiana
October 15, 2020

SCHEDULE OF FINDINGS AND RESPONSES

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FINDING 19-01: PLAN ACCOUNTING PROCEDURES DO NOT PROVIDE FOR RECONCILIATION OF THE GENERAL LEDGER TO THE INVESTMENTS TRUST STATEMENTS FOR CERTAIN TRANSACTION TYPES (ORIGINATED IN 2018)

CRITERIA:
Governmental accounting best practices require that financial statements be supported by general ledgers that include detail transactions and subsidiary ledgers to support financial statement preparation and an adequate audit trail.

CONDITION:
The Plan's accounting system relies heavily on the investment custodian and their related trust statement for detail transaction postings. The trustee processes four (4) transaction types;

- Investment transactions
- Retiree benefit payments
- Vendor payments
- Cash transfers

Generally, the Plan's general ledger includes summary transaction totals based upon the trust statement's detail transactions. This approach appears practicable for the investment transactions and retiree benefit payments, based upon their voluminous nature and respective internal control environments that include a high level of systematic controls at the trustee level, subject to overall reconciliation between the general ledger and the trust statement by the Plan. However, the vendor payments and cash transfers processed by the Plan through the trustee's system are subject to internal control procedures that appear to rely more upon the Plan's internal control environment and procedures. Accordingly, Plan's general ledger should include detail transaction postings for each vendor payment and cash transfer executed by the Plan.

CAUSE:
The Plan's general ledger system did not have capacity to include sufficient transaction detail related to certain transaction types.

EFFECT:
Management review and monitoring controls over transaction processing vendor payments and cash transfers are adversely affected.

FINDING 19-01 (CONTINUED)

RECOMMENDATION:
We recommend that the Plan enhance its general ledger accounting procedures to include detailed transaction postings for vendor payments and cash transfers.

MANAGEMENT RESPONSE:
We will implement enhanced general ledger accounting procedures which will include detailed postings of other receipt and disbursement transactions processed through the investment trust statement.

THE EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS
DECEMBER 31, 2019

STATUS OF PRIOR YEAR FINDINGS

Finding #	Description	Status
18-01	PLAN ACCOUNTING PROCEDURES DO NOT PROVIDE FORRECONCILIATION OF THE GENERAL LEDGER TO THE INVESTMENTS TRUST STATEMENTS FOR CERTAIN TRANSACTION TYPES	Unresolved

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

DECEMER 31, 2019

Agency Head Name: Jesse Evans, Jr.

Purpose	**Amount**
Salary	$101,929
Benefits-insurance	6,833
Benefits-retirement	0
Benefits-other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	200
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	183
Housing	0
Unvouchered expenses*	0
Special meals	0

Served as Director of City of New Orleans Employees' Retirement System from January 1, 2019 through December 31, 2019.

Luther Speight & Company
Certified Public Accountants and Consultants

EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS

AGREED-UPON PROCEDURES REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

Luther Speight & Company
Certified Public Accountants and Consultants

Independent Accountant's Report
On Applying Agreed-Upon Procedures

To the Members of the Board of Trustees and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Employees' Retirement System of the City of New Orleans and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2019. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations 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 performed and the associated findings are listed below. The procedure is stated first, followed by the result of the procedures presented in italics. If the entire section is not applicable it is noted at the section level.

Written Policies and Procedures

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

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

      Auditor Comment: *Budgeting procedures were adequately documented.*

   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

Auditor Comment: *Purchasing policies were adequately documented, which included a detailed list of Procurement Procedures.*

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

Auditor Comment: *Disbursement procedures were adequately documented.*

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

Auditor Comment: *Receipts procedures were adequately documented.*

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

Auditor Comment: *N/A. Employees of the System are employed by and paid by the City.*

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

Auditor Comment: *Investment manager and non-investment manager contracting procedures were adequately documented.*

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

Auditor Comment: *N/A. The System has no credit or debit cards issued.*

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

Auditor Comment: *Travel procedures are adequately documented.*

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.

Auditor Comment: *The Ethics requirements are adequately documented.*

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

Auditor Comment: *N/A. The System has no debt.*

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Auditor Comment: *We noted the System follows the disaster recovery process as directed by the City of New Orleans.*

Board or Finance Committee

Auditor Comment: *Testing for this section was not deemed necessary for the year ended December 31, 2018 due to a lack of findings in prior year. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

Bank Reconciliations

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

Auditor Comment: *List of bank accounts and management's representation were obtained. We noted the System only has two bank accounts.*

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

Auditor Comment: *We noted that the Plan has two bank accounts. The bank and book balances properly reconciled for both accounts with no reconciling items noted.*

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

Auditor Comment: *The bank reconciliation did not show signed evidence of review by a member of management.*

Management Response: *While the bank reconciliations are reviewed by management, we will implement a more definitive confirmation method, which may include a manual written confirmation or check-off or some form of electronic confirmation of management review.*

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

Auditor Comment: *No reconciling items noted. See response at 2a) above.*

Collections (excluding EFTs)

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

Auditor Comment: *A listing of all collection locations was received from management and confirmed as complete.*

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

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

Auditor Comment: *The System employees do not share cash drawers.*

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

Auditor Comment: *We noted adequate segregation of duties for collection and deposit procedures.*

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

Auditor Comment: *We noted adequate segregation of duties for collection and deposit procedures.*

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

Auditor Comment: *We noted adequate segregation of duties for collection and deposit procedures.*

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

Auditor Comment: *We noted that all employees were bonded; however the level of coverage does not appear adequate considering the size and liquidity of the fund. Adequate segregation of duties regarding cash receipts exist. No sharing of computers or logins were noted regarding the cash receipt function.*

Management Response*: Bonding coverage is provided by the plan sponsor (City of New Orleans). We will have to re-visit coverage levels with the plan sponsor and determine if an adjustment is needed.*

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

a) Observe that receipts are sequentially pre-numbered.

Auditor Comment: *We noted no exceptions during testing.*

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

Auditor Comment: *We noted no exceptions during testing.*

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

Auditor Comment: *We traced deposits to the bank statement with no errors noted.*

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

Auditor Comment: *Per review of the check log and deposit support, it was noted that some deposits are made greater than one business day after receipt of checks.*

Management Response: *We have implemented a check scan to deposit banking product that should minimize these occurrences.*

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

Auditor Comment: *We noted no exceptions during testing.*

Non-Payroll Disbursements

Auditor Comment: *Testing for this section was not deemed necessary for the year ended December 31, 2018 due to a lack of findings in prior year. In addition, we noted that disbursement procedures did not change since then. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

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

Auditor Comment: *We noted the System does not maintain any credit or debit cards. This section is not applicable for the year ended December 31, 2019.*

Travel and Travel-Related Expense Reimbursements

Auditor Comment: *We noted no findings for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

Contracts

Auditor Comment: *Testing for this section was not deemed necessary for the year ended December 31, 2018 due to a lack of findings in prior year. In addition, we noted that contract procedures did not change since then. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

Payroll and Personnel

Auditor Comment: *The System employees are paid through the City of New Orleans and no salary expense is recorded for the System. Therefore, this section is not applicable for the year ended December 31, 2019.*

Ethics

Auditor Comment: *Testing for this section was not deemed necessary for the year ended December 31, 2018 due to a lack of findings in prior year. In addition, we noted that personnel procedures did not change since then. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

Debt Service

Auditor Comment: *The System had no debt as of the year ended December 31, 2019. Therefore, this section is not applicable*

Other

Auditor Comment: *We noted no findings for the year ended December 31, 2018. In addition, we noted that misappropriation procedures did not change since then. Therefore, we determined this section was not necessary for the year ended December 31, 2019.*

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

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

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, LA
October 15, 2020