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R E P O R T

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

DECEMBER 31, 1967

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewer, clerk, and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 27 1968

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

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DECEMBER 31, 1999

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INDEPENDENT AUDITOR'S REPORT

CONTRACT
KENNETH J. BACON, CPA

April 3, 1995

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

We have audited the statements of plan net assets of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 1994, and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 1994, and the results of operations and changes in net assets for the year then ended in conformity with generally accepted accounting principles.

We have audited the financial statements of the Firefighters' Pension and Relief Fund New System and Old System for the year ending December 31, 1993 and issued our unqualified opinion on such financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information and the supplemental schedules listed in the index to the report are presented for the purposes of additional analysis and are not a required part of the basic financial statements. We have not examined the financial statements of the Firefighters' Pension and Relief Fund New System and Old System for any period prior to the year ended December 31, 1994, except for the year ended December 31, 1994. Accordingly, we do not express an opinion or any other form of assurance on the required statistical information and supplemental schedules relating to any period prior to December 31, 1994, except for the year ended December 31, 1994. Such required statistical information and supplemental schedules for the years ending December 31, 1993, 1996 and 1994, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 1995 on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and our tests of its compliance with laws, regulations and contracts.

Duplantier, Hrapman, Hogan & Maher, LLP

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 1997**

	Regular Deposits		New System Accruals/Contributions		Total		Regular Payments		Old System Withdrawals		Total
	\$	%	\$	%	\$	%	\$	%	\$	%	
ASSETS:											
Cash (Note 5)	18,933		182		19,115		3,192,008		814,881		4,106,004
INVESTMENTS:											
Increased Investments Income	272,889		6,877		279,766		17,138		6,260		286,026
Investments receivable	24,812		--		24,812		--		--		24,812
Net from other system	138,000		6,877		144,877		30,800		3,280		178,157
Total					447,694		48,938		10,540		498,232
INVESTMENTS (BY FUND BALANCE): (Notes 1 and 5) (Page 18)											
Cash equivalents	26,216,406		222,563		26,438,969		2,426,476		661,430		3,100,406
Collateral held under Securities Lending Program (Notes 1 and 11)	16,426,149		366,281		16,792,430		456,621		336,865		17,129,296
Bonds	27,083,113		800,340		27,883,453		31,264		9,900		27,923,553
Stocks	6,113,595		--		6,113,595		--		--		6,113,595
Notes receivable (Note 11)	4,491,632		3,538		4,495,170		1,321,178		1,114,183		5,309,253
Total Investments	10,000,295		1,092,522		11,092,817		2,815,339		1,922,278		13,015,087
Employer's net of accumulated depreciation of FRS-511 (Note 1)	--		--		--		4,288		--		4,288
Total assets	18,287,287		1,695,282		20,000,000		6,438,231		1,864,211		23,268,232

LIABILITIES:											
Accounts payable	179,168		--		179,168		4,284		--		1,204
Payroll taxes payable	--		--		--		4,284		--		4,284
Treatment payable	4,408		--		4,408		--		--		--
Due to other system	22,723		--		22,723		--		--		--
Borrowings under Securities Lending Program (Notes 1 and 11)	30,798,145		--		30,798,145		1,288		--		1,288
Total Liabilities	58,183,444		--		58,183,444		5,860		--		6,784
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	1,276,233,008		1,693,597		1,277,926,605		6,432,371		1,862,421		1,281,048,232

(A schedule of funding progress for the Old System is presented on Page 19)

See accompanying notes.

**FIREWORKS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDING DECEMBER 31, 2002**

	Regular Contributions	Net System Restricted- Asset	Total	Regular Disbursements	Old System Restricted- Asset	Total
Assets, (Deductions)						
Contributions:						
Member	624,665	--	624,665	26,425,200	--	26,425,200
City appropriations	1,688,624	1,118,608	2,807,232	81,847	1,174,668	17,091,629
Firm insurance rebates	--	--	--	11,286,587	--	11,286,587
Total contributions	1,713,289	1,118,608	2,831,897	38,793,634	1,174,668	39,968,302
Less: Investment income	21,202	--	21,202	--	--	21,202
Employee contribution	1,791,122	--	1,791,122	294,207	--	2,085,329
Net appreciation (depreciation) in fair value of investments	--	--	--	17,426	--	17,426
Less: Investment expenses	66,477	--	66,477	--	--	66,477
Investment management fees	39,475	--	39,475	--	--	39,475
Investment custodian fees	26,992	--	26,992	--	--	26,992
Net investment income	18,000	--	18,000	17,426	--	35,426
Other:	21,272	--	21,272	--	--	21,272
Transfer in	28,258,222	1,118,608	29,376,830	11,286,587	--	18,090,243
Total additions	4,125,797	--	4,125,797	25,302,219	--	15,132,025
Reductions: (Deductions)	11,968	--	11,968	--	--	11,968
Retiral of contributions	4,800	--	4,800	35,000	--	39,800
Death benefits	24,471	--	24,471	267,947	--	302,047
Administrative expenses (Page 10)	--	--	--	--	--	--
CAMP withdrawal	--	66,126	66,126	--	12,168	78,294
Transfer out	25,411	--	25,411	21,212	--	46,623
Transfer to other system	1,267,007	86,126	1,353,133	15,000,000	12,168	15,012,168
Total deductions	1,322,696	1,528,252	2,850,948	26,605,266	1,180,236	27,786,494
NET INCREASE	18,441,442	1,686,356	19,127,798	2,176,442	1,168,432	3,344,282
NET ASSETS HOLD IN TRUST FOR FUNDOR MEMBERS, BEGINNING OF YEAR	1,028,881	1,688,281	2,717,162	2,466,512	1,688,432	4,154,944
NET ASSETS, END OF YEAR	1,047,323	3,374,637	4,421,960	4,642,954	2,856,864	7,498,814

See accompanying notes.

**FIREFIIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997**

The Firefighters' Pension and Relief Fund was created, pursuant to Louisiana Revised Statute 11:3381, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. The Fund is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq.

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1989. The New System covers firefighters who were employed after December 31, 1987 or Old System members who have given written application to the board to elect coverage under the New System.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

Basis of Accounting:

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

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

Methods Used to Value and Report Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments of the Old and New Systems are allocated to the restricted DRPF Fund based on total DRPF deposits. The investments in the two funds are maintained in one account.

Futures Contracts:

The margin account for the purchase of the futures contracts is invested in cash equivalents and is included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs.

Equipment:

Equipment is valued on the basis of historical cost and depreciated using the straight-line method of depreciation. Depreciation expense for the year ended December 31, 1997 is \$6,678.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992**

2. PLAN DESCRIPTION:

The Firefighters' Pension and Relief Fund was established and placed under the management of the board of trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:2841 et seq. for active firefighters employed by the City of New Orleans.

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

At December 31, 1992, the Firefighters' Pension and Relief Fund's membership consisted of:

	New System	Old System
Current retirees and beneficiaries	243	689
Terminated with contributions on deposit with the System	78	--
Terminated and converted active employees covered	<u>718</u>	<u>88</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u>1,039</u>	<u>777</u>

Retirement Benefits

Members may retire with twelve years of creditable service at age fifty. The retirement benefit paid is two and one-half percent of average compensation for each year of creditable service during the best four consecutive years of service preceding the date of retirement. For members with more than twenty years of service, benefits are an additional two and one-half percent per year to be increased by one half percent for each year of service over twenty upon attaining age fifty-five. The maximum benefit payable is 308% of average compensation earned during any three highest average consecutive years of service preceding retirement.

Members covered under the Old System may retire with twenty years of creditable service regardless of age. For the first twenty years of service, the retirement benefit paid is 88% of average compensation during the best year of service preceding the date of retirement. For each year of service in excess of twenty years, benefits are an additional 2.6% per year not to exceed 308%. In addition, if the member has attained age 50, his benefit is increased by .8% for each year of service over 25.

Disability Benefits

Under both systems, disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Nonservice related benefits are 30% of final compensation for those members with ten years of service or less; 48% of final compensation for those members with more than ten years but less than fifteen years of service; and 50% of final compensation for those members with more than fifteen years of service. Service related benefits for those unable to do any work are the greater of 2/3 of monthly compensation or a regular retirement benefit if the member is so eligible. For those unable to perform firefighting duties but able to do other work, service related benefits are equal to the greater of 1/2 of monthly compensation or a regular retirement benefit if the member is so eligible.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1992**

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits

Under the New System, survivor benefits are payable in accordance with each member's option elections under La. R.S. 11:3388. However, if a member dies from service-connected causes while actively employed, irrespective of his years of service or eligibility for pension by age, the member's surviving spouse receives a presumptive benefit based on twenty years of service, calculated as a husband-and-wife benefit. In addition, a \$1,000 lump sum benefit is payable to the firefighter's designated beneficiary.

Under the Old System, non-service related survivor benefits of \$300 per month are payable to a spouse, except during such time as the spouse is remarried. Service related spousal death benefits are 50% of the firefighter's salary, except during such times as the spouse is remarried. In addition, survivor benefits of \$75 per month are payable for each child under the age of eighteen, until each reaches age 18. If the firefighter is unmarried and leaves no minor children at death, the \$300 survivor benefit is payable to the firefighter's dependent parents. A \$1,000 lump sum benefit is payable upon the death of any active or retired member to the named beneficiary.

Refund Benefits

Under the New System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of accumulated contributions plus interest. For the Old System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of 60% of accumulated contributions.

DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member who has twenty or more years of service may elect to participate in the Deferred Retirement Option Plan (DROP) for up to three years and defer the receipt of benefits. Upon commencement of participation in the plan, membership in the system terminates. During participation in the plan, employer contributions cease. The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. This fund does not earn interest at any time. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the system has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account. The monthly benefits that were being paid into the deferred retirement option plan fund will begin to be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the plan fund cease and the person resumes active contributing membership in the system.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997**

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The New System is funded by employee and employer contributions established by state statute. Employees contribute 5% of salary for the first twenty years of employment. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year.

The Old System is funded by employee and employer contributions established by state statute. Employees contribute 5% of salary for the first twenty years of employment. Employer contributions are made monthly for the amount necessary to pay current expenses. Annual contributions to the Old System do not include amortization of past service cost. In effect, the Old System is being funded on a "pay-as-you-go" basis. No new participants have entered the Old System since December 31, 1967. In addition, the Old System receives fire insurance taxes amounting to 2% of the fire insurance premiums written in the City of New Orleans.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

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

A) 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 other benefits are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance of the New System is \$81,184,766 and it is fully funded. The Pension Reserve balance of the Old System is \$184,291,675 and it is 8.2% funded.

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is \$37,162,877 and it is fully funded. The Annuity Savings balance of the Old System is \$175,264 and it is fully funded.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance of the New System is \$26,027,563 and it is fully funded. The Pension Accumulation balance of the Old System is \$18,965,946 and it is 0% funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1991

3. CONTRIBUTION AND RESERVE: (Continued)

b) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant. The DROP account balance of the New System is \$1,685,263 and it is fully funded. The DROP balance of the Old System is \$1,998,212 and it is fully funded.

4. ACTUARIAL COST METHOD:

The Aggregate Cost Method was used to calculate the funding requirements of the New System. This funding method allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces an unfunded accrued liability. Under the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Based on actual experience future normal costs will increase or decrease.

The Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System. Under this cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of the future normal cost is called the actuarial accrued liability. Gains and losses directly increase or decrease the unfunded accrued liability.

Although the Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System, it is funded on a "pay-as-you-go" basis, as more fully described in Footnote 3. Current contributions cover current expenses only.

There were changes in valuation methods and assumptions for the 1992 valuation. Rates of DROP entry and disability were modified for ages in excess of 55 to reflect recent and future anticipated experience. This experience indicates a higher level of DROP participation and lower rates of disability. In addition, a change was made in the mortality table to better reflect current and future anticipated mortality. Active and retiree mortality was set according to the 1994 Uninsured Pensioner Table. Disability mortality was based on a five year set forward of this table. These changes increased the Present Value of Future Benefits in the New System by \$3,908,190. The change in the assumptions also increased the Present Value of Future Employee Contributions by \$129,080. In addition to the assumption changes, the method of accounting for the one year delay in appropriation of the required funds was also changed to incorporate an adjustment of current year normal costs for shortfall or surplus contributions.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987**

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the Pension and Relief Fund's deposits, cash equivalents and investments at December 31, 1987:

	<u>NEW SYSTEM</u>	<u>OLD SYSTEM</u>
Deposits (Bank balance)	\$ 218,400	\$4,804,000
Cash equivalents	36,579,360	1,708,000
Investments	257,280,255	837,328

Deposits:

The Fund's bank account balances as of December 31, 1987 were entirely covered by Federal depository insurance and pledged securities.

Cash Equivalents:

Cash equivalents of the New System consist of government backed pooled funds. The funds are held by the Fund's custodian's trust department in the Fund's name. The cash equivalents of the Old System consist of repurchase agreements which are collateralized.

Investments:

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

The Fund's investments are categorized to give an indication of the level of custodial credit risk assumed by the entity of peer-risk. Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Fund's name.

	<u>CARRYING AMOUNT MARKET VALUE</u>	<u>CATEGORY</u>
<u>New System</u>		
Collateral held under Securities Lending Program	\$ 13,708,318	2
Collateral held under Securities Lending Program invested in collateral investment pool	1,808,238	N/A
Bonds	32,238,887	1
Stocks	85,947,817	1
Notes receivable	6,480,000	1

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997**

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (continued)

Investments: (Continued)

Investments held by broker-dealers in which collateral may be reinvested:		
Bonds	\$ 928,007	N/A
Stocks	10,947,285	N/A
VIM	<u>\$12,875,292</u>	
Old System		
Bonds:		
Corporate bonds	\$ 990,436	1
Stocks:		
Stocks	48,982	1
TOTAL	<u>\$ 1,039,418</u>	

Market values for the New System are furnished by the Fund's custodial bank. Market values for the Old System are obtained from an independent public source or are estimated using discounted cash flows.

6. PER DIEM PAID TO BOARD MEMBERS:

Board members are not paid per diem for attending board meetings.

7. PRISM FUNDING ADJUSTMENT:

The Pension Reserve and DROP reserve balances of the Old and New Systems have been adjusted by \$22,575 to correct the accounting for an Old System member who transferred to the New System in 1995. The adjustment had no effect on the total net assets as of January 1, 1997.

8. OFFICE RENTAL:

The Fund rented office space under a three year lease which expired December 31, 1997. Monthly rent was \$782. Total rent expense for the year ending December 31, 1997, was \$9,384.

9. USE OF ESTIMATES:

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

10. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 17 - 19.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

13. SECURITY LOANS AGREEMENTS:

The Board of Trustees of the Fund authorized the Fund to enter into reverse repurchase agreements in the operation of its securities lending program. These agreements consist of the loan of securities (stock and bonds) with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of 102% of the market value of the securities underlying the reverse repurchase agreements. This excess provides the Fund with a margin against an increase in the market value of the transferred securities. If the dealers default on their obligations to retransfer these securities to the Fund or to provide securities of cash of equal value, the Fund is protected from an economic loss because of the margin required from the dealers.

In cases of security loans in which the collateral received by the Fund is cash, the Fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in footnote 5. At December 31, 1997 all collateral was cash collateral. The cash collateral was invested in cash equivalents, commercial paper and a collateral pool of repurchase agreements at December 31, 1997. The maturities of these investments match the maturities of the securities loans.

The Fund received interest income of \$97,146 and incurred interest expense of \$28,855 from security lending transactions. The net income of \$68,291 received from the transactions is recorded on the financial statements in investment income.

14. FUTURES CONTRACTS:

The fund has entered into futures contracts for the purpose of trading. At December 31, 1997, the Fund had outstanding forty-eight S&P futures contracts, all maturing March 2098. The notional value of the open contracts at December 31, 1997 was \$11,358,708. The fair value of the open contracts at December 31, 1997 was \$11,349,208.

The Fund is exposed to credit loss in the event of nonperformance by the other parties to the futures contracts. However, the Fund does not anticipate nonperformance by the counterparties. The fund is exposed to market risk as a result of possible future changes in market prices. The maximum amount of credit or market risk to the fund is the notional value of the contracts. During the year ended December 31, 1997, the fund realized net gains of \$3,611,635 on futures trading. The net gains are recorded on the financial statements in investment income.

The Fund is required to pledge a treasury note with a carrying value of \$2,000,000 as collateral for the trading account. The fund is also required to maintain a margin account in the amount of \$4,000,000, to serve as the source of funds for any required variation margin, and is consistent with risk parameters agreed to. At December 31, 1997, the margin account's balance was \$2,000,000.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997**

13. NOTES RECEIVABLE:

During the year ended December 31, 1997, the Fund invested in three corporations. The terms and details of the notes are as follows:

- a) On October 1, 1997, the Fund loaned \$3,808,000 to Weston Lakes Country Club and Sierra Golf Corp. (the Corporations). The loan bears interest at 8% which is due in quarterly installments commencing from the date of the loan. Principal is to be paid in quarterly installments commencing January 31, 2003 and ending January 31, 2008.

The Fund may, by giving written notice of its desire to do so on or before July 31, 2002, accelerate the balance due under the loan and, in said event, the Corporations are required to pay the cumulative sum of all unpaid principal, accrued but unpaid interest, projected net cash flow not yet paid plus 10% of the net appraised value of the property and the improvements on or before January 31, 2003. In the event that the Fund does not elect to accelerate the loan, the Corporations may give written notice subsequent to July 31, 2002 but on or before October 31, 2002 of their desire to prepay the loan under the same terms as the Fund's acceleration.

The note is collateralized by a deed of trust granting a mortgage ranking in first position on property and improvements recently appraised at \$3,858,000. Additional interest of the greater of 35% of net cash flow (gross income of the property less operating expenses of the property) or projected net cash flow (as detailed in the loan agreement) is due in annual installments commencing January 31, 1999, until the note is paid in full.

- b) On November 28, 1990, the Fund loaned \$1,680,000 to BSI Golf of California, Inc (BSGI). The loan bears interest at 8.5% which is due in quarterly installments commencing from the date of the loan. Principal is to be paid in quarterly installments commencing January 31, 2003 and ending January 31, 2008.

The fund may, by giving written notice of its desire to do so on or before July 31, 2002, accelerate the balance due under the loan and, in said event, BSGI is required to pay the cumulative sum of all unpaid principal, accrued but unpaid interest, projected net cash flow not yet paid plus 10% of the net appraised value of the property and the improvements on or before January 31, 2003. In the event that the Fund does not elect to accelerate the loan, BSGI may give written notice subsequent to July 31, 2002 but on or before October 31, 2002 of its desire to prepay the loan under the same terms as the fund's acceleration.

The note is collateralized by a deed of trust granting a mortgage ranking in second position on property and improvements recently appraised at \$1,180,000. As of December 31, 1997, the first mortgage on the property and improvements was \$11,690,000. Additional interest of the greater of 15% of net cash flow (gross income of the property less operating expenses of the property) or projected net cash flow (as detailed in the loan agreement) is due in annual installments commencing January 31, 1999, until the note is paid in full.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 1997

	PENSION RESERVE	ANNUITY SAVINGS
BALANCES, JANUARY 1, 1997, AS PREVIOUSLY REPORTED	\$ 48,582,700	\$ 18,944,770
Prior period adjustment	<u>(20,873)</u>	—
BALANCES, JANUARY 1, 1997, AS RESTATED	<u>48,561,827</u>	<u>18,944,770</u>
REVENUES AND TRANSFERS:		
Contributions:		
Members	—	824,895
Employers	—	—
Net income from investments and other sources	—	—
Interest on accumulated savings	—	551,853
Transfers from members' savings	1,181,528	—
Transfer from Old System	21,212	—
Pensions transferred from annuity reserve	—	—
Actuarial transfers	<u>3,695,908</u>	—
Total revenues	<u>11,078,368</u>	<u>1,376,528</u>
EXPENDITURES AND TRANSFERS:		
Retirement allowances paid	4,189,797	—
Refunds to members	—	11,990
Transfers to annuity reserve	—	1,161,396
Pensions transferred to OROP	1,094,933	—
Death benefits	—	—
Interest transferred to annuity savings	—	—
Transfer to other systems	—	4,987
Actuarial transfer	—	—
Total expenditures	<u>5,284,630</u>	<u>1,178,373</u>
NET INCREASE (DECREASE)	<u>5,804,538</u>	<u>198,203</u>
BALANCES - DECEMBER 31, 1997	\$ <u>54,366,365</u>	\$ <u>19,143,073</u>

	EROC	PENSION ACCUMULATION	EXCESS NET ASSETS	TOTAL
\$	648,603	\$ 68,156,461	\$ 8,777,457	\$ 181,680,200
	<u>22,873</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>571,386</u>	<u>68,156,461</u>	<u>8,777,457</u>	<u>181,680,200</u>
	---	---	---	824,665
	---	3,803,240	---	3,803,240
	---	25,337,085	---	25,337,085
	---	---	---	553,633
	---	---	---	1,183,386
	---	---	---	23,212
	1,094,833	---	---	1,094,833
	---	---	3,996,326	3,996,326
	<u>1,094,833</u>	<u>28,343,296</u>	<u>3,996,326</u>	<u>44,679,550</u>
	60,166	---	---	4,329,863
	---	---	---	11,998
	---	---	---	1,181,386
	---	---	---	1,094,833
	---	4,006	---	4,006
	---	661,633	---	661,633
	---	17,444	---	17,411
	---	<u>12,888,128</u>	---	<u>12,888,128</u>
	<u>60,166</u>	<u>13,459,203</u>	---	<u>19,951,519</u>
	<u>1,033,877</u>	<u>16,801,092</u>	<u>2,996,326</u>	<u>24,918,040</u>
\$	<u>1,496,263</u>	<u>\$ 85,017,553</u>	<u>\$ 11,767,183</u>	<u>\$ 176,668,389</u>

FIREFIGHTERS' PENSION AND SAVED FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 1997

	PENSION RESERVE	ANNUITY SAVINGS
BALANCES, JANUARY 1, 1997, AS PREVIOUSLY REPORTED	\$ 147,938,389	\$ 361,891
Prior period adjustment	<u>22,973</u>	<u>---</u>
BALANCES, JANUARY 1, 1997, AS RESTATED	<u>148,000,862</u>	<u>361,891</u>
REVENUES AND TRANSFERS:		
Contributions:		
Employers	---	---
Fire insurance rebate	---	---
Transfers from members' savings	124,087	---
Positions transferred from annuity reserve	---	---
Actuarial transfers	<u>22,518,094</u>	<u>---</u>
Total revenues	<u>22,542,181</u>	<u>---</u>
EXPENDITURES AND TRANSFERS:		
Retirement allowances paid	15,532,605	---
Net expenses from investment and other sources	---	---
Transfers to annuity reserve	---	124,087
Positions transferred to DOP	1,159,241	---
Transfers to New System	<u>21,212</u>	<u>---</u>
Death benefits	---	---
Actuarial transfer	---	---
Total expenditures	<u>16,702,488</u>	<u>124,087</u>
NET INCREASE (DECREASE)	<u>6,866,633</u>	<u>(124,087)</u>
BALANCES - DECEMBER 31, 1997	\$ <u>154,867,495</u>	\$ <u>237,804</u>

	PROF	PORTION ACCUMULATION	UNFUNDED ACTUARIAL LIABILITY	TOTAL
\$	680,729	\$ 17,736,868	\$ (140,377,673)	\$ 5,820,395
	(22,373)	---	---	---
	<u>680,356</u>	<u>17,736,868</u>	<u>(140,377,673)</u>	<u>5,820,395</u>
	---	17,661,828	---	17,661,828
	---	621,647	---	621,647
	---	---	---	124,087
	1,189,241	---	---	1,189,241
	---	---	---	22,679,684
	<u>1,189,241</u>	<u>18,432,875</u>	<u>---</u>	<u>42,295,217</u>
	73,180	---	---	15,405,185
	---	28,454	---	28,454
	---	---	---	124,087
	---	---	---	1,189,241
	---	---	---	21,222
	---	28,480	---	28,480
	---	19,694,314	3,022,680	22,518,084
	<u>73,180</u>	<u>19,663,388</u>	<u>3,022,680</u>	<u>14,335,685</u>
	<u>1,158,081</u>	<u>(1,154,383)</u>	<u>(3,022,680)</u>	<u>2,979,614</u>
\$	<u>1,804,217</u>	<u>16,966,565</u>	<u>(1,364,300,363)</u>	<u>8,548,089</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
 OF THE CITY OF NEW ORLEANS
 SUPPLEMENTARY INVESTMENT
 SCHEDULE OF INVESTMENTS
 DECEMBER 31, 1992

	FACE VALUE		ORIGINAL COST		MARKET VALUE	
	New Amount	Old Amount	New Amount	Old Amount	New Amount	Old Amount
Cash, equivalent units	\$ 26,879,300	\$ 3,780,000	\$ 26,879,300	\$ 3,780,000	\$ 35,379,300	\$ 3,780,000
U. S. Government and Agency Treasuries	17,467,887	--	17,467,879	--	11,884,434	--
Corporate Bonds	18,300,000	848,000	18,867,119	838,000	26,243,300	895,438
Equities	19,208,782	51,179	17,076,152	81,179	26,895,382	43,862
Other investments	5,000,000	--	5,000,000	--	5,000,000	--
TOTAL	\$ 82,864,969	\$ 4,689,179	\$ 82,865,438	\$ 4,689,179	\$ 108,598,014	\$ 4,721,300

FIREFIGHTERS' PENSION AND RELIEF FUND
 OF THE CITY OF NEW ORLEANS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 1997

	New System	Old System
Advertising - Legislative	\$ —	\$ 18,206
Actuary Fees	—	35,886
Auditing and Legal	—	138,313
Depreciation	—	6,878
Office supplies and printing	—	24,800
Other	4,423	4,417
Postage	—	7,373
Rent	—	9,384
Payroll and Payroll Taxes	—	124,256
Retiree Seminars and Education	—	82,405
Telephone	—	2,108
Interfund allocation	<u>128,000</u>	<u>(128,000)</u>
TOTAL	\$ <u>132,423</u>	\$ <u>503,049</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS
 DECEMBER 31, 1992 THROUGH 1997

NEW SYSTEM		
YEAR	ACTUARIAL REQUIRED CONTRIBUTIONS EMPLOYER	PERCENT CONTRIBUTED EMPLOYER
1992	\$ 2,920,844	100.43 %
1993	2,943,408	100.00
1994	3,187,868	95.93
1995	3,432,868	100.00
1996	3,398,218	100.00
1997	2,858,000	108.16

OLD SYSTEM		
YEAR	ACTUARIAL REQUIRED CONTRIBUTIONS EMPLOYER AND OTHER SOURCES	PERCENT CONTRIBUTED EMPLOYER AND OTHER SOURCES
1992	\$ 15,290,068	86.43 %
1993	15,540,484	93.23
1994	18,718,644	79.58
1995	18,830,580	79.51
1996	18,408,280	97.58
1997	17,818,316	102.98

FIREWORKS' PENSION AND RELIED FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FINANCING PROGRESS - OLD SYSTEM
 DECEMBER 31, 1992 THROUGH 1997

ACTUARIAL VALUATION DATE	OLD SYSTEM				TOTAL AS A PERCENTAGE OF COVERED PAYROLL	
	ACTUARIAL VALUE OF ASSETS	ACTUARIAL LIABILITY (AMOUNT)	DEFERRED AMOUNT (AMOUNT)	FINANCED AMOUNT		
December 31, 1992	\$ 2,266,787	\$ 195,291,764	\$ 152,695,617	1.49 %	\$ 3,019,121	5,887.94 %
December 31, 1993	2,628,879	185,827,178	152,400,178	1.82	2,884,387	5,326.55
December 31, 1994	3,622,893	174,573,824	165,993,981	2.34	3,617,393	5,782.48
December 31, 1995	3,792,588	165,744,271	162,509,683	2.27	2,905,808	6,464.83
December 31, 1996	5,826,199	164,599,949	162,277,826	3.37	556,263	28,983.10
December 31, 1997	8,948,669	172,840,372	164,940,363	4.55	316,672	48,772.34

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULES OF CONTRIBUTIONS AND SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 1992 THROUGH 1992**

The information presented in the Schedules of Contributions and the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 1992
Actuarial Cost Method	New System: The Aggregate Actuarial Cost Method with allocation based on earnings. Old System: Entry Age Normal Actuarial Cost method with allocation based on earnings.
Asset Valuation Method	New System: Bonds: Average of amortized cost and market value. Stocks: Average of cost and market value. Old System: Market value.
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
Amortization Methods:	The amortization period is for a specific number of years with payments at a level amount.
Remaining Amortization Period:	18 years
Change in Actuarial Assumptions:	Rates of BRPF entry and disability were modified for ages in excess of 50 to reflect recent and future anticipated experience. This experience indicates a higher level of BRPF participation and lower rates of disability. In addition, a change was made to the mortality table to better reflect current and future anticipated mortality. Active and retired mortality was set according to the 1994 Uninsured Pensioner Table. Disability mortality was based on a five year set forward of this table. These changes increased the Present Value of Future Benefits in the New System by \$3,908,748. The change in the assumptions also increased the Present Value of Future Employee Contributions by \$129,860.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1987

April 3, 1988

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

We have audited the financial statements of the Firefighters' Pension and Relief Fund of the City of New Orleans as of and for the year ended December 31, 1987, and have issued our report thereon dated April 3, 1988. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, Board of Trustees, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Explainer: Chapman, Hogg & Madala LLP