

Firefighters' Retirement System
2009
Comprehensive Annual Financial Report



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FIREFIGHTERS' RETIREMENT SYSTEM

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	3
Administrative Organization	11

FINANCIAL SECTION

Independent Auditor's Report	13
Report in accordance with Governmental Auditing Standards	15
Management Discussion and Analysis	17
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	25
Notes to the Financial Statements	26
Supplemental Schedules	44

INVESTMENT SECTION

Report on Investment Activity	49
Outline of Investment Policy	50
Asset Allocation	57
Investment Returns Compared to Indices	58

ACTUARIAL SECTION

Actuary's Certification Letter	60
Summary of Actuarial Assumptions and Methods	61
Schedule of Member Data	65

FIREFIGHTERS' RETIREMENT SYSTEM

TABLE OF CONTENTS

Reconciliation of Unfunded Accrued Liability	66
Summary of Changes in Plan Provisions	67
STATISTICAL SECTION	
Schedule of Revenue by Source	68
Schedule of Expense by Type	68
Membership Census	69
Schedule of Participating Employers	70

Firefighters Retirement System



Introductory Section

FIREFIGHTERS' RETIREMENT SYSTEM

LETTER OF TRANSMITTAL



November 1, 2009

**Board of Trustees
Firefighters' Retirement System
3100 Brentwood Drive
Baton Rouge, Louisiana 70809**

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Firefighters' Retirement System (FRS) for the fiscal year ended June 30, 2009. My office is responsible for the management of the system, which was established on January 1, 1980 by Act. No. 434 of 1979. All invested funds, cash, and property are held in the name of FRS for the sole benefit of the membership.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the system. In addition, management is responsible for maintaining a system of adequate internal controls. The controls are designed to serve the following purposes: (1) To provide reasonable assurance that transactions are recorded as necessary, (2) To maintain the accountability for assets, and (3) To permit the preparation of financial statements in accordance with generally accepted accounting principles.

This CAFR is divided into five sections as explained below.

- ❖ The Introductory Section, which contains the letter of transmittal, identification of FRS' administrative organization and board of trustees;
- ❖ The Financial Section, which contains the opinion of the independent auditors, management's discussion and analysis, the financial statements, schedules, and supplementary financial information regarding the funds administered by FRS
- ❖ The Investment Section, which contains information pertaining to the management of the investments of FRS;
- ❖ The Actuarial Section, which contains information regarding the financial condition and financial position of the retirement plan administered by FRS; and
- ❖ The Statistical Section, which contains information regarding FRS participants and finances.

FIREFIGHTERS' RETIREMENT SYSTEM

Plan Characteristics

FRS is a cost sharing, multiple-employer, governmental defined benefit plan, established by the state legislature on January 1, 1980, to provide retirement and other benefits for Louisiana firefighters. All invested funds, cash, and property are held in the name of FRS for the sole benefit of the membership. A ten member board of trustees governs FRS.

Controls

In accordance with the board's and management's goals and policies, FRS maintains a system of internal controls to reasonably assure that assets are properly safeguarded, resources are efficiently and economically employed, and financial information is reliable and accurate. To achieve those objectives, FRS employs advanced computer technology, continuing education for staff, and numerous checks and balances within the control environment. An operating budget for administrative expenses is prepared each year by the staff to address member and employer needs while keeping costs reasonable. The board of trustees must review and approve the annual budget and any changes during the year. In addition to the trustees' approval, the budget must be reviewed by the Joint Legislative Committee on the Budget. An independent certified public accounting firm audits the financial statement to ensure that they conform to U.S. generally accepted accounting principles in all material respects.

Management's Discussion and Analysis

Management's discussion and analysis (MD&A) begins on page 17 and provides an overview and analysis of the system's basic financial statements. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Investments

FRS is responsible for the prudent management of an investment portfolio with a market value of \$778 million. Diversification to reduce risk is evident in the allocation of investment assets. FRS holds a wide range of investments such as domestic and international stocks, investment grade and high-yield bonds, shares of a real estate investment trust, holdings in various hedge funds and private equity firms. In addition to these asset classes, FRS obtains diversification through various management styles including growth and value, size of company, and industry selected. For fiscal 2009, FRS assets experienced a -21.7% return, net of fees, with three and five year averages of -4.4% and 1.8%, respectively. See the investment section and the MD&A for a more detailed discussion of FRS' investment performance.

Funding

The actuary determines the annual funding requirements needed to meet current and future benefit obligations. Calculations of contributions are based on the system's normal cost and amortization of the unfunded accrued liability. The employer contribution rate established by the

FIREFIGHTERS' RETIREMENT SYSTEM

Public Retirement Systems' Actuarial Committee (PRSAC) was 12.50% for 2008-2009 and will be 14.00% for 2009-2010.

As of June 30, 2009, FRS was 76.13% funded compared to 85.78 % as of June 30, 2008. This decrease results from unfavorable market. Net assets held in trust to pay pension benefits at June 30, 2009 totaled \$866 million.

Key Developments and Highlights

Our efforts are first and foremost for the benefit of our members. Every department at FRS works together to provide the high quality service that our members deserve. Key developments are summarized below.

- FRS granted a cost of living increase to all retirees for the fourth consecutive year.
- FRS made the following portfolio adjustments in an extremely difficult market environment: established a corporate bond allocation, moved from passive to active management in SMID cap equities, increased fixed income exposure, and increased allocation to private equity.

Acknowledgements and Considerations

The FRS staff and myself would like to thank the board of trustees for their support and dedication. Hard work by the board, staff, and professional consultants allowed FRS to make a successful transition from an aggressive "capital appreciation" portfolio strategy to a "capital preservation" strategy in a period of unprecedented market decline. The preparation of this report is made possible by the commitment and dedication of the entire FRS staff.

Steven Stockstill
Executive Director

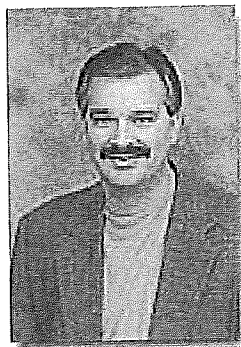
FIREFIGHTERS' RETIREMENT SYSTEM

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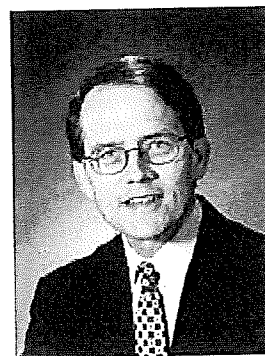
Board of Trustees



Charlie Fredieu
Board Chairman
Retiree Representative



Stacy Birdwell
Board Vice Chairman
PFFA Representative



Mayor Randy Roach
LMA Representative



Mayor Jimmy Durbin
LMA Representative



Chief Paul Smith
PFFA Representative

FIREFIGHTERS' RETIREMENT SYSTEM

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Board of Trustees



Honorable John N Kennedy
State Treasurer



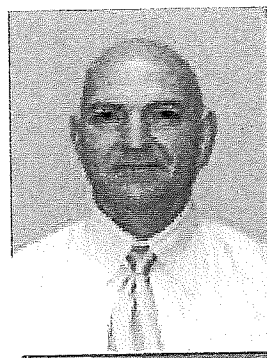
Honorable Joel Robideaux
Chairman, House Retirement



Honorable Butch Gautreaux
Chairman, Senate Retirement



Barbara Goodson
Division of Administration

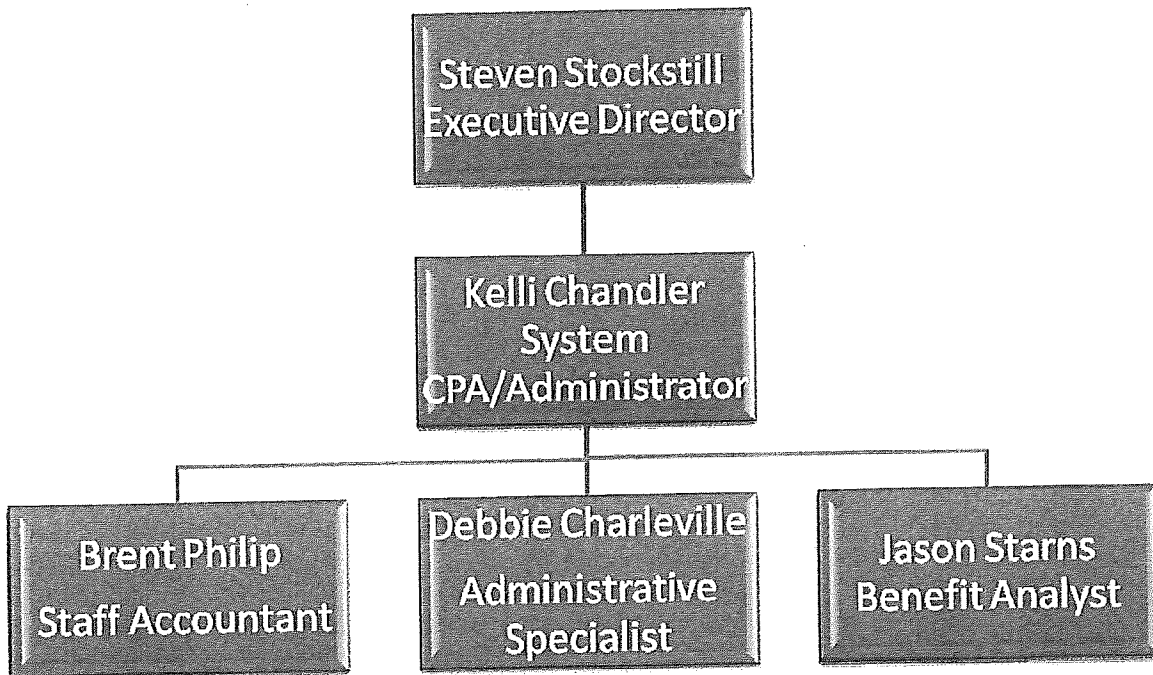


Chief Sammy Halphen
Fire Chief Representative

FIREFIGHTERS' RETIREMENT SYSTEM

FIREFIGHTERS' RETIREMENT SYSTEM

Organization Chart



FIREFIGHTERS' RETIREMENT SYSTEM

Professional Consultants

ACTUARY

G.S. Curran & Co.

AUDITORS

Postlethwaite & Netterville, APAC, CPA

LEGAL CONSULTANTS

Klausner & Kuffman
Bernstein Litowitz Berger & Grossman LLP

LARGE CAP EQUITY ADVISORS

Black Rock
Tradewinds
Northern Trust

SMALL-MID CAP EQUITY ADVISORS

AXA Rosenberg Investment Management
Northern Trust
Montagu Newhall

INTERNATIONAL EQUITY ADVISORS

Thornburg International Equity
LSV International Equity
Fisher Investments
KBC

DOMESTIC FIXED INCOME ADVISORS

PIMCO
Orleans Capital
Commonwealth
Barrow Hanley

EMERGING MARKET FIXED INCOME

Ashmore Investment Management

REIT ADVISORS

Invesco

HEDGE FUND ADVISORS

The Clinton Group
Fletcher Asset Management
Ironwood Partners
Lighthouse Diversified
Scoggin Capital Management
GMT Capital Corporation
Argonaut Global
Emory Partners
Commonwealth Advisors

PRIVATE EQUITY ADVISORS

Murphree Venture
Louisiana Fund I
Diversified Trust Company
Montagu Newhall
DuPont Capital Management
Capital Springs
Sail Venture Partners

REAL ESTATE ADVISORS

Americus
Sentinel
Land Baron Investments
JP Morgan India
Vision Capital
Timbervest

GLOBAL CUSTODIAN

JPMorgan Chase Bank

INVESTMENT PERFORMANCE CONSULTANTS

Consulting Services Group

Firefighters Retirement System



Finance Section



Postlethwaite
& Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Firefighters' Retirement System
Baton Rouge, Louisiana

We have audited the statement of plan net assets of the Firefighters' Retirement System as of June 30, 2009, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those 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 plan net assets of the Firefighters' Retirement System as of June 30, 2009, and the changes in the plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Supplementary Information, Schedule of Funding Progress and Schedule of Employer Contributions and Other Contributing Entities are not a required part of the financial statements but are supplementary information required by principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Firefighters Retirement System. The accompanying financial information as Trustees' Per Diem and Administrative Expense Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009 on our consideration of the Firefighters' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite ; Nettewill

Baton Rouge, Louisiana
December 29, 2009



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**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 Board of Trustees
Firefighters' Retirement System
Baton Rouge, Louisiana

We have audited the financial statements of the Firefighters' Retirement System, State of Louisiana, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 29, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Firefighters' Retirements System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Firefighters' Retirement System's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record or process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph in this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firefighters' Retirement System's, financial statements are free of 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*.

This report is intended for the information and use of the Board of Trustees and management of Firefighters' Retirement System and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
December 29, 2009

FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The discussion and analysis of the Firefighters' Retirement System (FRS) financial performance provides an overview of the financial activities and funding conditions for the fiscal year ended June 30, 2009. Please review it in conjunction with the Financial Statements which begin on page 21.

- ❖ FRS' net assets held in trust decreased by \$227 million, or 21%.
- ❖ FRS' investment holdings decreased from \$1.02 billion to \$778 million which is a decrease of \$243 million or 24%.
- ❖ The rate of return on the estimated fair value of FRS investments was -21.7%, net of fees in 2008 as compared to -4.6% for 2008.
- ❖ The system's funded ratio declined to 76.13% in 2009 from 85.78% in 2008.
- ❖ The unfunded actuarial accrued liability increased from \$187 million in 2008 to \$337 million in 2009, an increase of \$150 million or 80%.
- ❖ Contributions to FRS (excluding mergers) remained relatively flat year over year while benefit and disability payments increased \$5.5 million or 10%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the FRS financial reporting which is comprised of the following components:

1. Basic financial statements
2. Notes to the basic financial statements
3. Required supplementary information
4. Other supplementary schedules

FIREFIGHTERS' RETIREMENT SYSTEM

The statement of plan net assets reports the pension fund's assets, liabilities, and resulting net assets held in trust for pension benefits. It discloses the financial position of FRS as of June 30, 2009. The statement of changes in net assets reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan net assets. The notes to the financial statements provide additional information and insight that is essential to gaining a full understanding of the data provided in the statements.

- ❖ Note 1 provides a general description of FRS, information regarding plan membership, and plan benefit provisions.
- ❖ Note 2 provides a summary of significant accounting policies and plan asset matters; including the basis of accounting; methods used to value investments; methods used to value property and equipment; and adoption of new accounting principles.
- ❖ Note 3 provides information regarding required reserves and funding status.
- ❖ Note 4 provides information regarding member and employer contribution requirements.
- ❖ Note 5 describes investments, including a discussion of credit risk, interest rate risk and foreign currency risk.
- ❖ Note 6 provides information regarding securities lending transactions.
- ❖ Note 7 provides information regarding notes receivable from merged systems.
- ❖ Note 8 provides a summary of the property and equipment of FRS including depreciation and net holding amounts.
- ❖ Note 9 provides a summary of the concentration of credit risks.
- ❖ Note 10 provides information regarding any potential contingencies of FRS.
- ❖ Note 11 provides a summary of current litigation.
- ❖ Note 12 describes events subsequent to year-end.

Required supplementary information consists of two schedules and related notes concerning actuarial information and the funded status of FRS. Supporting schedules include information on administrative expense and board compensation.

FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

TABLE 1
PLAN NET ASSETS
(in thousands)

	2009	2008
Cash and Investments	\$856,072	\$1,083,749
Receivables	4,663	3,710
Capital Assets	771	800
Notes Receivable	4,478	5,002
Prepaid Expense and Other	121	7
Total Assets	\$866,105	\$1,093,268
Liabilities	558	808
Plan Net Assets	\$865,547	\$1,092,460

FRS' net assets decreased \$227 million year over year. This decrease was primarily a result of a decrease in investment holdings of \$243 million offset by an increase in cash of \$15 million and receivables of \$1 million.

STATEMENT OF CHANGES IN PLAN NET ASSETS

TABLE 2
ADDITIONS TO PLAN NET ASSETS
(in thousands)

	2009	2008
Contributions	\$37,148	\$45,065
Net Investment Income	(226,722)	(57,154)
Insurance Premium Taxes	21,266	20,522
Other Operating Revenues	373	371
Total Additions (Reductions)	(\$167,935)	\$8,804

Additions to FRS' net assets include employer and member contributions, investment income, and an allocation from the insurance premium tax fund. Contributions excluding mergers remained relatively flat, and net investment income decreased \$170 million year over year which was a deduction from assets.

FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS (continued)

TABLE 3
DEDUCTIONS FROM PLAN NET ASSETS
(in thousands)

	2009	2008
Retirement Benefits	\$54,445	\$49,150
Disability Benefits	4,064	3,833
Refunds	908	1,243
Net Transfers	(1,308)	(467)
Administrative Expenses	869	812
Total Deductions	\$58,978	\$54,571

Deductions from plan assets increased \$4.4 million or 8%. This increase was primarily due to an increase in benefit payments of \$5.3 million. This increase was offset by a decrease in refunds of \$335 thousand and an increase of net transfers in of \$841 thousand.

INVESTMENTS

FRS is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pensions. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Because investment income is vital to FRS' current and continued financial stability, trustees have a fiduciary responsibility to act prudently and discretely when making investment decisions.

During the current year, FRS added a corporate bond strategy to its portfolio while reducing its exposure to emerging market debt. FRS also replaced a large cap equity index fund with active management and further increased its private equity allocation by \$20 million. See the investment section starting on page 49 for more information regarding FRS' investments.

FIREFIGHTERS' RETIREMENT SYSTEM

The following table summarizes the investment return by asset class for the year ended June 30, 2009, for the trailing three years, and trailing five years.

TABLE 4
INVESTMENT RETURNS SUMMARY

	Current Year	Trailing 3 Years	Trailing 5 Years
Equities			
US Large Cap	-14.2%	-2.3%	5.1%
SMID Cap	-32.2%	-4.2%	-0.8%
Micro Cap	-12.7%	N/A	N/A
Energy	-52.1%	-5.5%	12.4%
International Equity			
International Equity	-30.5%	-6.2%	3.4%
Fixed Income			
Core	7.1%	6.7%	4.4%
Distressed Debt	-19.0%	-1.8%	1.1%
Emerging Markets	-12.2%	4.1%	10.7%
Alternatives			
Real Estate	-18.0%	-2.4%	N/A
Hedge Funds	-20.8%	-4.4%	N/A
Private Equity	-7.0%	-2.8%	N/A
TOTAL FUND	-21.7%	-4.4%	1.8%

FIREFIGHTERS' RETIREMENT SYSTEM

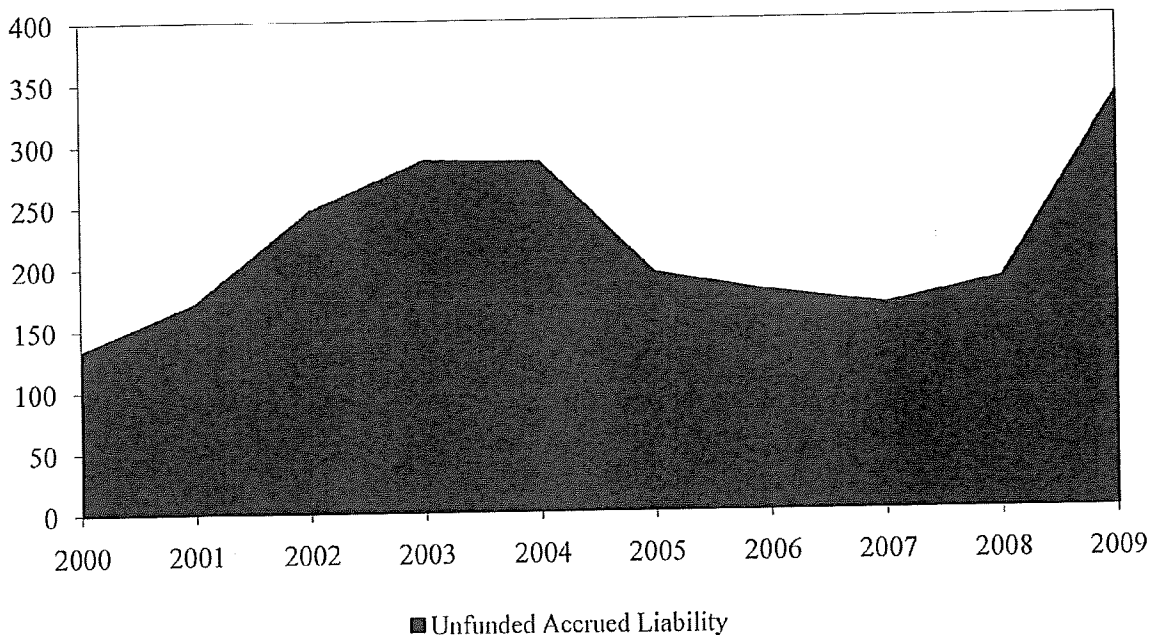
FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. An actuarial valuation of assets and liabilities is performed annually.

An indicator of funding status is the ratio of the actuarial present value of the assets to the actuarial present value of future benefits when using the entry age normal method. An increase in this percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in the financial markets and the collection of actuarially required contributions also have a significant impact on the funding status of the system.

The following chart shows the level of the unfunded accrued liability (in millions) over time. See the actuarial section for more information regarding the funded status of the system.

Unfunded Accrued Liability



FIREFIGHTERS' RETIREMENT SYSTEM

CONTACTING THE PLANS' FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, and system members with an overview of the system's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need financial information, please either visit our website at www.lafirefightersret.com or contact the FRS Controller, Kelli Chandler, at 3100 Brentwood Drive, Baton Rouge, Louisiana 70809.

FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

JUNE 30, 2009

ASSETS

Cash and cash equivalents	<u>\$77,690,925</u>
Receivables	
Employer	1,861,981
Employee	1,186,266
Interest and dividends	<u>1,614,315</u>
Total receivables	<u>4,662,562</u>
Investments at fair value	
Equities	278,271,003
Corporate bonds	95,575,069
US Government securities	12,746,348
Foreign obligations	5,924,582
Asset backed securities	38,362,485
Emerging market debt	28,136,789
Private equity	34,037,024
Real estate	84,535,669
Hedge funds	<u>200,791,786</u>
Total investments at fair value	<u>778,380,755</u>
Property, building, equipment and fixtures, net of accumulated depreciation of \$442,441	771,333
7% notes receivable from merged systems	4,478,020
Prepaid expenses and other	<u>121,227</u>
TOTAL ASSETS	<u><u>\$866,104,822</u></u>

LIABILITIES

Accounts payable	<u>557,792</u>
TOTAL LIABILITIES	<u>557,792</u>

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

\$865,547,030

The accompanying notes are an integral part of this statement.

FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 2009

ADDITIONS

Contributions	
Employer	\$22,640,615
Employee	14,508,015
Total Contributions	<u>37,148,630</u>
Investment Income	
Net depreciation in fair value of investments	(238,235,238)
Interest and dividends	<u>15,044,343</u>
Plus investment expenses	<u>3,531,049</u>
Net investment loss	<u>(226,721,944)</u>
Interest from notes receivable	344,300
State appropriations from insurance premium taxes	21,265,547
Rental income	<u>28,391</u>
Total additions (reductions)	<u>(167,935,076)</u>

DEDUCTIONS

Retirement benefits	54,445,356
Disability benefits	4,063,788
Refunds to terminated employees	908,035
Transfers to (from) other systems	(1,308,299)
Administrative expenses	<u>868,687</u>
Total deductions	<u>58,977,567</u>

NET DECREASE

(226,912,643)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of year	<u>1,092,459,673</u>
End of year	<u>\$865,547,030</u>

The accompanying notes are an integral part of this statement.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

1. PLAN DESCRIPTION

The following brief description of the Firefighters' Retirement System (FRS or the System) is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

General

FRS is a cost sharing, multiple-employer, governmental defined benefit pension plan covering firefighters employed by any municipality, parish, or fire protection district of the State of Louisiana, under the provisions of Louisiana Revised Statutes 11:2251 through 2269, effective January 1, 1980. Membership in FRS is a condition of employment for those fulltime firefighters who are employed by municipal, parish or fire protection districts and who earn more than \$375 per month.

Reporting Entity

FRS is not a component unit of the State of Louisiana Consolidated Annual Financial Report. The accompanying financial statements reflect the activity of the System.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the definition of a reporting entity is based primarily on the concept of financial accountability. In determining its component unit status, FRS administrators considered the following:

- ❖ FRS exists for the benefit of current and former firefighters who are members of the System;
- ❖ Four of the ten Board members are elected by the employees who participate in the System, and
- ❖ FRS is funded by the investment of contributions from the members and member employers who are obligated to make the contributions to FRS based upon actuarial valuations.

FRS itself has no component units as defined under GASB 14.

FRS was created by the State of Louisiana and is governed by a ten-member Board of Trustees (the Board). The Board is responsible for administering the assets of FRS and for making policy decisions regarding investments. Two of the Trustees are elected by the professional firefighters association, one Trustee is elected by the fire chiefs and, one is a retired firefighter. Two are appointed by the Louisiana Municipal Association. The remaining membership of the Board consists of one member from the State

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Reporting Entity (continued)

Treasurer's office, one from the Division of Administration and the chairmen of the Senate and House Retirement Committees.

Plan Membership

Employer and employee membership data at June 30, 2009 is as follows:

Employer Members

Cities	63
Parishes	15
Special districts	<u>42</u>
Total employer members	<u>120</u>

Employee Members

Current retirees and beneficiaries	1,688
Drop participants	147
Terminated vested participants	55
Terminated (due a refund)	407
Active plan participants	3,882
Total employee members	<u>6,179</u>

Plan Benefits

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3 1/3 % of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. Employee may elect an unreduced benefit or any of six options at retirement. The options are as follows:

1. At death, their beneficiary will receive a lump sum payment based on the present value of the employee's annuity account balance.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Plan Benefits (continued)

2. At death, their beneficiary will receive a life annuity equal to the employee's reduced retirement allowance.
3. At death, their beneficiary will receive a life annuity equal to $\frac{1}{2}$ of the employee's reduced retirement allowance.
4. Any other benefit certified by the actuary and approved by the Board of Trustees that will be equivalent in value to the employee's retirement allowance limited to a spouse and/or minor children.
5. The member can select a reduced option 2 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children or handicapped children.
6. The member can select a reduced option 3 benefit. However, if the beneficiary predeceases the retiree, the benefit will convert to the maximum. This option is limited to a spouse and/or minor children.

Death Benefits

If an active employee dies and is not eligible for retirement, his survivors shall be paid:

1. If the employee not eligible to retire dies in the line of duty, their spouse will receive monthly, an annual benefit equal to $\frac{2}{3}$ of the employee's average final compensation. If death is not in the line of duty, the spouse will receive monthly, an annual benefit equal to 3% of the member's average final compensation multiplied by his total years of service; however, the benefit shall not be less than 40%, or more than 60% of the employee's average final compensation.
2. Children of deceased employees will receive the greater of \$200 or 10% of the member's final average compensation per month until reaching the age of 18 or until the age of 22, if enrolled full time in an institution of higher education. The surviving totally physically handicapped or mentally retarded child of a deceased employee, regardless of age, shall receive the benefits as long as they are dependent on the surviving spouse.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Death Benefits (continued)

3. If an employee, who is eligible to retire, dies before retiring, the designated beneficiary shall be paid under option 2, survivor benefit equal to member's benefit.

Disability Benefits

If an eligible member is officially certified as disabled by the State Medical Disability Board, he shall receive the greater retirement, if eligible for disability benefits as follows:

1. Any member totally disabled from injury received in the line of duty, shall be paid, on a monthly basis, an annual pension of 60% of the average final compensation being received at the time of the disability.
2. Any member of the System who has become disabled or incapacitated because of continued illness or as a result of any injury received, even though not in the line of duty, and who has 5 years of creditable service, but is not eligible for retirement under the provisions of R. S. 11:2256 may apply for retirement under the provisions of R.S. 11:2258 and shall be retired on 75% of the retirement salary to which he would be entitled under R. S. 11:2256 if he were otherwise eligible there under 25% of the member's average salary, whichever is greater.
3. Any retired member or DROP plan participant who becomes disabled for any reason provided for by law shall be permitted to apply for conversion of a service retirement to a service connected disability retirement under R.S. 11:2258(B)(1)(e).
4. Should a member who is on disability retirement die and leave a surviving spouse, the surviving spouse shall receive a benefit of \$200 per month. When the member takes disability retirement, he may, in addition, take an actuarially reduced benefit in which case the member's surviving spouse shall receive 50% of the disability benefit being paid immediately prior to the death of the disabled retiree. If the surviving spouse remarries prior to age 55, such benefits shall cease; however, the benefits shall resume upon subsequent divorce or death of the new spouse, and the approval of the board of trustees.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Deferred Retirement Option Plan

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to FRS.

No payments may be made from the deferred retirement option plan account until the participant retires. During the year ended June 30, 2009, \$3,110,677 was credited to deferred retirement option plan accounts on behalf of 150 participants.

Initial Benefit Option

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles accepted in the United States using the accrual basis of accounting. Contributions are recognized in the period in which the employee is compensated for services. Benefits and refunds are recognized when due and payable. Investment purchases and sales are recorded as of their trade date. Dividends are recorded on the dividend date and state appropriations are recorded when received. Cash represents amounts on deposit with the custodian fiscal agent banks, and/or the investment advisors. Under state law, FRS may deposit funds within a fiscal agent bank

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Cash and Investments (continued)

organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. FRS's permissible investments are set forth in R.S. 11:262-263 and are further limited in accordance with investment guidelines promulgated by the board of trustees. See page 50 in the investment section for the investment policy.

As required by GASB No. 25, *Financial Reporting for Defined Benefit Pension plans and Note Disclosures for Defined Contribution Plans*, investments in fixed-income securities and common stock are reported at fair market value based on quoted market prices when available. Investments that do not have an established market value are reported at estimated fair value using valuation techniques such as present value estimated future cash flows, matrix pricing, and fundamental analysis. Interest income is recognized on the accrual basis as earned.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at historical cost less an allowance for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of 40 years for buildings and 3 to fifteen years for equipment and furniture. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Accumulated Leave

The employees of the System accumulate unlimited amounts of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours can be paid to employees at the employees' rate of pay. The liability for accrued annual leave of up to 300 hours is included in other liabilities.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

3. CONTRIBUTIONS AND RESERVES

Contributions for all members are established by statute at 8.0% of earnable compensation. The contributions are deducted from the member's salary and remitted by the participating agency. For the year ended June 30, 2009, employer contributions were 14.50% of covered payroll.

Administrative costs of the System are financed through employer contributions and earnings. According to state statute, contributions for all employers are actuarially determined each year. The System also receives funds from insurance premium taxes each year as set forth by Louisiana statutes. This income is used as additional employer contributions.

Reserves

Use of the term "reserve" by the FRS indicates that a portion of the net assets is legally restricted for a specific future use. The nature and purpose of these reserves are explained below. Overall, the System is 76.13% funded.

Expense Fund Reserve

The Expense Fund Reserve provides for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the pension accumulation reserve and is made as needed.

Annuity Savings

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve to provide part of the benefits. The Annuity Savings per the actuarial report as of June 30, 2009 is \$118,231,820 and is fully funded.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Pension Accumulation Reserve

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve per the actuarial report as of June 30, 2009 is \$138,565,021 and is 78% funded.

Annuity Reserve

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve per the actuarial report as of June 30, 2009 is \$538,367,928 and is fully funded.

Deferred Retirement Option Account

The Deferred Retirement Option Account consists of the reserves for all members who, upon retirement eligibility, elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The deferred retirement option per the actuarial report as of June 30, 2009 is \$68,219,261 and is fully funded.

Initial Benefit Option Plan Account

The Initial Benefit Option Plan Account consists of the reserves for all members who, upon retirement eligibility, elect to deposit into this account an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account. The Initial Benefit Option per the actuarial report as of June 30, 2009 is \$2,163,000 and is fully funded.

Funded Status and Funding Process

Contributions to the System are determined through annual actuarial valuations. Administration of FRS is financed through contributions to the plan from members, the state of Louisiana, and cumulative investment earnings.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

The schedule below reflects the funded status and progress of the System for the fiscal year ended June 30, 2009.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b-a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/09	\$1,073,797,423	\$1,410,559,615	\$336,762,192	76.13%	\$178,913,097	188%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Although there were no changes in actuarial assumptions for the current fiscal year, there was a change in the smoothing methodology used to calculate the actuarial value of assets. For the current year all earnings above or below the assumed rate of return smoothed over a five year period with the resulting value constrained to a corridor of no less than 85% to 115% of the market value of assets as opposed to a corridor of 90% to 110% in the prior year. This change had the effect of reducing the unfunded accrued liability by \$122m.

Significant actuarial assumptions used to compute contribution requirements are: (1) a rate of return on the investment of present and future assets of 7.5% per year compounded annually; (2) projected salary increases that vary according to years of service ranging from 14.7% in the first year of service to 5.3% after 14 years; (3) pre- and post mortality life expectancies of participants based on the 1994 Uninsured Pensioner Mortality Table; (4) rates of withdrawal and termination from active service before retirement for reasons other than death (based on a table in the actuarial report which is based on the System's experience); (5) rates of disability (increasing from 0.105% at age 34 and below to 0.3416% at age 60 and above); (6) level dollar-closed amortization method; and (7) 5 year investment smoothing. The foregoing actuarial assumptions are based on the presumptions that the plan will continue.

4. REQUIRED CONTRIBUTIONS

FRS funding policy provides for periodic employer contributions at actuarially determined rates that are expressed as percentages of annual covered payroll, and are sufficient to accumulate assets to pay benefits when due. The employer contribu-

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

4. **REQUIRED CONTRIBUTIONS** (continued)

tion rate is determined using the entry age actuarial funding method. FRS amortizes the unfunded liability over a closed 30-year period based on level payments. Beginning with fiscal 2010, actuarial gains and losses as well as contribution gains and losses are amortized over a 20 year amortization period. All changes in assumptions or the method of valuing assets are amortized over 15 years. Amortization of unfunded liabilities arising from mergers is over 30 years unless the actuarial committee specifies a shorter period. Contributions totaling \$37 million (\$23 million employer and \$14 million employee), and \$21 million from the insurance premium tax fund were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at June 30, 2009.

5. **CASH AND INVESTMENTS**

Deposit and Investment Risk Disclosure

Statement number 40 of the Governmental Accounting Standards Board (GASB Statement No. 40), *Deposits and Investment Risk Disclosures* established and modified disclosure requirements related to investment risk. This section describes various types of investment risk and FRS exposure to each type. The tables presented include disclosures regarding credit risk, interest rate risk and foreign currency risk in accordance with GASB Statement No. 40 and are designed to inform statement of net asset users about investment risks that could affect FRS' ability to meet obligations. These tables classify investment risk by type, while the statement of net assets presents investments by asset class. Therefore, totals shown on the tables may not be comparable to the amounts shown for each individual asset class on the statement of net assets. Standard & Poor's rates investment grade securities, using AAA, AA, A, and BBB. Securities with these ratings are considered financially secure. For non-investment grade securities, the ratings BB, B, CCC, CC, C and D are used. These ratings indicate that the security may be "vulnerable" and as such, is regarded as having vulnerable characteristics that may outweigh its strengths.

The System's short-term funds may be invested in cash equivalent securities, which are defined as any fixed income investments with less than one year with ratings by Moody's and S&P of A or better, Money Market Funds, or custodian bank short-term investment funds.

Louisiana Asset Management Pool

The System invested \$28 million at June 30, 2009, in the Louisiana Asset Management Pool (LAMP), Inc. a local government investment pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

5. CASH AND INVESTMENTS (continued)

LAMP has an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

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

Credit risk: LAMP is rated AAAm by Standard & Poor's.

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

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

Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statements.

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

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pools is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP issues annual financial reports which can be found on the LAMP website <http://lamppool.com>.

Realized and Unrealized Gains and Losses

During the year, the System's investments (including those bought, sold, and held during the year) depreciated in value by \$238 million which was comprised of \$69

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

million in realized losses and \$169 in unrealized losses for the year ended June 30, 2009.

The calculation of net depreciation of investments is independent of realized gains and losses. The following table presents the fair value of investments permissible under the rules, objectives and guidelines of the System as of June 30, 2009:

Investment Type	Fair Value
Asset backed securities	\$38,380,652
Cash management taxable	28,228
Common stocks	145,886,671
Corporate bonds and notes	66,038,304
Emerging market debt	28,136,789
Fed agency bonds	10,168,596
Foreign bonds	5,924,582
Foreign stocks	131,808,307
Government national mortgage association pools	2,231,876
Hedge funds	200,763,558
Open end mutual funds fixed income	29,518,599
Private equity	34,037,024
Private real estate	44,937,773
Real estate investment trusts	40,173,921
US Treasury bonds and notes	345,875
TOTAL	\$778,380,755

Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect FRS' account balances and the amounts reported in the statement of plan net assets.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the System, and are held by either the counterparty or the

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

counterparty's trust department or agent, but not in the System's name. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission. FRS had no custodial credit risk as of June 30, 2009.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. The System requires that debt obligations be investment grade at time of purchase (BAA or higher as rated by Standard and Poor's), unless otherwise authorized by the board of trustees.

The following table is provided for use in determining the Systems exposure to credit risk.

Standard and Poor's Rating	Fair Value
AAA	51,123
AA+	1,339,891
AA	1,328,656
AA-	1,308,272
A+	6,030,562
A	16,834,815
A-	5,954,786
BBB+	14,309,214
BBB	11,206,141
BBB-	8,315,929
BB+	1,301,513
BB	766,000
BB-	858,425
B+	3,084,502
B	2,414,672
B-	1,242,591
CCC	1,209,119
CCC-	112,553
C	195,000
Not Rated	700,516,991
TOTAL	\$778,380,755

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

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 lack of diversification. The System's investment policy limits the concentration to any one issue, other than U.S. Government or U.S. Government agency bonds or notes, of five percent of the fair value of total investments, nor shall the bonds of any one issuer, other than the U.S. Government or its agencies, account for more than 10% of the market value of the system's total portfolio. At June 30, 2009, the System had exposure of less than five percent in any single investment issue.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments.

The following table shows the System's fixed income investments and maturities in actively-managed accounts at June 30, 2009:

<u>INVESTMENT TYPE</u>	<u>Fair Value</u>	<u>INVESTMENT MATURITIES (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>5-10</u>	<u>Greater than 10</u>
Asset-backed obligations	\$18,166	\$0	\$0	\$0	\$18,166
Corporate bonds and notes	66,038,304	2,303,117	29,721,466	26,852,871	7,160,850
Federal agency securities	10,168,596	0	70,425	36,751	10,061,420
Foreign bonds	5,924,582	283,951	1,063,368	3,692,329	884,934
Government national mortgage association pools	2,231,876	0	12,664	0	2,219,212
US Treasury notes	345,876	0	0	0	345,876

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment on deposit.

Alternative Investments

At June 30, 2009 FRS had investments in limited partnership arrangements which are listed in the accompanying financial statements as private equity and private real estate. As of June 30, 2009, these investments had a cost basis of \$306,660,542 and an estimated fair value of \$319,364,479. Included in this, FRS had hedge fund investments with a cost basis of \$161,035,205 and a fair value of \$200,791,786. The total commitments and total amount invested for alternative investments as of June 30, 2009 are listed below:

Commitments

Real estate	\$ 99,200,000
Private Equity	88,000,000
Total Commitments	<u>\$ 187,200,000</u>

Amount Invested

Hedge Funds	\$ 200,791,786
Real estate	84,535,669
Private equity	34,037,024
Total Invested	<u>\$ 319,364,479</u>

All capital commitments to hedge funds have been called and invested.

6. SECURITIES LENDING

The System is authorized by its board of trustees to operate a securities lending program for all international equities and fixed income securities. This program is designed to produce supplemental income on investments with little or no additional risk. All securities are available for loan to pre-approved securities dealers. Securities dealers must meet specific criteria to be approved. Securities are loaned for cash or securities issued by the U.S. Government or its agencies. FRS cannot pledge or sell securities unless the borrower defaults. U.S. Securities are loaned for 102% of the fair value of the loan, plus accrued interest. Other securities are loaned for collateral valued at 105% of the fair value of the securities plus any accrued interest. As of June 30, 2009 all loans were open, i.e. they mature each day. FRS did not have any credit risk at year-end because the collateral held reflected the fair value of the securities on loan. There were no violations of legal or contractual provisions, nor borrower or

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

lending agent default losses during the year. FRS has an indemnification agreement with their lending agent in case of borrower default.

At year end, broker-dealers held securities on loan contracts as follows:

<u>Security Type</u>	<u>Fair Value of Securities Held 06/30/2009</u>	<u>Fair Value of Collateral Held 06/30/2009</u>
Common stock	\$ 53,450	\$ 55,000
	<u>\$ 53,450</u>	<u>\$ 55,000</u>

The underlying securities representing collateral on the securities lending transactions are not available for the System or its agent to pledge or sell except in the case of a borrower default. Accordingly, neither the collateral nor the related liability involved in the lending transaction is reported in the Statement of Plan Net Assets, in accordance with GASB 28, paragraph 7.

7. NOTES RECEIVABLE FROM MERGED SYSTEMS

7% notes receivables from merged systems at June 30, 2009 consisted of the following:

<u>System</u>	<u>Annual Payments (Including Interest)</u>	<u>Final Payment Due</u>	<u>Balance</u>
Bastrop	\$ 69,910	December 7, 2010	\$ 135,248
Bogalusa	127,069	January 1, 2010	118,697
Bogalusa Retirees	91,526	January 15, 2010	85,538
Kenner	95,005	April 1, 2029	1,015,252
Kenner Retirees	142,697	April 1, 2029	1,511,738
New Iberia	166,288	November 4, 2010	300,652
New Iberia Retirees	110,352	January 1, 2013	373,787
West Monroe	<u>171,340</u>	January 1, 2015	<u>937,108</u>
	<u>\$ 974,187</u>		<u>\$ 4,478,020</u>

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to Financial Statements

8. PROPERTY AND EQUIPMENT

The following is a summary of changes in the property and equipment during the fiscal year.

	<u>Balance</u> <u>July 1,</u> <u>2008</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30,</u> <u>2009</u>
Land	\$260,107			\$260,107
Building	734,720			734,720
Equipment	40,956			40,956
Furniture & Fixtures	57,217			57,217
Computer Equipment	<u>120,774</u>			<u>120,774</u>
	<u>1,213,774</u>			<u>1,213,774</u>
Accumulated depreciation	<u>414,128</u>	<u>28,314</u>		<u>442,441</u>
Net property and equipment	<u>\$799,646</u>			<u>\$771,333</u>

Depreciation expenses for the year ended June 30, 2009 was \$28,314.

9. CONCENTRATIONS OF CREDIT RISKS

FRS has notes receivable from municipalities within the state. The collectibility of the receivables described in Note 7 above is dependent on the continued existence and solvency of those entities.

Also, as noted in Note 5, FRS has concentrations of investments in U.S. government and agency securities as well as bonds and stocks of U.S. corporations. The value and collectibility of these investments is dependent on the normal market conditions that impact these types of investments as well as the continued existence and solvency of those entities.

10. RISK MANAGEMENT

FRS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the System carries insurance through the State of Louisiana, Office of Risk Management at levels which management believes are adequate to protect the System. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

FIREFIGHTERS' RETIREMENT SYSTEM

Notes to the Financial Statements

FRS is operating as a tax qualified plan and is currently seeking a formal determination of this status from the Internal Revenue Service.

11. LITIGATION

During the fiscal year, FRS incurred significant investment losses involving a fund managed by Regions Morgan Keegan. As a consequence, FRS filed a lawsuit in the 19th Judicial District Court, East Baton Rouge Parish, seeking to recover such losses based on allegations of misrepresentation and other causes. The lawsuit is titled "Firefighters' Retirement System v Regions Morgan Keegan, et al". The initial pleadings were filed during this fiscal year. The lawsuit is still pending at the close of this fiscal year.

12. SUBSEQUENT EVENTS

Subsequent to year-end, FRS contributed additional money to their private real estate holdings. An additional \$21 million was invested with Land Baron investments to pay off existing debt on property held by FRS and its partners. This capital contribution gave FRS 100% ownership of the property. At any time up until the disposition of the property, the remaining partners have the option to repurchase their portion of the property at the original investment price plus 9% interest payable to FRS. This brings the total amount invested with Land Baron to \$35 million.

FIREFIGHTERS' RETIREMENT SYSTEM

SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2009
Actuarial cost method	Entry Age
Amortization method	Level dollar – closed
Remaining amortization period	18 years
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increase	5.3% - 14.7%
Cost of living adjustments	Only those previously granted
Investment smoothing	5 year

*Includes inflation at 3.25%

FIREFIGHTERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b-a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/09	\$1,073,797,423	\$1,410,559,615	\$336,762,192	76.13%	\$178,913,097	188.00%
06/30/08	1,129,809,421	1,317,161,382	187,351,961	85.78%	169,401,716	110.60%
06/30/07	1,025,656,019	1,192,323,327	166,667,308	86.02%	155,944,919	106.88%
06/30/06	911,329,622	1,089,280,137	177,950,515	83.66%	147,631,087	120.54%
06/30/05	819,240,156	1,012,901,863	193,661,707	80.88%	141,292,965	137.06%
06/30/04	725,615,787	1,010,016,865	284,401,078	71.84%	133,667,782	212.77%
06/30/03	658,376,086	944,688,340	286,312,254	69.69%	121,012,780	236.60%
06/30/02	642,947,201	888,963,640	246,016,439	72.33%	114,422,827	215.01%
06/30/01	663,377,250	834,986,462	171,609,212	79.45%	107,667,223	159.39%
06/30/00	646,606,069	779,541,318	132,935,249	82.95%	100,504,497	132.27%

FIREFIGHTERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 AND OTHER CONTRIBUTING ENTITIES
 June 30, 2009

Year Ended June 30	Employer Contributions		State of Louisiana	
	Annual Required Contribution	Percentage Contribution	Annual Required Contribution	Percentage Contribution
2009	\$24,211,988	100.00%	\$21,265,547	100.00%
2008	19,590,573	100.00%	20,521,771	100.00%
2007	20,681,735	100.00%	18,946,928	100.00%
2006	22,132,922	100.00%	18,119,048	100.00%
2005	31,065,230	100.00%	16,537,682	100.00%
2004	29,847,861	100.00%	16,114,672	100.00%
2003	25,046,668	52.70%	14,668,649	100.00%
2002	10,206,462	100.00%	24,667,309	72.10%
2001	9,526,940	100.00%	19,726,553	100.00%
2000	8,802,352	100.00%	11,597,251	100.00%

FIREFIGHTERS' RETIREMENT SYSTEM

TRUSTEES PER DIEM Year Ended June 30, 2009

	Number of Meetings	Per Diem
Charlie Fredieu	12	\$900
Paul Smith	12	675
Stacy Birdwell	12	900
Treasurer John Kennedy or designee	4	0
Commissioner Angele Davis or designee	11	0
Senator Butch Gauthreaux or designee	0	0
Representative Joel Robideaux or designee	0	0
Mayor Clarence Hawkins	12	900
Mayor Jimmy Durbin	12	825
Sammy Halphen	11	825
Total		<u>\$5,025</u>

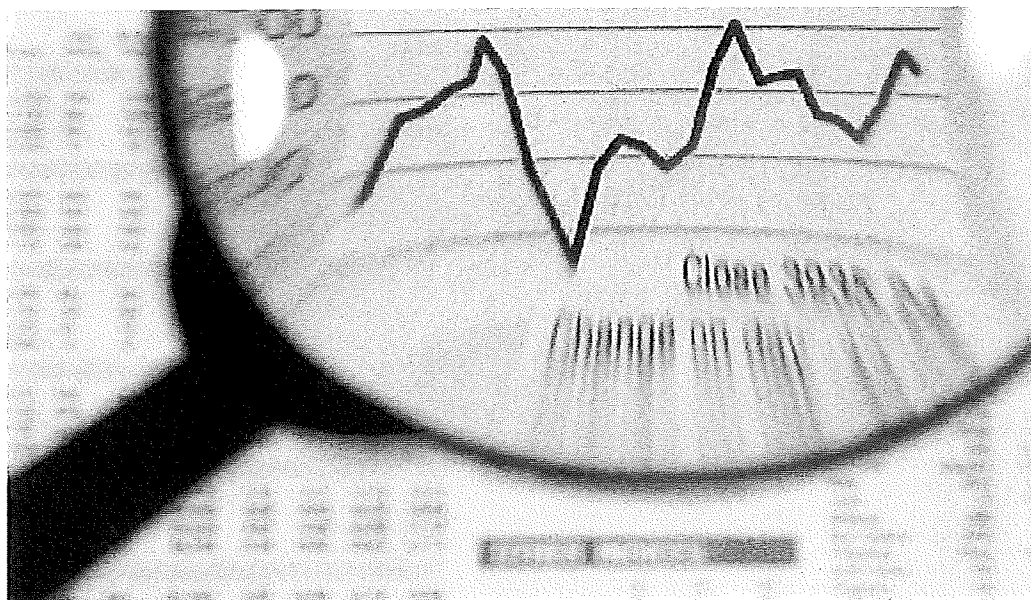
There were a total of 12 board meeting days. The board members receive \$75 per diem for each meeting. Some members do not accept per diem or are paid by other entities.

FIREFIGHTERS' RETIREMENT SYSTEM

ADMINISTRATIVE EXPENSE SCHEDULE

Human Resource:		
Staff Salaries	\$ 339,663	
Payroll Taxes	5,603	
Employee Retirement Expense	47,378	
Insurance	45,190	
Total Human Resource		\$437,834
Professional Services:		
Actuarial	50,560	
IT Support	18,465	
Accounting	24,000	
Legal Fees	74,169	
Investigative Services	942	
Medical Exams	41,312	
Contract Services	4,680	
Bank Service Charge	2,688	
Total Professional Services		216,816
Communication:		
Printing	3,537	
Telephone	6,211	
Postage	31,020	
Supplies	16,042	
Dues and Subscriptions	11,463	
Advertising	10,323	
Total Communication		78,596
Travel		
Board Member Per Diem	5,025	
Travel	44,529	
Education Seminars	5,245	
Total Travel		54,799
Building and Equipment		
Utilities	11,378	
Building Maintenance	31,098	
Equipment Maintenance	5,685	
Depreciation	28,314	
Insurance - General	5,018	
Miscellaneous Expense	(851)	
Total Building and Equipment		80,642
Total Administrative Expense		\$ 868,687

Firefighters Retirement System



Investment Section

Investment Overview

The fiscal year ending June 30, 2009 can best be represented as a tale of two markets. It began with the worst economic recession since the great depression of 1932. Then in late March after much stimulus from the Federal Government, the market found some support and subsequently began a material rally as investors became convinced that the sky was not falling and Armageddon was not starting. For the twelve months ending on June 30, 2009, the S&P500 Index experienced a loss of 26.2% while international equities were even worse, declining by 30.5%. Lending by major banks to one another returned to a more normal state but lending to corporate and individual borrowers remained restricted as credit standards tightened.

The FRS portfolio was not immune to the difficult conditions mentioned above. For the year, the portfolio declined in value by 21.7% with the decline coming pretty much across the board. Domestic equities were down 29.4% as the fund was slightly overweight the energy sector which declined by approximately 50%. The international equity allocation experienced a similar decline, falling by 30.5%. The fixed income allocation was hurt by its exposure to Emerging Market Debt and mortgage-backed securities resulting in a loss of 3.6%. The allocation to alternatives provided little in the way of benefit as the hedge fund allocation lost 20.8% (only one manager in this section managed to generate a positive return), the private equity allocation was off 7.0% and the real estate allocation declined 13%. While these losses were less than those experienced in the equity portion of the portfolio, they were below expectations.

At June 30, 2009, investments in traditional equity securities represented approximately one-third of the portfolio with roughly 60% of that in U.S. based companies and the balance in foreign stocks to diversify the geographic and currency exposure of the portfolio. The fixed income allocation was increased to roughly 30% with only 3.3% being in emerging markets debt securities. The hedge fund allocation represented 15% of the portfolio and was diversified among nine different managers or strategies. The private component had grown to 4.6% and the real estate allocation was 9.4%. The portfolio also held slightly more than 7% in cash to provide ample liquidity to meet its benefit and other cash needs.

Subsequent to year-end, the performance of the portfolio has been positive as market conditions have improved. By October 30th on an unaudited and preliminary basis, the portfolio has gained 10% from its June 30th level with equities gaining almost 17% and the fixed income allocation up 5.8%. Hedge funds also contributed to the growth, up 18.5%. The publicly traded REIT allocation was up 22% while private real estate and private equity continued to detract from performance.

Despite the problems experienced over the last year, the Board of Trustees remains committed to the belief that managing risk is best achieved through diversification. In addition to the diversification outlined above, the assets are spread among forty-four different professional money managers and index funds to avoid any undue risk to a single management organization. We reviewed the performance of each manager with the Board monthly and provided a more detailed market and peer group comparison on a quarterly basis.

Respectfully submitted:


Consulting Services Group, LLC
Investment Consultant to the Board



6075 Poplar Avenue
Suite 700
Memphis TN 38119
901.761.8030
800.969.6891
Fax 901.682.4090
csgrlc.com

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy

BASIC INVESTMENT PHILOSOPHY AND GOALS

The basic investment philosophy of the board is to invest and reinvest FRS assets to achieve the actuarially determined rate of return on investment assets to ensure the availability of funds needed to provide the mandated benefits to FRS participants, while exposing the system's assets to the least amount of risk possible consistent with the required return objective. A second and subordinate objective of the board is the preservation of the system's principal. In pursuit of this policy the board and its investment professionals shall:

- (1) Act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent institutional investor acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
- (2) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered; and
- (3) Fully conform to the provisions of the statutes of the state of Louisiana, including all amendments thereto.

The investment portfolio will consist of fixed income securities and equities, including convertible securities.

It is the aim of the board that, each year, the overall investment portfolio will gain on a consistent basis a return equal to or greater than the annual actuarially assumed interest rate over a time period comparable to that used by the actuary to smooth returns. This return is to be attained from interest, dividends, and net realized and unrealized capital gains.

Consistency is of supreme importance and it is to be achieved by an insistence upon high standards of quality and by a weighting of the portfolio among asset classes that reflects a judicious evaluation of the current and prospective rates of market return.

Consistency is of such importance, that the board may under prudent circumstances be willing to accept an investment performance ranking below the median of comparable retirement funds during rising securities markets in exchange for decidedly superior performance during falling or declining securities markets.

The board and its investment managers recognize that the goal of achieving or exceeding the actuarially assumed interest earnings rate may not be attained every year due to the dynamics of the securities markets. However, that goal should be attained over a full economic cycle (normally 3-5 years).

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

Total Fund Return. Over this cycle it is expected that the investment return realized on the total portfolio will exceed the median return for a comparable universe of retirement systems.

Individual Manager Return. Over the same cycle it is also expected that the performance rank of each manager will range between the first and forty-ninth percentile and will exceed the return (net of fees) of a comparable market index.

In furtherance thereof, the investment consultant shall provide monthly, quarterly, and end of fiscal-year reports summarizing the fund's performance as compared to these stated goals. Due to the limited availability of universe data, peer group performance comparisons are not required to be provided on a monthly basis.

A letter placing a manager on "watch" status shall be issued to any manager whose performance is below his assigned index as measured over the trailing three year and five year periods, as shown in the monthly flash report published by the investment consultant and based on asset valuations furnished by the custodial bank. In addition thereto, any manager shall automatically be placed on "watch" status and a letter issued to that effect if either of the following conditions exists: (1) His performance is in the bottom quartile of his peer group for the prior three year period, or (2) His performance is below median compared to his peer group as measured for the prior five year period.

It is the policy of the board, provided all investment factors are equal and within the limits of prudence, that investments in Louisiana securities are encouraged as well as the use of Louisiana based investment managers.

PARAMETERS OF PORTFOLIO CONSTRUCTION

It is the policy of the board, subject to review and modification when deemed appropriate, to designate not less than 25% of the market value of the portfolio for publicly traded, highly liquid investments, and not more than 65% of the portfolio for equity investments as that term is used in the LA Revised Statutes. Furthermore, should the allocation to equity investments exceed 55% of the portfolio, then at least 10% of the equity allocation will be invested in one or more index funds. Allowable ranges and normal policy weightings are as follows:

	Range
Cash	0-25%
Bonds	10-75%
Stocks	10-65%
Other	0-40%

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

The FRS asset custodian shall agree to handle the short-term investments of the fund. Such investments must be permitted by the statutes of the state of Louisiana as applicable to public retirement funds and may include but are not necessarily limited to obligations of the U.S. Treasury, certificates of deposit, and commercial paper. Funds available for short-term investments may include proceeds from the sale of bonds or equities, interest and dividend income and new contributions to the fund. The FRS asset custodian shall agree to invest such funds within one business day of their availability.

It is the board's policy to allow managers to hold cash balances as a defensive posture against market declines, but managers will be evaluated on the performance of their total allocation, including cash.

The investment managers have discretion to buy and sell securities within these parameters.

FIXED INCOME INVESTMENT POLICY

Notes and bonds will be utilized in this portfolio for income, price appreciation, and for their defensive characteristics.

It is imperative that the bond portfolio be of investment quality. The investment managers are therefore to purchase only bonds issued by the Federal Government and its agencies, mortgage-backed securities and corporate bonds rated "Investment Grade" (BAA or better) by a nationally recognized credit rating agency, unless the board of trustees approves an exception to that requirement. The purchase of high yield bonds is permitted if so stated in the investment guidelines for that manager. The purchase of preferred stocks is permitted provided the underlying equity is of adequate quality. Marketability is extremely important; thus, all bonds purchased must be issued with an outstanding amount of at least \$25 million par value.

No single holding other than a U.S. Government or a U.S. Government agency bond or note is to account for more than 5% of the market value of the system's total portfolio, nor shall the bonds of any one issuer, other than the U.S. Government or its agencies, account for more than 10% of the market value of the system's total portfolio.

It is also expected that the bond portfolio will be subject to active management in the interest of achieving maximum total return within appropriate quality constraints. Specific guidelines will be established for each manager and shall be incorporated into the contract between FRS and the manager.

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

EQUITY INVESTMENT POLICY

The equity portfolio is to be managed on a total return basis; that is, equities will be selected on the basis of their anticipated return from the combination of dividends and market appreciation within a three to five year horizon.

The equity portfolio is to be constructed on four fundamental building blocks: (1) diversification, (2) market capitalization, (3) geography, and (4) currency. The equity portfolio may be concentrated in securities that appear to represent particularly attractive value but the portfolio must be adequately diversified. No single equity holding is to account for more than 12% of the market value of any manager's total portfolio.

All domestic equities purchased by the fund shall be registered on a national securities exchange regulated under Title I of the Securities Exchange Act of 1934, or on the National Association of Securities Dealers Automated Quotation System. All international equities purchased by the managers for the system shall be common stock of publicly traded companies on recognized trading exchanges and be readily marketable securities offering potential for above-average growth.

Specific guidelines will be established for each manager and shall be incorporated into the contract between FRS and the manager.

The allocation objective of the FRS portfolio is to participate in all capitalization sectors of the equity market. To the extent practical, FRS shall:

- (1) Maintain equity holdings in large, middle, and small capitalization securities.
- (2) The core equity managers shall be selected in such a manner that the equity portfolio has reasonable exposure to the "growth" and "value" styles.

Investment managers shall vote all proxies on behalf of and in the best interest of FRS. Each investment manager shall promptly advise the FRS board regarding any issue that requires special consideration.

RESTRICTED TRANSACTIONS

Any security may be purchased by a manager, provided that the purchase is consistent with the underlying principles of the "prudent institutional investor" rule and, further provided, that the purchase is not prohibited by any provision of law or this policy. No derivative securities may be used which would have the effect of leveraging the portfolio or exposing it to risks inconsistent with the spirit of the guidelines and the conservative investment philosophy of this fund. As such, any use of derivatives must be explained in the manager's

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

investment guidelines. Short selling and the purchase of securities on margin are prohibited, unless expressly approved in the manager guidelines.

COMMUNICATION

The board and its retained professionals recognize that frequent communication between the parties is a keystone to appropriate management of the fund.

Recognizing the dynamic nature of the capital markets, it is the obligation of the retained professionals to promptly report to the board any suggestions or alterations in their guidelines considered desirable for the achievement of satisfactory investment results. Revisions will be considered from time to time.

The FRS board requires the following reports to be provided by the indicated professionals that are retained to assist the board in its investment process:

A. Investment Managers-

- (1) A timely notification/confirmation of all transactions shall be provided to the FRS custodial bank.
- (2) A monthly statement of asset values at cost and market.
- (3) A quarterly summary of performance with comparison to appropriate market performance indices.
- (4) A quarterly summary of performance with comparison to the objectives and goals outlined in their policy statements.
- (5) In addition to providing these written reports, the investment managers are obligated to make periodic personal appearances before the board.
- (6) Each manager is responsible for notifying the FRS board of any material change in personnel, investment strategy, or other pertinent information that effects or has the potential to effect the manager's performance.
- (7) Each investment manager shall agree, as a condition of being retained by FRS, to provide notice to the system whenever the manager is in violation of any provision of this policy. Notice shall be provided within forty-eight hours of any such violation or by the date of the next board meeting, whichever comes first. The manager shall

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

also provide information concerning the manager's planned course of action to return to compliance with this policy and the timing of any such action.

B. Investment Consultant-

- (1) A quarterly summary of manager performance with comparison to the appropriate market and peer performance indices.
- (2) A quarterly summary of performance with comparison to the objectives and goals outlined in this policy statement.
- (3) A monthly executive summary of total fund and individual manager performance relative to the pertinent market indices and goals stated in this policy statement.
- (4) A report regarding portfolio diversification.
- (5) A report regarding the outlook for expected returns by asset class and any recommendations regarding asset allocation decisions.

C. Custodian-

- (1) A monthly statement reporting the value of all assets at cost and market.
- (2) A monthly summary of all portfolio transactions by manager.
- (3) A quarterly summary of brokerage commissions paid on transactions by manager.

TRUSTEES RESPONSIBILITY

Participation in the affairs of any public body demands a high level of personal integrity and conduct. This is especially true when wise utilization of the funds of others is involved. Members of the board must discharge their responsibilities without prejudice or favor, avoiding at all time any conduct which would create a conflict of interest.

Staff members shall carry out the duties and responsibilities delegated by the board in the best interest of members of FRS. No staff member shall engage in any activity in his official position or in a personal investment program which will in any way create a conflict of interest.

Trustees must possess the knowledge and skill necessary to discharge their responsibilities to the system and thus shall adhere to all continuing education requirements prescribed by law or this policy.

FIREFIGHTERS' RETIREMENT SYSTEM

Investment Policy (continued)

CONTROL PROCEDURES

All major liability assumptions regarding the number of plan participants, payroll, benefit levels, and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the system's assumptions and actual experience.

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving these objectives. It is not expected that the investment policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the investment policy.

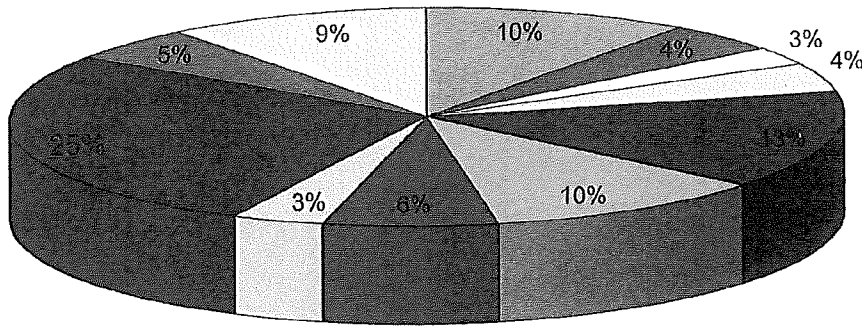
The board will meet with its investment managers as deemed appropriate based upon the manager's performance, market conditions or other events or activities that may require explanation. Additionally, with or without the investment managers, the board will review the investment results at least monthly.

These reviews will focus on:

- (1) Manager adherence to the policy guidelines.
- (2) A comparison of manager results versus appropriate indices.
- (3) Manager results compared to a universe of peer managers.
- (4) Material changes in the manager organizations, such as investment philosophy, personnel changes, acquisitions, or losses of major accounts, etc.

FIREFIIGHTERS' RETIREMENT SYSTEM

ASSET ALLOCATION SUMMARY As of June 30, 2009



■ Large Cap Domestic Equity (10%)	■ SMID Cap Domestic Equity (4%)
□ Micro Cap Domestic Equity (3%)	□ Energy Domestic Equity (4%)
■ International Equity (12%)	□ Core Bonds(10%)
■ Corporate Bonds (6%)	□ Emerging Market International Fixed Income (3%)
■ Hedge Funds(25%)	■ Private Equity (5%)

FIREFIGHTERS' RETIREMENT SYSTEM

Equity Manager Returns Compared to the Index

Manager	FYTD	Trailing 3 Yrs	Trailing 5 Yrs
BlackRock	-22.1%	-8.3%	-0.3%
Northern Trust 500 Index	-26.6%	-8.4%	-2.4%
Tradewinds	2.0%	8.0%	15.6%
Dow Jones Large Cap Index	-26.7%	-7.9%	-1.7%
Northern Trust 400 Index	-24.1%	6.8%	0.9%
Advisory	-38.2%	-12.4%	-2.0%
Down Jones Mid Cap Index	-28.0%	-8.2%	-0.1%
Montagu Newhall Crossover	-12.7%	N/A	N/A
Dow Jones Micro Cap Index	-20.4%	-12.5%	-4.3%
Orleans Energy Fund	-52.1%	-5.5%	12.4%
IXE/OSX Energy Index			
Thornburg	-25.7%	-1.5%	7.7%
LSV	-31.7%	-9.7%	2.5%
Fisher	-36.0%	-6.9%	2.9%
KBC Water	-33.6%	-5.3%	5.7%
MSCI ACWxUS Index	-30.5%	-6.2%	3.4%

Fixed Income Manager Returns Compared to the Index

Manager	FYTD	Trailing 3 Yrs	Trailing 5 Yrs
PIMCO	9.4%	9.1%	7.0%
Orleans Capital	6.8%	6.1%	4.9%
Commonwealth	-19.0%	-1.8%	1.1%
Barclay's Aggregate Bond Index	6.1%	6.4%	5.0%
Barrow Hanley Corp Bond	6.7%	6.6%	5.2%
Orleans Corp Bond	5.2%	4.9%	N/A
Barclay's Credit Index	4.1%	4.9%	4.1%
Ashmore EMDF	-12.2%	4.1%	10.7%
JP Morgan EMBC Index	2.1%	6.1%	8.3%

FIREFIGHTERS' RETIREMENT SYSTEM

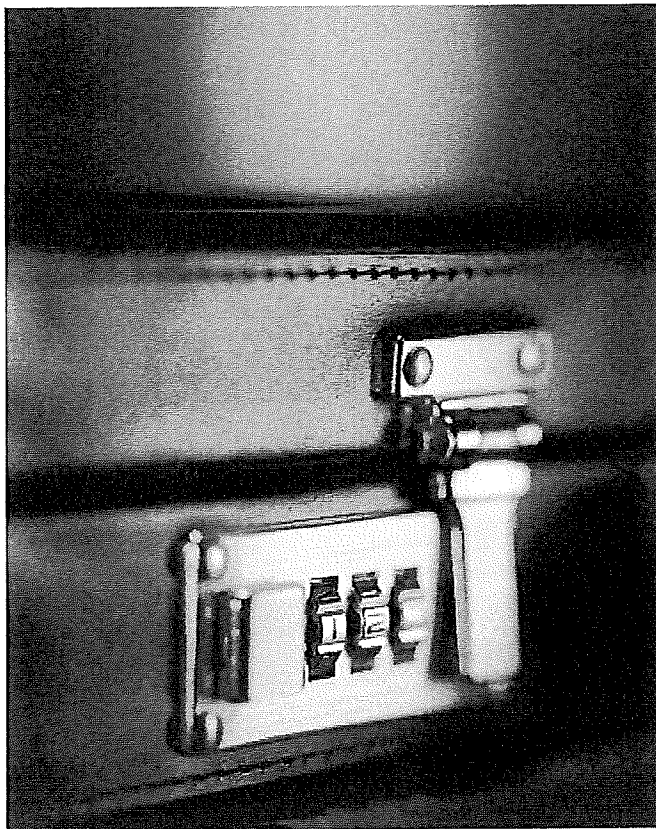
Hedge Fund Manager Returns

Manager	FYTD	Trailing 3 Yrs	Trailing 5 Yrs
Clinton Group Magnolia	-39.0%	N/A	N/A
Lighthouse Fund	-12.7%	0.7%	3.6%
Bay Resources Fund	-7.1%	8.7%	16.6%
Scoggins Fund	-5.7%	4.1%	8.6%
Argonaut Aggressive	13.5%	11.3%	14.0%
Emory Partners	-8.6%	2.3%	4.7%
Fletcher	12.0%	N/A	N/A
Ironwood Partners	-23.0%	-4.4%	0.7%

Real Estate Manager Returns

Manager	Annual Return Since Inception
Invesco Global REIT	0.5%
Americus Fund II	-2.6%
Sentinel Fund	-6.3%
FRS Land Baron	-13.8%
JP Morgan India Fund	-31.9%
Vision Capital	-0.9%
Timbervest Crossover	-3.0%

Firefighters Retirement System



Actuarial Section

FIREFIGHTERS' RETIREMENT SYSTEM

G. S. CURRAN & COMPANY, LTD.

Actuarial Services

10555 North Glenstone Place • Baton Rouge, Louisiana 70810 • (225)769-4825

Gary S. Curran, FCA, MAAA, ASA, EA
Consulting Actuary

Gregory M. Curran, FCA, MAAA, ASA
Associate Actuary

December 4, 2009

Board of Trustees
Firefighters' Retirement System
3100 Brentwood Drive
Baton Rouge, LA 70809

Ladies and Gentlemen:

We are pleased to present our report on the actuarial valuation of the Firefighters' Retirement System for the fiscal year ending June 30, 2009. Our report is based on the actuarial assumptions specified and relies on the data supplied by the system's administrators and accountants. This report was prepared at the request of the Board of Trustees of the Firefighters' Retirement System of the State of Louisiana. The primary purposes of the report are to determine the actuarially required contribution for the retirement system for the fiscal year ending June 30, 2010, to recommend the net direct employer contribution rate for fiscal 2011, and to provide information for the system's financial statements. This report was prepared exclusively for the Firefighters' Retirement System for a specific limited purpose. It is not for the use or benefit of any third party for any purpose.

This report has been prepared in accordance with generally accepted actuarial principles and practices, and to the best of our knowledge and belief, fairly reflects the actuarial present values and costs stated herein. The undersigned actuaries are members of the American Academy of Actuaries and have met the qualification standards for the American Academy of Actuaries to render the actuarial opinions incorporated in this report, and are available to provide further information or answer any questions with respect to this valuation.

Sincerely,

G. S. CURRAN & COMPANY, LTD.

By: _____
Gary Curran, F.C.A., M.A.A.A., A.S.A.

By: _____
Gregory Curran, F.C.A., M.A.A.A., A.S.A.

FIREFIGHTERS' RETIREMENT SYSTEM

Summary of Assumptions

In determining actuarial costs, certain assumptions must be made regarding future experience under the plan. These assumptions include the rate of investment return, mortality of plan members, rates of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plan. To the extent the future experience varies from the assumptions selected for valuation, future costs will be either higher or lower than anticipated. The following chart illustrates the effect of emerging experience on the plan.

<u>Factor</u>	<u>Increase in Factor Results In</u>
Investment Earnings Rate	Decrease in Cost
Annual Rate of Salary Increase	Increase in Cost
Rates of Retirement	Increase in Cost
Rates of Termination	Decrease in Cost
Rates of Disability	Increase in Cost
Rates of Mortality	Decrease in Cost

ACTUARIAL COST METHOD:

Individual entry age normal with allocation of cost based on earnings. Entry and attained ages calculated on age near birthday basis.

VALUATION INTEREST RATE:

7.5% (net of investment expense)

ACTUARIAL ASSET VALUES:

Invested assets are valued at market value adjusted to defer four-fifths of all earnings above or below the valuation interest rate in the valuation year, three-fifths of all earnings above or below the valuation interest rate in the prior year, two-fifths of all earnings above or below the valuation interest rate from two years prior, and one-fifth of all earnings above or below the valuation interest rate from three years prior. Under this methodology the value of the assets will not be less than 85% nor more than 115% of the actual market value. See Exhibit III Schedule B in the valuation report for the actuarial asset value calculation.

ANNUITANT MORTALITY:

1994 Uninsured pensioner mortality table utilized for pre-retirement and post-retirement table used for pre-retirement and post-retirement mortality.

FIREFIGHTERS' RETIREMENT SYSTEM

Summary of Assumptions (continued)

RETIREE COST OF LIVING INCREASES:

The present value of future retirement benefits is based on benefits currently being paid by the system and includes previously granted COLAs. The present values do not include provisions for potential future increases not yet authorized by the board of trustees.

ANNUAL SALARY INCREASE RATE:

Salary increases include 3.25% inflation and merit increases. The gross rates including inflation and merit increases are as follows:

Years of Service	Salary Growth Rate
1—2	14.7%
3—14	6.3%
15 & Over	5.3%

RETIREMENT RATES:

The table of these rates is included in the actuarial valuation report. These rates apply only to those individuals eligible to retire.

DROP ENTRY RATES:

The table of these rates is included in the actuarial valuation report. These rates apply only to those individuals eligible to participate.

DROP PARTICIPATION PERIOD:

All DROP participants are assumed to participate for 3 years and retire at the end of this participation period.

RETIREMENT RATES FOR ACTIVE FORMER DROP PARTICIPANTS:

Retirement rates for active former DROP participants are as follows:

Ages	Retirement Rates
74 & Under	0.25
75 & Over	1.00

FIREFIGHTERS' RETIREMENT SYSTEM

Summary of Assumptions (continued)

DISABILITY RATES:

70% of the disability rates used for the 21st valuation of the Railroad Retirement System for individuals with 10-19 years of service. The table of these rates is included in the actuarial valuation report. 20% of total disabilities are assumed to be in the line of duty.

WITHDRAWAL RATES:

The rates of withdrawal are applied based upon completed years of service according to the following table:

Service	Factor	Service	Factor
<1	0.100	7	0.020
1	0.060	8	0.020
2	0.060	9	0.020
3	0.060	10	0.020
4	0.035	11	0.020
5	0.035	>11	0.010
6	0.035		

Note: The withdrawal rate for individuals eligible to retire is assumed to be zero.

MARRIAGE STATISTICS:

80% of the members are assumed to be married; husbands are assumed to be three years older than wives.

SERVICE RELATED DEATHS:

20% of Total Deaths

FAMILY STATISTICS:

Assumptions utilized in determining the costs of various survivor benefits as listed below, are derived from information provided in the 2000 U.S. Census:

Age	% with Children	Number of Children	Average Age
25	62%	1.7	6
35	82%	2.1	10
45	66%	1.8	13
55	19%	1.4	15
65	2%	1.4	15

FIREFIGHTERS' RETIREMENT SYSTEM

DISABLED LIVES MORTALITY:

RP-2000 Disabled Lives Mortality Tables for Males and Females

VESTING ELECTING PERCENTAGE:

70% of those vested elect deferred benefits in lieu of contribution refunds.

FIREFIGHTERS' RETIREMENT SYSTEM

Membership Data

Active Member Data
At June 30, 2009

Fiscal Year	Number	Annual Payroll	Annual Ave Pay	% Increase in Average Pay
2009	3,882	\$178,913,097	46,088	4.0%
2008	3,821	169,401,716	44,334	6.7%
2007	3,632	150,960,665	41,564	4.8%
2006	3,534	140,175,740	39,665	4.3%
2005	3,532	134,313,739	38,028	1.8%

Retiree and Beneficiary Data
At June 30, 2009

Fiscal Year	# of Annuitants	Additions	Deletions	% Change In Membership	Annual Annuities	% Change in Annuities
2009	1,688	103	46	3.5%	\$53,031,851	9.5%
2008	1,631	98	22	4.9%	48,416,581	10.1%
2007	1,555	95	17	5.3%	43,972,738	10.9%
2006	1,477	71	28	3.0%	39,649,619	8.6%
2005	1,434	79	24	4.0%	36,510,489	7.1%

FIREFIGHTERS' RETIREMENT SYSTEM

ASSET EXPERIENCE

The actuarial and market rates of return for the past ten years are given below. These rates of return on assets were arrived at by assuming a uniform distribution of income and expense throughout the fiscal year.

	<u>Actuarial Value</u>	<u>Market Value</u>
2000	5.5%	3.5%
2001	0.7%	-2.9%
2002	-3.0%	-3.7%
2003	0.9%	5.4%
2004	8.0%	11.0%
2005	10.4%	10.4%
2006	9.9% *	12.3%
2007	11.6%	17.2%
2008	9.0%	-5.0%
2009	-4.9%	-20.8%

* Based on the actuarial value of assets and income and expense including the effect of a change in the method for calculating the actuarial value of assets under a 5-year smoothing of investment earnings above or below the assumed 7.5% rate of return. Returns for years 1998 through 2005 were based on a 2-year smoothing of recognized realized and unrealized capital gains (losses) on all securities.

Reconciliation of Unfunded Accrued Liability As of June 30, 2009

Prior Year Unfunded Accrued Liability		\$187,351,961
Interest on Unfunded Accrued Liability	\$14,051,397	
Normal Cost for Prior Year	39,982,649	
Interest on the Normal Cost	2,998,699	
Normal Cost for Merged Systems with Accrued Interest	0	
Administrative Expenses	868,688	
Interest on Expenses	31,987	
TOTAL Increases to Unfunded Accrued Liability		\$57,933,420
Required Contributions for Prior Year with interest	\$ 61,558,644	
Contribution Excess (Shortfall) with accrued interest	(993,536)	
Cost of Living Adjustment Gains (Losses)	(15,784,880)	
Merger Gains (Losses)	0	
Investment Gains (Losses)	(261,874,151)	
Liability Experience Gains (Losses)	3,921,422	
Liability Assumption Gains (Losses)	121,695,690	
TOTAL Decreases to Unfunded Accrued Liability		\$(91,476,811)
CURRENT YEAR UNFUNDED ACCRUED LIABILITY		\$336,762,192

FIREFIGHTERS' RETIREMENT SYSTEM

Changes in Plan Provisions

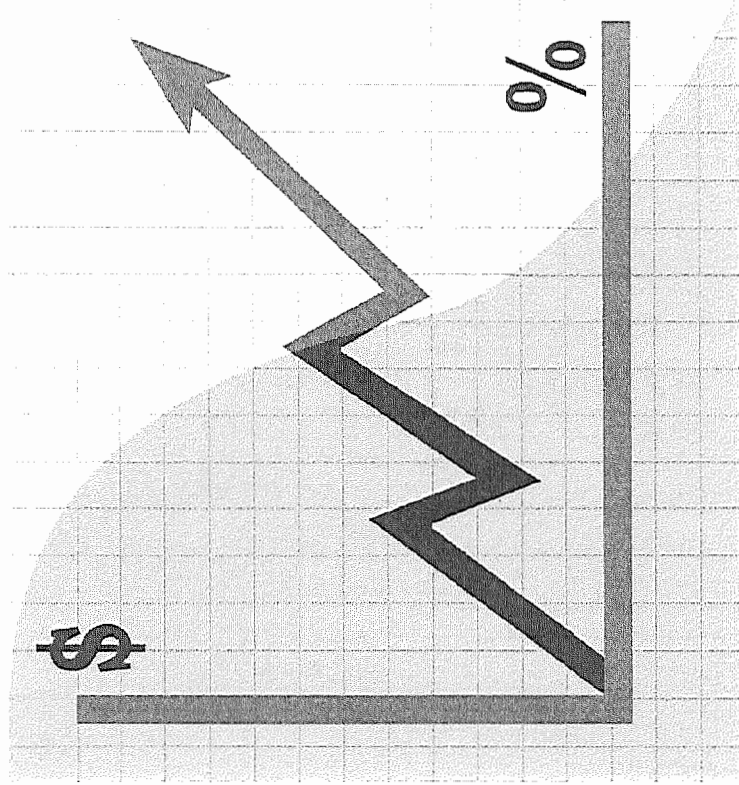
The following changes in plan provisions were enacted during the 2009 Regular Session of the Louisiana Legislature:

Act 270 provides that a member of a state or statewide retirement system, upon applying for retirement, may irrevocably elect a retirement payment option whereby his benefit is actuarially reduced, but he receives a 2.5% compounded increase in his benefit annually on each retirement anniversary date. This increase is also available to DROP participants and applied to the monthly benefit allowance. The adjustment is only payable to retirees who are 55 and older. The adjustment is not based on any other COLAs the system may grant. Any additional COLA granted by the system will be based on the retiree's monthly benefit as it exists when such COLA is granted. Spousal beneficiaries also receive the COLA upon the retiree's death if the retiree chose to have his benefits paid to his spouse upon his death.

Act 422 provides that for each fiscal year beginning on or after July 1, 2009, payments for actuarial gains and losses must be calculated as level dollar amounts over a 20 year period from the fiscal year of occurrence. For actuarial gains and losses accruing on or after July 1, 2010, the amortization period will decrease by one year each fiscal year until attaining a 15 year amortization period. Such gains and losses will include any increases in actuarial liability resulting from the governing authority granting cost-of-living increases.

Firefighters Retirement System

Statistical Section



FIREFIGHTERS' RETIREMENT SYSTEM

Schedules of Revenue & Expense by Source and Type

<u>Revenue by Source</u>						
<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>IPTF Allocation</u>	<u>Net Investment Earnings</u>	<u>Other Operating Revenues</u>	<u>Total</u>
2009	\$14,508,015	\$22,640,615	\$21,265,547	(\$226,721,944)	\$372,691	(\$167,935,076)
2008	13,611,403	23,292,250	20,521,771	(57,153,855)	8,532,266	8,803,835
2007	12,343,832	23,989,079	18,796,831	161,858,490	5,845,683	222,833,915
2006	11,100,322	25,287,368	18,197,358	104,278,816	491,126	159,354,990
2005	10,750,246	32,898,204	17,096,085	78,546,820	493,191	139,784,546
2004	9,940,375	27,650,433	16,537,682	73,194,397	739,028	128,061,915

<u>Expenses by Type</u>					
<u>Fiscal Year</u>	<u>Annuity Benefits</u>	<u>Disability Benefits</u>	<u>Refunds & Transfers</u>	<u>Administrative Expenses</u>	<u>Total</u>
2009	\$54,445,356	\$4,063,788	(\$400,264)	\$868,687	\$58,977,567
2008	49,150,168	3,833,211	776,195	811,667	54,571,241
2007	43,955,093	3,321,152	628,932	506,879	48,412,056
2006	39,509,957	2,982,855	889,230	667,651	44,049,693
2005	39,371,442	2,694,199	907,771	585,997	43,559,409
2004	36,281,148	2,259,873	1,067,755	749,148	40,357,924

FIREFIGHTERS' RETIREMENT SYSTEM

Membership Census					
Fiscal Year	Actives	Retirees & Survivors	DROP Participants	Terminated Due a Benefit	Terminated Due a Refund
2009	3,882	1,688	147	55	407
2008	3,820	1,661	130	53	430
2007	3,632	1,555	134	54	298
2006	3,534	1,477	111	52	249
2005	3,532	1,434	103	46	189

FIREFIGHTERS' RETIREMENT SYSTEM

Schedule of Participating Employers

City of Abbeville	City of Gonzales
Ascension Parish Fire District #3	Town of Gueydan
City of Alexandria	City of Hammond
City of Baldwin	City of Harahan
City of Baker	City of Haughton
City of Bastrop	Iberia Parish Fire Protection District #1
City of Bayou Cane	Jefferson Parish Fire Protection District
Beauregard Parish Fire Protection District #1	Jefferson Davis Parish Fire Protection District #2
Benton Fire Protection District #4	City of Jennings
Town of Berwick	City of Jonesboro
City of Bogalusa	City of Kaplan
City of Bossier City	City of Kenner
Town of Brusly	Town of Kentwood
Caddo Parish Fire Protection District #1	City of Lafayette
Caddo Parish Fire Protection District #2	City of Lake Charles
Caddo Parish Fire Protection District #3	City of Leesville
Caddo Parish Fire Protection District #4	Lincoln Fire Protection District #1
Caddo Parish Fire Protection District #5	City of Marksville
Caddo Parish Fire Protection District #6	City of Minden
Caddo Parish Fire Protection District #8	City of Monroe
Calcasieu Parish Consolidated Government	Montegut Fire Protection District #6
Central Fire Protection District #4	City of Morgan City
City of Covington	City of Natchitoches
City of Crowley	Natchitoches Fire Protection District #6
City of Denham Springs	City of New Iberia
City of Deridder	North Bienville Parish Fire Protection District
Desoto Fire Protection District #8	City of Opelousas
Fire Protection District #6	Ouachita Parish
City of Donaldsonville	City of Pineville
East Central Bossier Fire Protection District #1	City of Plaquemine
City of Eunice	City of Ponchatoula
Town of Farmerville	City of Port Allen
City of Franklin	Rapides Parish Fire Protection District #2
City of Franklinton	City of Rayville
Grant Parish Fire Protection District #5	City of Ruston
	City of Shreveport
	St Bernard Parish Fire Protection District

FIREFIGHTERS' RETIREMENT SYSTEM

City of St Gabriel
St George Fire Protection District
St Landry Parish Fire Protection District #2
St Landry Parish Fire Protection District #3
St Mary Parish Fire Protection District #3
St Tammany Fire Protection District #1
St Tammany Fire Protection District #2
St Tammany Fire Protection District #3
St Tammany Parish Fire Protection District #4
St Tammany Parish Fire Protection District #5
St Tammany Fire Protection District #8
St Tammany Parish Fire Protection District #12
City of Sulphur
City of Tallulah
Tangipahoa Parish Fire Protection District #2
Tensas Parish Fire Protection District #1
Terrebonne Parish Consolidated Government
Terrebonne Parish Fire Protection District #4A
Terrebonne Parish Fire Protection District #5
Terrebonne Parish Fire Protection District #6
Terrebonne Parish Fire Protection District #7
Terrebonne Parish Fire Protection District #9
Terrebonne Parish Fire Protection District # 10
Vermillion Parish Fire Protection District #7
City of Vidalia
City of Ville Platte
Washington Parish Fire Protection District
West Baton Rouge Parish Fire Protection District
#6
West Feliciana Fire Protection District #1
City of Westlake
City of West Monroe
City of Winnfield
City of Winnsboro
City of Zachary

St John the Baptist Parish Fire Protection District
St Landry Parish Fire Protection District #1