

# Firefighters' Retirement System

2016 AND 2015

## Financial Report



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STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM

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JUNE 30, 2015 AND 2014

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## LETTER OF TRANSMITTAL

November 28, 2016

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



I am pleased to present the Financial Report of the Firefighters' Retirement System (FRS) for the fiscal year ended June 30, 2016. My office is responsible for the management of FRS, 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 report 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 FRS. 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.

### Plan Characteristics

FRS is a cost sharing, multi-employer, governmental defined benefit pension plan, established by the state legislature on January 1, 1980, to provide retirement and other benefits for Louisiana firefighters. 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 uses 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 statements to ensure that they conform to U.S. Generally Accepted Accounting Principles (GAAP) in all material respects. To assure independence, the independent auditor must be preapproved by the Office of the Legislative Auditor.

## Management's Discussion and Analysis

Management's discussion and analysis (MD&A) begins on page 4 and provides an overview and analysis of FRS' 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 \$1.4 billion. Diversification to reduce risk is evident in the allocation of invested assets. FRS holds a wide range of investments such as domestic and international stocks, investment grade and high-yield bonds, and holdings in real estate and private equity firms. In addition to these asset classes, FRS obtains diversification through various management styles including growth and value, market capitalization, and industry sectors. For fiscal 2016, due to severe challenges in the economy and capital markets, FRS assets experienced a (2.4)% loss, net of fees, with three and five year averages of 2.8% and 2.7%, respectively. See the MD&A for a more detailed discussion of FRS' investment performance.

Last year FRS' investment portfolio earned a (0.6)% loss. This year major asset classes continued to have mixed results and the FRS portfolio experienced a (2.4)% loss. Financial markets faced significant headwinds due to uncertainty relating to the interest rate environment, Brexit vote, level of oil prices, and the US election. The declining investment performance in 2016 and the subtraction of the prior positive returns from FRS' 5 year averaging method resulted in FRS' 5 year investment return of 2.7% in fiscal year 2016, down from 6.7% in fiscal year 2015.

## Funding

The actuary determines the annual funding requirements needed to meet current and future benefit obligations. Calculations of contributions are based on FRS' normal cost and amortization of the unfunded accrued liability. The employer contribution rate established by the Public Retirement Systems' Actuarial Committee (PRSAC)-

For 2015-2016 was as follows:

	<u>Above Poverty</u>	<u>Below Poverty</u>
Employee	10.00%	8.00%
Employer	27.25%	29.25%

And for 2016-2017 is as follows:

	<u>Above Poverty</u>	<u>Below Poverty</u>
Employee	10.00%	8.00%
Employer	25.25%	27.25%

And for 2017-2018 is projected to be as follows:

	<u>Above Poverty</u>	<u>Below Poverty</u>
Employee	10.00%	8.00%
Employer	26.50%	28.50%

The overwhelming majority of employees are paid a salary that exceeds the poverty rate, so that means, for 2016-2017, the overwhelming majority of employers are paying the 25.25% rate; and, in all likelihood, will be paying the projected 26.50% rate in 2017-2018.



On a market value of assets basis, as of June 30, 2016, FRS was 68.16% funded compared to 72.45% as of June 30, 2015. FRS' market value of assets decreased by \$19.2 million; whereas, the net change in total pension liability increased by \$95.1 million. This resulted in a net decrease of 4.3% in the System's funded status. Net assets held in trust to pay pension benefits at June 30, 2016 totaled \$1.4 billion.

### Key Developments and Highlights

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

- Considering the foregoing, FRS' total assets finished the year with a market value that continued to approach the \$1.5 billion mark.
- FRS' 3-year investment average continues to reflect the effects on the portfolio after the historic devaluation of capital markets that occurred in 2008 and 2009. That is the era of the double-dip recession and the worst economic conditions since the great depression. Measuring FRS' portfolio after the historic 2008-2009 era shows a five year return of 2.7%, net of all fees. The overall health of FRS' portfolio continues to be good.
- During fiscal year 2015, target allocations to private equity and real estate were 8% and 7%, respectively. The FRS board of trustees decided to adopt a more conservative to moderate risk tolerance for these classes of investments and, during fiscal year 2016, private equity and real estate targets were trimmed almost in half to 4% and 4% for private equity and real estate investments, respectively. This allocation shift increases the long term liquidity and flexibility, as well as mitigates the unmeasurable risks associated with alternative investments.

### Acknowledgements and Considerations

The commitment to hard work demonstrated by the FRS staff made the preparation of this report possible. The FRS staff and I would like to thank the board of trustees for its support and dedication.



Steven Stockstill  
*Executive Director*

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**BOARD OF TRUSTEES**



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Board Chairman  
Retiree Representative



Stacy Birdwell  
Board Vice Chairman  
PFFA Representative



Mayor David Amrhein  
LMA Representative



Mayor Ron Roberts  
LMA Representative



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PFFA Representative

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INDEPENDENT AUDITOR'S REPORT

November 28, 2016

Board of Trustees  
Firefighters' Retirement System  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the Firefighters' Retirement System (FRS or System), which comprise the statements of fiduciary net position as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Firefighters' Retirement System as of June 30, 2016 and 2015, and the results of its operations and changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for Firefighters' Retirement System was \$2,053,982,618 and \$1,958,850,006 at June 30, 2016 and 2015, respectively. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2016 and 2015 could be understated or overstated.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The letter of transmittal and other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the Firefighters' Retirement System's internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations and contracts. 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* in considering the internal control over financial reporting of the Firefighters' Retirement System.

*Duplantier, Sharpner, Hogan and Baker, LLP*

New Orleans, Louisiana

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

The following is management's discussion and analysis of the financial performance of Firefighters' Retirement System (FRS or System). This narrative provides an overview of the financial activities and funding conditions for the fiscal year ended June 30, 2016. Please review it in conjunction with the financial statements which begin on page 9.

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**FINANCIAL HIGHLIGHTS**

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- ❖ FRS' fiduciary net position restricted for pension benefits decreased by \$19.2 million, or (1.4)%.
- ❖ FRS' investment holdings decreased by \$19.5 million, or (1.4)%
- ❖ The rate of return on the estimated fair value of FRS investments was (2.4)%, net of fees in 2016 as compared to (0.6)% for 2015.
- ❖ Employee, employer and state appropriations from insurance premium tax contributions to FRS increased \$2.1 million year over year and benefit and disability payments increased \$2.2 million year over year.

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Financial Statements

The statement of fiduciary net position reports the pension fund's assets, liabilities, and resulting net position restricted for pension benefits. It discloses the financial position of FRS as of June 30, 2016 and 2015. The statement of changes in fiduciary position reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the fiduciary net position. 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.



STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

- ❖ Note 1 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, new accounting standards, accumulated leave and estimates.
- ❖ Note 2 provides information regarding plan membership, and plan benefit provisions.
- ❖ Note 3 provides information regarding contributions and reserves.
- ❖ Note 4 provides information regarding net pension liability, including actuarial assumptions used in calculation of liability, long-term expected rate of return by asset class and discount rate used to calculate net pension liability.
- ❖ Note 5 provides information regarding cash and investments, custodial credit risk, credit risk, concentration of credit risk, interest rate risk, foreign currency risk, money weighted rate of return, and a discussion of realized and unrealized gains and losses.
- ❖ Note 6 provides information on fair value measurements.
- ❖ Note 7 provides information regarding foreign currency contracts.
- ❖ Note 8 provides information on alternative investments.
- ❖ Note 9 provides a summary of the notes receivable from merged municipalities and a Fire District.
- ❖ Note 10 provides a summary of the property and equipment of FRS including depreciation and net book value.
- ❖ Note 11 provides information regarding any potential contingencies of FRS.
- ❖ Note 12 provides a summary of current litigation.
- ❖ Note 13 provides information on FRS' tax qualification.
- ❖ Note 14 states that there were reclassifications made to the prior year presentation.

STATEMENTS OF FIDUCIARY NET POSITION  
 (in thousands)

	<u>2016</u>	<u>2015</u>
Cash and investments	\$ 1,385,046	1,402,296
Receivables	32,976	48,824
Capital assets	691	718
Prepaid expense and other	2	802
Total Assets	1,418,715	1,452,640
Liabilities	18,823	33,501
Total Net Position	\$ 1,399,892	\$ 1,419,139

FRS' net position restricted for pension benefits decreased \$19.2 million year over year. This decrease was primarily due to a decrease in investment returns.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

ADDITIONS TO FIDUCIARY NET POSITION  
 (in thousands)

	<u>2016</u>	<u>2015</u>
Contributions	\$ 109,536	\$ 107,463
Net investment loss	(32,445)	(3,173)
Other additions	565	339
Total additions	<u>\$ 77,656</u>	<u>\$ 104,629</u>

Additions to FRS' fiduciary net position decreased \$27.0 million, or (25.8)% year over year. Additions include employer and member contributions, investment income, an allocation from the insurance premium tax fund, and other additions. Contributions including insurance premium taxes increased \$2.1 million and net investment income decreased \$29.3 million year over year.

DEDUCTIONS FROM FIDUCIARY NET POSITION  
 (in thousands)

	<u>2016</u>	<u>2015</u>
Retirement benefits	\$ 88,673	\$ 86,828
Disability benefits	5,406	5,093
Refunds	1,359	1,746
Transfers to other systems	-	543
Administrative expenses	1,465	1,588
Total deductions	<u>\$ 96,903</u>	<u>\$ 95,798</u>

Deductions from fiduciary net position increased \$1.1 million or 1.2%. This increase was primarily due to an increase in benefit payments of \$2.2 million offset by decreases in refunds, transfers and administrative expenses totaling \$1.1 million.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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**INVESTMENTS**

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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.

The following table summarizes the approximate investment return by asset class for the years ended June 30, 2016 and June 30, 2015.

INVESTMENT RETURNS SUMMARY

	<u>2016</u>	<u>2015</u>
Equities		
Domestic	0.3%	2.2%
SMID Cap	(8.7)%	(9.0)%
Emerging Market Equity	(12.2)%	(8.1)%
International Equity		
International Equity	(11.8)%	(2.6)%
Global Equity		
Global Equity	(11.0)%	4.7%
Fixed Income		
Core	4.6%	0.6%
Emerging Markets Debt	0.1%	(16.9)%
Global Asset Allocation	(1.6)%	(0.5)%
Alternatives		
Hedge Funds	*	(61.7)%
Private Equity	1.4%	(11.0)%
Real Estate	0.7%	6.3%
Total	<u>(2.4)%</u>	<u>(0.6)%</u>

\* All hedge fund investments were sold during the year ended June 30, 2016

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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**CONTACTING THE PLAN'S FINANCIAL MANAGEMENT**

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The financial report is designed to provide citizens, taxpayers, and System members with an overview of FRS' 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.ffret.com](http://www.ffret.com) or contact the FRS Controller, Layne McKinney, at 3100 Brentwood Drive, Baton Rouge, Louisiana 70809.



STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash - operating	\$ 9,951,175	\$ 7,742,050
Receivables:		
Member contributions	1,911,817	1,781,100
Employer contributions	5,210,347	5,209,321
Accrued interest and dividends	3,071,975	6,209,194
Investment receivable	2,183,754	118,160
Forward currency contracts	17,773,710	32,568,513
Notes receivable - merged municipalities	1,992,431	2,085,350
Notes receivable - fire district	831,961	852,127
Total receivables	<u>32,975,995</u>	<u>48,823,765</u>
Investments at fair value:		
Cash held in trust	884,355	-
Cash equivalents	28,060,931	87,600,816
Equities - domestic	151,051,126	136,115,781
Equities - foreign	205,878,932	197,698,592
Equity security funds	376,903,660	377,174,087
Corporate bonds - domestic	45,905,363	38,220,197
Corporate bonds - foreign	-	4,902,714
US government agency bonds	19,922,104	18,682,525
Asset backed securities	-	1,435,405
Fixed income funds	248,307,069	240,083,038
Multi-asset strategies	137,316,166	139,193,395
Private equity	45,696,756	49,610,149
Real estate	115,168,700	102,794,048
Hedge funds	-	1,043,471
Total investments at fair value	<u>1,375,095,162</u>	<u>1,394,554,218</u>
Other assets:		
Property, building, equipment and fixtures, net of accumulated depreciation of \$598,547 and \$605,932, respectively	691,145	717,680
Prepaid expenses and other	2,003	802,327
Total other assets	<u>693,148</u>	<u>1,520,007</u>
<b>TOTAL ASSETS</b>	<u>1,418,715,480</u>	<u>1,452,640,040</u>
<b>LIABILITIES:</b>		
Accounts payable	1,015,003	850,097
Forward currency contracts	17,386,066	32,330,085
Investment payable	422,199	321,089
Total liabilities	<u>18,823,268</u>	<u>33,501,271</u>
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	<u>\$ 1,399,892,212</u>	<u>\$ 1,419,138,769</u>

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

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
Contributions:		
Member contributions	\$ 22,730,660	\$ 21,286,015
Employer contributions	61,980,076	62,252,947
State appropriations from insurance premium taxes	24,825,521	23,924,457
Total contributions	<u>109,536,257</u>	<u>107,463,419</u>
Investment Income (Loss):		
Net depreciation in		
fair value of investments	(41,242,270)	(12,581,284)
Interest and dividends	14,349,221	12,929,561
Legal settlements	624,266	2,964,117
Investment expenses	(6,175,796)	(6,485,239)
Net investment (loss)	<u>(32,444,579)</u>	<u>(3,172,845)</u>
Other Additions:		
Interest - notes receivable	206,817	231,320
Interest	192,081	107,459
Transfers from other systems - employer	165,381	-
Total other additions	<u>564,279</u>	<u>338,779</u>
Total additions	<u>77,655,957</u>	<u>104,629,353</u>
DEDUCTIONS:		
Retirement benefits paid	88,672,685	86,827,738
Disability benefits	5,405,974	5,092,745
Refunds of contributions	1,358,460	1,746,315
Transfers to other systems - employer	-	543,002
Administrative expenses	1,465,395	1,587,981
Total deductions	<u>96,902,514</u>	<u>95,797,781</u>
NET INCREASE/(DECREASE)	(19,246,557)	8,831,572
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
Beginning of year	<u>1,419,138,769</u>	<u>1,410,307,197</u>
END OF YEAR	<u>\$ 1,399,892,212</u>	<u>\$ 1,419,138,769</u>

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

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

General:

Firefighters' Retirement System (FRS or System) was created January 1, 1980 under the provisions of Louisiana Revised Statutes 11:2251 - 11:2272 and is a tax qualified plan as determined by the Internal Revenue Service. The System is a cost sharing, multi-employer, governmental defined benefit pension plan. Membership in FRS is a condition of employment for full time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana. FRS is governed by a ten-member Board of Trustees (the Board). The Board is responsible for administering the assets of the System and for making policy decisions regarding investments. Two of the Trustees are elected by the officers of 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 Treasurer's office, one from the Division of Administration and the chairmen of the Senate and House Retirement Committees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity:

Under Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations are Component Units (GASB 39) (an amendment of GASB 14, *The Financial Reporting Entity*), 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 FRS;
- ❖ Four of the ten Board members are elected by the employees who participate in FRS; 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 is not a component unit of the State of Louisiana and FRS itself has no component units as defined under GASB 39.

The accompanying financial statements reflect the activity of the System.

Basis of Accounting:

FRS' financial statements are prepared in conformity with standards established by the Governmental Accounting Standards Board (GASB), using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

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.

State appropriations from insurance premium taxes are recorded when received.

In addition, these financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

New Accounting Standard:

During the year ended June 30, 2016, the System adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. As noted above, GASB Statement No. 72 established new standards on reporting fair value using the fair value hierarchy including inputs used to determine the fair value. GASB 72 is retroactive and has been applied to the June 30, 2015 financial statements and footnotes.

Methods Used to Value Investments:

As required by GASB 72, investments are reported at fair value. Fair value is described as an exit price. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs—other than quoted prices—included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures are organized by type of asset or liability. GASB 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are located in Note 6.



STATE OF LOUISIANA  
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Methods Used to Value Investments: (Continued)

Short term investments are reported at market value when published prices are available, or cost which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. All derivative financial instruments are reported at fair value in the Statements of Fiduciary Net Position with valuation changes recognized in income. Gains and losses are reported in the Statements of Changes in Fiduciary Net Position as net appreciation (depreciation) in fair value of investments during the period the instruments are held, and when the instruments are sold or expire. The fair value of investments that are organized a limited partnerships and have no readily ascertainable fair value (such as private equity and real estate) has been recorded based on the investment's capital account balance which is reported as fair value, at the closest available reporting period, adjusted for subsequent contributions, distributions and management fees. Because of the inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term. Investments that do not have an established market are reported at estimated fair value.

Cash and Investment:

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 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' 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.

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 forty years for buildings and three 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 FRS accumulate unlimited amounts of annual leave 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 employee's rate of pay. The liability for accrued annual leave up to 300 hours is included in accounts payable.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, expenses and disclosures at the date of the financial statements. Actual results could differ from those estimates.

2. PLAN DESCRIPTION:

The following brief description of the Firefighters' Retirement System membership and benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Plan Membership:

Membership data at June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
<u>Contributing Entities:</u>		
Cities	66	66
Parishes	18	18
Special districts	58	56
Total contributing entities	<u>142</u>	<u>140</u>
 <u>Participants:</u>		
Inactive plan members or beneficiaries currently receiving benefits	2,213	2,139
Inactive plan members entitled to but not yet receiving benefits	630	604
Active plan members	<u>4,535</u>	<u>4,358</u>
Total participants	<u>7,378</u>	<u>7,101</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.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

2. PLAN DESCRIPTION: (Continued)

Plan Benefits: (Continued)

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. An employee may elect an unreduced benefit or any of seven 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.
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 ½ 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.
7. The member can select to receive a guaranteed 2 ½% COLA every year beginning when the member reaches age 55. In exchange for this COLA, the member takes an actuarially reduced benefit upon retirement.

Death Benefits:

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

1. If the employee is not eligible to retire and dies in the line of duty, their spouse will receive monthly, an annual benefit equal to 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 3.0% of the member's average final compensation multiplied by his total years of service; however, the benefit shall not be less than 40.0%, or more than 60.0% of the employee's average final compensation.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

2. PLAN DESCRIPTION: (Continued)

Death Benefits: (Continued)

2. Children of deceased employees will receive the greater of \$200 or 10.0% 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.
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 60.0% of the average final compensation being received at the time of the disability.
2. Any member of FRS 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 75.0% of the retirement salary to which he would be entitled under R. S. 11:2256 if he were otherwise eligible there under or 25.0% 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.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

2. PLAN DESCRIPTION: (Continued)

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 FRS 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.

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.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 10.0% for wages above poverty and 8.0% for wages below poverty for the years ended June 30, 2016 and 2015. The contributions are deducted from the member's salary and remitted by the participating agency.

According to state statute, employer contributions are actuarially determined each year. For the years ended June 30, 2016 and 2015, employer contributions were 27.25% and 29.25% of covered payroll above poverty and 29.25% and 31.25% of covered payroll below poverty, respectively.

According to state statute FRS receives insurance premium tax funds from the State of Louisiana. This additional source of income is used as an additional employer contribution and is reported as a non-employer contribution. The total received from the State of Louisiana was \$24,825,521 and \$23,924,457 for the fiscal years ended June 30, 2016 and 2015, respectively. A portion of these contributions is used to finance administrative costs of FRS.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
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3. CONTRIBUTIONS AND RESERVES: (Continued)

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:

A. Expense Fund Reserve:

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

B. Annuity Savings:

The Annuity Savings is credited with contributions made by members of FRS. 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. When a member retires, the amount of his accumulated contribution is transferred to the Annuity Reserve to provide part of his benefits. The Annuity Savings balance as of June 30, 2016 and 2015 was \$181,603,967 and \$170,788,563, respectively.

C. Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, insurance premium tax, income 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 balance as of June 30, 2016 and 2015 was \$219,542,897 and \$291,188,584, respectively.

D. 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 balance as of June 30, 2016 and 2015 was \$880,908,631 and \$835,042,443, respectively.



STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
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JUNE 30, 2016 AND 2015

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

E. 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 up to 36 months, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option account balance as of June 30, 2016 and 2015 was \$114,788,182 and \$119,173,597, respectively.

F. 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 account balance as of June 30, 2016 and 2015 was \$3,048,535 and \$2,945,582, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers determined in accordance with GASB No. 67 as of June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 2,053,982,618	\$ 1,958,850,006
Plan Fiduciary Net Position	<u>1,399,892,212</u>	<u>1,419,138,769</u>
Employers' Net Pension Liability	<u>\$ 654,090,406</u>	<u>\$ 539,711,237</u>
 Plan Fiduciary Net Position as a % of Total Pension Liability	 68.16%	 72.45%

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
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JUNE 30, 2016 AND 2015

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2016 and June 30, 2015 valuations were based on actuarial funding valuation and results of an actuarial experience study for the period of July 1, 2009 through June 30, 2014. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2016 and 2015 is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

Additional information on the actuarial methods and assumptions used as of the June 30, 2016 and 2015, actuarial valuations follows:

Valuation Date	June 30, 2016 and 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5% per annum
Inflation Rate	2.875% per annum
Mortality	For the fiscal years ended June 30, 2016 and 2015, mortality assumptions were set after reviewing an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The pre and post-mortality life expectancies of participants based on the RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA for employee, annuitant and beneficiary mortality. The RP-2000 Disabled Lives Mortality table set back 5 years for males and set back 3 years for females was selected for disabled annuitants.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
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JUNE 30, 2016 AND 2015

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Salary Increases Vary from 15.0% in the first two years of service to 4.75% after 25 years

Cost of Living Adjustments Only those previously granted

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected real rates of return was 8.34% and 8.24% as of June 30, 2016 and 2015, respectively. Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Rates of Return</u>	
		<u>Real</u>	<u>Nominal</u>
Fixed income	24%	1.85%	
Equity	58%	6.77%	
Alternatives	8%	6.67%	
Other	10%	4.30%	
System total			5.34%
Inflation			3.00%
Expected Arithmetic Nominal Return			<u>8.34%</u>

Best estimates of real rates of return for each major asset class included in FRS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Rates of Return</u>	
		<u>Real</u>	<u>Nominal</u>
Fixed income	24%	1.84%	
Equity	51%	6.50%	
Alternatives	15%	6.96%	
Other	10%	4.36%	
System total			5.24%
Inflation			3.00%
Expected Arithmetic Nominal Return			<u>8.24%</u>

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
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JUNE 30, 2016 AND 2015

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The discount rate used to measure the total pension liability was 7.50% at June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer entities will be made at the actuarially determined rates approved by the Board of Trustees and PRSAC taking into consideration the recommendation of FRS' actuary. Based on those assumptions, FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate as of June 30, 2016 and 2015.

	June 30, 2016		
	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ <u>891,145,358</u>	\$ <u>654,090,406</u>	\$ <u>454,731,606</u>

	June 30, 2015		
	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ <u>765,633,523</u>	\$ <u>539,711,237</u>	\$ <u>349,799,860</u>

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
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5. CASH, CASH EQUIVALENTS AND INVESTMENTS:

Deposit and Investment Risk Disclosure:

Governmental Accounts Standards Board (GASB) Statement No. 40, *Deposit 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 financial statement users about investment risks that could affect FRS' ability to meet obligations. These tables classify investment risk by type, while the financial statements present investments by asset class. 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.

FRS' short-term funds may be invested in cash equivalent securities, which are defined as any fixed income investments with maturity of 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.

Following are the components of the System's cash, cash equivalents and investments as of June 30, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Cash - operating (bank balance)	\$ 10,091,510	\$ 7,813,947
Cash held in trust	884,355	-
Cash equivalents	28,060,931	87,600,816
Investments	<u>1,346,149,876</u>	<u>1,306,953,402</u>
Total	<u>\$ 1,385,186,672</u>	<u>\$ 1,402,368,165</u>

Deposits:

The System's operating cash deposits were entirely covered by FDIC insurance and pledged securities. The pledged securities were held at the Bank of New York in joint custody.

Cash Equivalents:

At June 30, 2016 and 2015, FRS held cash equivalents with a fair value of \$28,945,286 and \$87,600,816, respectively, of which \$4,379,144 and \$4,368,724, respectively, were rated AAAM and \$23,681,787 and \$83,232,092, respectively, were unrated.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Cash Equivalents: (Continued)

FRS invested \$4,379,144 and \$4,368,724 as of June 30, 2016 and 2015, respectively, 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 LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with 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' 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 Governmental Accounting Standards Board (GASB) Statement No 40.

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 at <http://lamppool.com>.



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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule means that, in investing, the governing authorities of FRS "shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income". Notwithstanding the prudent-man rule, no governing authority of any system or fund governed by this Subpart shall invest more than fifty-five percent of the total portfolio in equities, except the governing authority of any system may invest more than fifty-five percent of the total portfolio in equities, so long as not more than sixty-five percent of the total portfolio is invested in equities and at least ten percent of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

FRS' policy regarding the allocation of invested assets is established and amended by the Board of Trustees. FRS' investments shall be managed at all times in accordance with Louisiana statutes and any other applicable law. The policy states that the investment of FRS' assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries, and paying FRS' administrative expenses. FRS' investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.

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 fiduciary net position.

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 FRS, and are held by either the counterparty or the counterparty's trust department or agent, but not in FRS' 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 has no formal policy regarding custodial credit risk. FRS had no custodial credit risk as of June 30, 2016 and 2015, respectively.

STATE OF LOUISIANA  
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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

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. FRS requires that debt obligations be investment grade at time of purchase (Baa as rated by Moody's or BBB or higher as rated by Standard and Poor's), unless otherwise authorized by the board of trustees.

The following table provides credit rating information for FRS' bond holdings at June 30, 2016.

<u>Standard and Poor's Rating</u>	<u>Corporate Bonds (Domestic)</u>	<u>Corporate Bonds (Foreign)</u>	<u>U.S. Govt Agency Bonds</u>
AAA	\$ 1,544,848	\$ -	\$ -
AA+	1,201,366	-	19,922,104
AA	-	-	-
AA-	1,348,289	-	-
A+	1,120,163	-	-
A	9,451,325	-	-
A-	13,192,642	-	-
BBB+	8,194,394	-	-
BBB	7,607,848	-	-
BBB-	2,244,488	-	-
Total	<u>\$ 45,905,363</u>	<u>\$ -</u>	<u>\$ 19,922,104</u>

The following table provides credit rating information for FRS' bond holdings at June 30, 2015.

<u>Standard and Poor's Rating</u>	<u>Corporate Bonds (Domestic)</u>	<u>Corporate Bonds (Foreign)</u>	<u>U.S. Govt Agency Bonds</u>
AA+	\$ 1,672,382	\$ -	\$ 18,682,525
AA	-	804,760	-
AA-	2,520,108	-	-
A+	1,114,810	-	-
A	13,675,039	-	-
A-	1,424,852	1,000,700	-
BBB+	8,058,648	1,324,180	-
BBB	4,804,589	921,450	-
BBB-	4,949,769	851,624	-
Total	<u>\$ 38,220,197</u>	<u>\$ 4,902,714</u>	<u>\$ 18,682,525</u>

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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

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. FRS' investment policy states that no single holding may account for more than 5% of any domestic fixed-income manager's portfolio. No more than 10% of any domestic fixed-income manager's portfolio may be invested in any one issuer. Obligations of the U.S. Government or of a U.S. Government agency may be held without limitation. There were no holdings in any single manager that exceeded the FRS investment policy at June 30, 2016 and 2015, respectively.

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 investment 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. FRS' investment policy statement regarding interest rate risk states that the overall duration (interest rate sensitivity) of each domestic, global and emerging market fixed-income manager's portfolio shall not differ from that manager's passive benchmark by more than two years. The duration of a security is the weighted average maturity of all future cash flows paid by a security, in which the weights are the present value of these cash flows as a fraction of the bond's price.

The following table shows FRS' fixed income investments and maturities in actively-managed accounts at June 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	Greater Than 10
Corporate Bonds (Domestic)	<u>\$ 45,905,363</u>	<u>\$ 1,201,524</u>	<u>\$ 13,821,863</u>	<u>\$ 22,127,906</u>	<u>\$ 8,754,070</u>
U.S. Government & U.S. Government backed securities	<u>\$ 19,922,104</u>	<u>\$ 132</u>	<u>\$ 4,597</u>	<u>\$ 23,697</u>	<u>\$ 19,893,678</u>

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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

The following table shows FRS' fixed income investments and maturities in actively-managed accounts at June 30, 2015:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	5-10	Greater Than 10
Corporate Bonds (Domestic)	\$ 38,220,197	\$ 1,237,896	\$ 13,759,781	\$ 14,954,057	\$ 8,268,463
Corporate Bonds (Foreign)	\$ 4,902,714	\$ 804,760	\$ 1,852,324	\$ 2,245,630	\$ -
U.S. Government & U.S. Government backed securities	\$ 18,682,525	\$ -	\$ 8,092	\$ 13,744	\$ 18,660,689

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. FRS has no formal policy regarding foreign currency risk.

FRS had the following foreign currency exposures in its cash and investment portfolio at June 30, 2016.

Currency	Cash	Equities
Australian Dollar	\$ 134,451	\$ 6,892,413
Brazil Real	113,427	2,942,004
Canadian Dollar	5,801	11,737,882
Czech Koruna	-	169,991
Danish Krone	-	4,715,482
Euro	(24,561)	67,871,178
Hong Kong Dollar	31,123	16,678,431
Hungarian Forint	4,230	330,074
Indonesian Rupiah	38,499	1,824,218
Israeli Shekel	1,222	343,974
Japanese Yen	69,299	21,978,144
Malaysian Ringgit	12,952	-
Mexican Peso	-	1,020,718

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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

<u>Currency</u>	<u>Cash</u>	<u>Equities</u>
New Zealand Dollar	\$ -	\$ 468,689
Norwegian Krone	4,950	1,423,063
Polish Zloty	1	161,612
Pound Sterling	90,123	32,067,764
South African Rand	149,097	1,262,070
Singapore Dollar	13,820	1,271,717
South Korean Won	60,019	6,934,308
Swedish Krona	-	3,163,253
Swiss Franc	-	14,021,978
Thailand Baht	-	801,480
Total	<u>\$ 704,453</u>	<u>\$ 198,080,443</u>

FRS had the following foreign currency exposures in its cash and investment portfolio at June 30, 2015.

<u>Currency</u>	<u>Cash</u>	<u>Equities</u>
Australian Dollar	\$ -	\$ 7,065,260
Brazil Real	283,272	3,760,938
Canadian Dollar	3,089	13,225,060
Czech Koruna	13,245	232,164
Danish Krone	-	4,482,624
Euro	40,815	58,004,065
Hong Kong Dollar	127,456	15,795,274
Hungarian Forint	1,950	249,332
Indonesian Rupiah	22,728	1,843,946
Israeli Shekel	6,209	219,998
Japanese Yen	127,808	19,532,293
Malaysian Ringgit	13,839	-
Mexican Peso	3,457	1,237,970
New Zealand Dollar	70	-
Norwegian Krone	34,026	1,998,409
Polish Zloty	18,768	274,811
Pound Sterling	83,376	36,759,618
South African Rand	34,472	1,167,830
Singapore Dollar	-	1,272,760
South Korean Won	136,389	7,927,867
Swedish Krona	4,565	3,096,083
Swiss Franc	181	14,012,484
Thailand Baht	-	380,267
Total	<u>\$ 955,715</u>	<u>\$ 192,539,053</u>

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5. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Money-Weighted Rate of Return:

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.50% and -1.50%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Realized and Unrealized Gains and Losses:

During the years ended June 30, 2016, FRS' investments (including those bought, sold, and held during the year) experienced a decrease in value of \$41,242,270. This decrease was comprised of \$3,575,322 in realized gains offset by \$44,817,592 in unrealized losses for the year ended June 30, 2016.

During the years ended June 30, 2015, FRS' investments (including those bought, sold, and held during the year) experienced a decrease in value of \$12,581,254. This increase was comprised of \$37,427,075 in realized gains offset by \$50,008,359 in unrealized gains for the year ended June 30, 2015.

The calculation of net appreciation of investments is independent of realized gains and losses. Realized gains or losses on investments that had been held in more than one fiscal year and sold in the current year were included as a net change in the fair value of investments reported in the prior year and current year.

6. FAIR VALUE MEASUREMENTS:

FRS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2016 and 2015, respectively:



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6. FAIR VALUE MEASUREMENTS: (Continued)

	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Fixed income securities:				
U.S. government agency bonds	\$ 19,922,104	\$ -	\$ 19,922,104	\$ -
Corporate bonds - domestic	45,905,363	-	45,905,363	-
Corporate bonds - foreign	-	-	-	-
Total fixed income securities	<u>65,827,467</u>	<u>-</u>	<u>65,827,467</u>	<u>-</u>
Preferred securities (foreign):				
Emerging markets	<u>732,514</u>	<u>732,514</u>	<u>-</u>	<u>-</u>
Total preferred securities	<u>732,514</u>	<u>732,514</u>	<u>-</u>	<u>-</u>
Equity Securities:				
Domestic equities:				
Large cap	52,575,172	52,575,172	-	-
Small and mid cap	<u>98,475,955</u>	<u>98,475,955</u>	<u>-</u>	<u>-</u>
Total domestic equities	<u>151,051,127</u>	<u>151,051,127</u>	<u>-</u>	<u>-</u>
Foreign equities:				
Developed markets	190,922,875	190,922,875	-	-
Emerging markets	<u>14,223,542</u>	<u>14,223,542</u>	<u>-</u>	<u>-</u>
Total foreign equities	<u>205,146,417</u>	<u>205,146,417</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>356,197,544</u>	<u>356,197,544</u>	<u>-</u>	<u>-</u>
Alternative Investments:				
Direct real estate	<u>13,821,216</u>	<u>-</u>	<u>-</u>	<u>13,821,216</u>
Total alternative investments	<u>13,821,216</u>	<u>-</u>	<u>-</u>	<u>13,821,216</u>
Total Investments at Fair Value Level	<u>\$ 436,578,741</u>	<u>\$ 356,930,058</u>	<u>\$ 65,827,467</u>	<u>\$ 13,821,216</u>
Investments measured at the net asset value (NAV):				
Cash equivalents	\$ 28,060,931			
Fixed income funds	248,307,069			
Equity security funds	376,903,660			
Alternative investments:				
Multi-asset strategies	137,316,166			
Real estate	101,347,484			
Private equity	<u>45,696,756</u>			
Total Investments at NAV	<u>\$ 937,632,066</u>			
Total Investments at Fair value	<u>\$ 1,374,210,807</u>			
Investment derivatives:				
Forward currency contract receivables	\$ 17,773,310	\$ -	\$ 17,773,310	\$ -
Forward currency contract payables	<u>(17,386,066)</u>	<u>-</u>	<u>(17,386,066)</u>	<u>-</u>
Total investment derivatives	<u>\$ 387,244</u>	<u>\$ -</u>	<u>\$ 387,244</u>	<u>\$ -</u>

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6. FAIR VALUE MEASUREMENTS: (Continued)

	6/30/2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Fixed income securities:				
U.S. government agency bonds	\$ 18,682,525	\$ -	\$ 18,682,525	\$ -
Corporate bonds - domestic	38,220,197	-	38,220,197	-
Corporate bonds - foreign	4,902,714	-	4,902,714	-
Total fixed income securities	<u>61,805,436</u>	<u>-</u>	<u>61,805,436</u>	<u>-</u>
Preferred securities (foreign):				
Developed markets	1,642,831	1,642,831	-	-
Emerging markets	2,693,681	2,693,681	-	-
Total preferred securities	<u>4,336,512</u>	<u>4,336,512</u>	<u>-</u>	<u>-</u>
Equity Securities:				
Domestic equities:				
Large cap	81,400,064	81,400,064	-	-
Small and mid cap	54,715,717	54,715,717	-	-
Total domestic equities	<u>136,115,781</u>	<u>136,115,781</u>	<u>-</u>	<u>-</u>
Foreign equities:				
Developed markets	181,073,602	181,073,602	-	-
Emerging markets	12,288,478	12,288,478	-	-
Total foreign equities	<u>193,362,080</u>	<u>193,362,080</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>329,477,861</u>	<u>329,477,861</u>	<u>-</u>	<u>-</u>
Alternative Investments:				
Direct real estate	14,514,518	-	-	14,514,518
Total alternative investments	<u>14,514,518</u>	<u>-</u>	<u>-</u>	<u>14,514,518</u>
Total Investments at Fair Value Level	<u>\$ 410,134,327</u>	<u>\$ 333,814,373</u>	<u>\$ 61,805,436</u>	<u>\$ 14,514,518</u>
Investments measured at the net asset value (NAV):				
Cash equivalents	\$ 87,600,816			
Fixed income funds	240,083,038			
Equity security funds	377,174,086			
Alternative investments:				
Multi-asset strategies	139,193,395			
Asset backed securities	1,435,405			
Hedge funds	1,043,471			
Real estate	88,279,531			
Private equity	49,610,149			
Total Investments at NAV	<u>\$ 984,419,891</u>			
Total Investments at Fair Value	<u>\$ 1,394,554,218</u>			
Investment derivatives:				
Forward currency contract receivables	\$ 32,568,513	\$ -	\$ 32,568,513	\$ -
Forward currency contract payables	(32,330,085)	-	(32,330,085)	-
Total investment derivatives	<u>\$ 238,428</u>	<u>\$ -</u>	<u>\$ 238,428</u>	<u>\$ -</u>

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6. FAIR VALUE MEASUREMENTS: (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV:				
Cash equivalents	\$ 28,060,931	\$ -	Daily	Same day
Fixed income securities	248,307,069	-	Daily	1 day
Equity securities	376,903,660	-	Daily, Weekly, Monthly	1-30 days
Alternative assets:				
Multi-asset strategies	137,316,166	-	Daily, Weekly	7 days
Real estate - open end	73,567,715	-	Quarterly	45 days - 27 months
Real estate - closed end	27,779,769	3,179,925		
Private equity funds	<u>45,696,756</u>	<u>46,773,838</u>		
Total investments measured at the NAV	<u>\$ 937,632,066</u>	<u>\$ 49,953,763</u>		

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5. FAIR VALUE MEASUREMENTS: (Continued)

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2015 are presented in the following table:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the NAV				
Cash equivalents	\$ 87,600,816	\$ -	Daily	Same day
Fixed income securities	240,083,038	-	Daily	1 day
Equity securities	377,174,087	-	Daily, Weekly, Monthly	1-30 days
Alternative assets:				
Multi-asset strategies	139,193,395	-	Daily, Weekly	7 days
Asset backed securities	1,435,405	-	Quarterly	90 days
Hedge funds	1,043,471	-	Quarterly	90 days
Real estate - open end	45,589,541	24,000,000	Quarterly	45 days - 27 months
Real estate - closed end	42,689,989	3,558,005		
Private equity funds	<u>49,610,149</u>	<u>31,306,523</u>		
Total investments measured at the NAV	<u>\$ 984,419,891</u>	<u>\$ 58,864,528</u>		

Cash Equivalents:

Cash equivalent investments consists of two funds. The largest fund invests principally in securities or other obligations issued by or guaranteed by the United States Government or agencies. The second fund invests in US Government agency securities, repurchase agreements, commercial paper, and other highly liquid, short term securities. These funds are used as a source of liquidity to meet capital commitments, settle trades, or pay normal investment related expenses. The fair value of the investments in the largest fund has been determined using the NAV per share (or equivalent) of the investments. Units are valued at \$1 per share and redemption of units can be made on a same day basis. The fair value of the investments in these second fund has been determined using the NAV per share (or equivalent) of the investments. Units are valued weekly and redemption of units can be made on a same day basis.

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6. FAIR VALUE MEASUREMENTS: (Continued)

Fixed Income Securities:

Fixed income investments consist of two strategies. The largest strategy replicates the Barclays Aggregate bond index. The other strategy invests in sovereign debt of emerging market countries in their respective local currency to benefit from improving credit quality and economic growth in excess of developed markets. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the investments. Units are valued daily and redemption of units requires advance notice of two days. Any amount redeemed will be paid within three trading days.

Equity Securities:

Equity securities consist of four strategies. The largest strategy replicates the S&P 500 index. The second strategy invests in global securities active in the water sector including water and wastewater treatment, water testing, infrastructure, filtration, engineering services, and pumps/valves to benefit from global water scarcity. The final two strategies utilize quantitative and fundamental analysis to invest in equity of companies domiciled, listed, and/or traded on the securities exchanges of emerging market countries to benefit from economic growth in excess of developed markets. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the investments. Unit valuation ranges from daily to monthly and redemption of units requirements range from advanced notice of one to ten days. Any amount redeemed will be paid within three trading days or four trading days after the beginning of the following month.

Multi-Asset Strategies:

Multi-asset strategies consist of three strategies. The first strategy is designed to provide diversified exposure to a broad range of asset classes (including, but not limited to stocks, bonds, real assets, and commodities) within one portfolio. These strategies combine asset class selection, portfolio construction and risk management techniques. GTAA strategies tactically weight asset classes in an effort to add value above static, strategic allocations by taking advantage of mispricings and by exploiting relationships between global investment securities and markets. The other two strategies focus on risk-based allocation rather than traditional dollar allocation. The objective of these strategies is to seek total return and improve risk-adjusted returns relative to traditional portfolio construction. Risk parity strategies may diversify across asset classes according to their sensitivities to risk factors such as equity risk, interest rate risk, and inflation risk. The resulting portfolio tactically weights these risk exposures through the use of derivatives to achieve a target volatility level. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the investments. Unit valuation ranges from daily to monthly and redemption of units requirements range from advance notice of one to thirty days. Any amount redeemed will be paid within seven trading days or four trading days after the beginning of the following month.

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6. FAIR VALUE MEASUREMENTS: (Continued)

Asset Backed Securities:

Asset backed investments consists of two funds. The funds invest in asset backed securities (home equity, manufactured housing, agency collateral CMO, corporate) to benefit from relative value opportunities throughout the securities' capital structure. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the investments. Unit valuation is monthly and redemption of units requires advance notice of ninety days preceding the anniversary of the fund commencement date. Any amount redeemed will be paid within thirty days of the quarterly redemption date.

Hedge Funds:

Hedge fund investments consists of one fund that employs multiple strategies (long/short equity, quantitative, asset backed, distressed debt, activism) to achieve capital appreciation. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the investments. Unit valuation is monthly and redemption of units requires advance notice of forty five days preceding the anniversary of the fund commencement date. Any amount redeemed will be paid within thirty days of the annual redemption date.

Real Estate Investments:

Real estate investments consist of two open ended funds and four closed end funds. These funds invest in well located, institutional quality assets in markets mostly throughout the United States to benefit from durable income streams, partial inflation hedge, and appreciation over the mid to long term. The funds are diversified by property type (office, industrial, apartment and retail), economic exposure, and geography. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the Plan's ownership interest in partners' capital. With respect to the open ended funds, unit valuation is quarterly and redemption of unit requirements range from advanced notice of thirty to ninety days. Any amount redeemed will be paid forty five days and twenty seven months beginning of the following quarter. The closed end funds investments are not eligible for redemptions; however distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated between ten to fifteen years from the commencement of the fund.



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6. FAIR VALUE MEASUREMENTS: (Continued)

Private Equity Funds:

Private equities consist of ten funds. These funds invest in the equity and debt securities of companies that are privately held, rather than publicly traded on a stock exchange. These funds employ a combination of strategies (venture capital, buyout, mezzanine, fund of funds) to achieve returns levels in excess of public market returns. The fair value of the investments in these funds has been determined using the NAV per share (or equivalent) of the Plan's ownership interest in partners' capital. These investments are not eligible for redemptions; however distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated between ten to fifteen years from the commencement of the fund.

7. FORWARD CURRENCY CONTRACTS:

FRS entered into forward currency contracts whereby FRS agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily. Unrealized gains or losses on the contracts are measured by the difference between the forward foreign exchange rates at the date of entry into the contract and the forward rates at the reporting date. These gains or losses are included in the statement of changes in fiduciary net position. The fair values of the forward foreign currency contracts were estimated based on present value of their estimated future cash flows. FRS is exposed to foreign currency risk on its forward currency forward contracts as they are denominated in Australian Dollar, Canadian Dollar, Euro, British Pounds and Swiss Franc. FRS is exposed to credit risk on its foreign currency forward contracts in the event that a counterparty to the contracts does not fulfill its obligations. FRS is a party to contracts for the derivative instruments as discussed below. FRS has no formal policy regarding foreign currency risk as it relates to forward contracts.

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7. FORWARD CURRENCY CONTRACTS: (Continued)

At June 30, 2016, the following contracts were outstanding:

Currency Denomination	Receivable Contract Notional Value	Receivable Contract Fair Value	Payable Contract Notional Value	Payable Contract Fair Value	Unrealized Gain (Loss) at 6/30/16
Australian Dollar	\$ 1,113,532	\$ 1,113,532	N/A	N/A	\$ -
Canadian Dollar	1,164,756	1,164,756	N/A	N/A	-
Euro	11,725,698	11,725,698	N/A	N/A	-
Pound Sterling	2,113,165	2,113,165	N/A	N/A	-
Swiss Franc	277,596	277,596	N/A	N/A	-
U.S. Dollar	1,390,523	1,378,963	N/A	N/A	(11,560)
Australian Dollar	N/A	N/A	299,054	299,054	-
Canadian Dollar	N/A	N/A	420,070	420,070	-
Euro	N/A	N/A	51,161	51,161	-
Pound Sterling	N/A	N/A	573,311	573,311	-
Swiss Franc	N/A	N/A	46,929	46,929	-
U.S. Dollar	N/A	N/A	16,394,745	15,995,541	399,204
	<u>\$ 17,785,270</u>	<u>\$ 17,773,710</u>	<u>\$ 17,785,270</u>	<u>\$ 17,386,066</u>	<u>\$ 387,644</u>

At June 30, 2015, the following contracts were outstanding:

Currency Denomination	Receivable Contract Notional Value	Receivable Contract Fair Value	Payable Contract Notional Value	Payable Contract Fair Value	Unrealized Gain (Loss) at 6/30/15
Australian Dollar	\$ 1,708,922	\$ 1,708,922	N/A	N/A	\$ -
Canadian Dollar	2,935,453	2,935,453	N/A	N/A	-
Euro	16,689,061	16,688,902	N/A	N/A	(159)
Pound Sterling	4,125,786	4,125,786	N/A	N/A	-
South Korean Won	970,949	970,949	N/A	N/A	-
Swiss Franc	487,068	487,068	N/A	N/A	-
U.S. Dollar	5,538,520	5,651,433	N/A	N/A	112,913
Australian Dollar	N/A	N/A	1,708,922	1,657,452	51,470
Canadian Dollar	N/A	N/A	2,935,453	2,921,170	14,283
Euro	N/A	N/A	16,689,061	16,398,993	290,068
Pound Sterling	N/A	N/A	4,125,786	4,347,397	(221,611)
South Korean Won	N/A	N/A	970,949	964,086	6,863
Swiss Franc	N/A	N/A	487,068	502,467	(15,399)
U.S. Dollar	N/A	N/A	5,538,520	5,538,520	-
	<u>\$ 32,455,759</u>	<u>\$ 32,568,513</u>	<u>\$ 32,455,759</u>	<u>\$ 32,330,085</u>	<u>\$ 238,428</u>

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

8. ALTERNATIVE INVESTMENTS:

At June 30, 2016 and 2015 FRS invested in alternative investment vehicles which are reported in the accompanying financial statements as private equity and real estate. As of June 30, 2016 and 2015, these investments had an estimated fair value of \$160,865,456 and \$152,404,197, respectively. In addition, at June 30, 2015 FRS was invested in hedge funds which were liquidated during the year ended June 30, 2016. Estimated fair value of hedge funds at June 30, 2016 and 2015 was \$-0- and \$1,043,471, respectively.

9. NOTES RECEIVABLE FROM MERGED MUNICIPALITIES AND FIRE DISTRICT:

Notes receivables from merged municipalities earn 7% interest rate. The receivables at June 30, 2016 consisted of the following:

<u>Municipality</u>	<u>Annual Payments (Including Interest)</u>	<u>Final Payment Due</u>	<u>Balance</u>
Kenner	\$ 95,005	March 1, 2029	\$ 799,816
Kenner Retirees	<u>142,697</u>	March 27, 2026	<u>1,192,615</u>
Total	<u>\$ 237,702</u>		<u>\$ 1,992,431</u>

Notes receivable from merged municipalities was \$2,085,350 at June 30, 2015.

FRS and St. George Fire Protection District entered into a note receivable as of June 30, 2013. The note represents the increase in the present value of future benefits of the St. George Fire Protection District employees as of December 1, 2013. The initial amount due was \$961,141, and matures July 1, 2042. The note is being amortized over 30 years with interest computed at 7.5%. The balance of the note receivable as of June 30, 2016 and 2015 is \$831,961 and \$852,127, respectively.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

10. PROPERTY AND EQUIPMENT:

The following is a summary of changes in the property and equipment during the fiscal year ended June 30, 2016:

	<u>Balance</u> <u>July 01, 2015</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2016</u>
Land	\$ 260,107	\$ -	\$ -	\$ 260,107
Building	734,720	-	-	734,720
Equipment	38,280	1,205	-	39,485
Furniture & fixtures	90,083	844	-	90,927
Computer equipment	200,422	10,992	(46,961)	164,453
	<u>1,323,612</u>	<u>13,041</u>	<u>(46,961)</u>	<u>1,289,692</u>
Accumulated depreciation	<u>(605,932)</u>	<u>(39,022)</u>	<u>46,407</u>	<u>(598,547)</u>
Net property and equipment	<u>\$ 717,680</u>	<u>\$(25,981)</u>	<u>\$ (554)</u>	<u>\$ 691,145</u>

The following is a summary of changes in the property and equipment during the fiscal year ended June 30, 2015.

	<u>Balance</u> <u>July 01, 2014</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 260,107	\$ -	\$ -	\$ 260,107
Building	734,720	-	-	734,720
Equipment	34,993	3,287	-	38,280
Furniture & fixtures	88,401	5,325	(3,643)	90,083
Computer equipment	191,848	8,574	-	200,422
	<u>1,310,069</u>	<u>17,186</u>	<u>(3,643)</u>	<u>1,323,612</u>
Accumulated depreciation	<u>(558,222)</u>	<u>(51,353)</u>	<u>3,643</u>	<u>(605,932)</u>
Net property and equipment	<u>\$ 751,847</u>	<u>\$(34,167)</u>	<u>\$ -</u>	<u>\$ 717,680</u>

Depreciation expenses for the years ended June 30, 2016 and 2015 was \$39,022 and \$51,353, respectively.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

11. 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 FRS carries insurance through the State of Louisiana, Office of Risk Management at levels which management believes are adequate to protect FRS. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

12. PENDING OR THREATENED LITIGATION, CLAIMS, AND ASSESSMENTS:

Fletcher:

*In the Matter of the Companies Law (2011 Revision) and In the Matter of FIA Leveraged Fund*, FSD No. 0013/2012, In the Grand Court of the Cayman Islands, Financial Services Division; and the same matter pending In the Court of Appeal of the Cayman Islands, Civil Appeal No.6 of 2012.

In April 2008, FRS invested approximately \$45 million in a fund (FIAL) that was part of a four fund, master-feeder fund structure managed by Fletcher Asset Management (FAM). Upon request for redemption by FRS in March 2011, FAM responded in June 2011 with a purported in-kind distribution, by attempting to assign FRS a 100% interest in a promissory note issued between two of the funds in the master-feeder fund structure. In January 2012, FRS countered by filing a petition to place FIAL into liquidation. The court held for FRS and appointed court officers to accomplish the liquidation. The liquidators were simultaneously taking action to bring two of the other FAM funds within their court-appointed authority. However, before the process could be completed, the liquidators reported that FAM transferred a significant sum of assets into the fourth (and as yet unliquidated) fund and placed that fund into bankruptcy. The bankruptcy court removed FAM as manager of that fund and authorized the US Justice Department to appoint a trustee. That trustee is in the process of conducting all appropriate investigations and determining the location and value of assets to be distributed to FAM's investors, including FRS. The lawsuits involving liquidation of the three funds and bankruptcy of the fourth fund continued throughout the entirety of this fiscal year.

In December 2013, the Louisiana Attorney General (Consumer Protection Division) filed a Notice of R.S. 51:1401 Complaint pursuant to The Unfair Trade Practices and Consumer Protection Law. The Notice was given regarding Citco, Fletcher Asset Management, Inc., Alphonse "Buddy" Fletcher, Denis Kiely, Duhallow Financial Services, LLC, and Consulting Services Group. Pursuant to this Notice, if the defendants are found by a court of competent jurisdiction to have violated the Unfair Trade Practices Act and Consumer Protection Law, then FRS may be entitled to treble (triple) damages in any recover it receives, if any.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

12. PENDING OR THREATENED LITIGATION, CLAIMS, AND ASSESSMENTS: (Continued)

Fletcher: (Continued)

In February 2014, FRS filed its initial Petition for Damages in the 19th Judicial District Court, East Baton Rouge Parish, Louisiana (state court). Named as defendants were Eisner Amper LLP and Eisner Amper Cayman LTD, the auditors of the Fletcher funds. The Petition was subsequently amended to add additional defendants, including Citco (et al), Grant Thornton, Skadden Arps, CSG, Joe Meals, Alphonse "Buddy" Fletcher, Denis Kiely, and Duhallow Financial Services. The Petition seeks to recover substantial damages. Defendants jointly moved to remove the case from state court to the Federal District Court, Middle District, State of Louisiana (and eventually to New York Bankruptcy Court). The Magistrate Judge recommended that the case should be remanded back to state court and issued a report favoring FRS' arguments and position. The defendants appealed, but the District Court Judge affirmed the Magistrate's report and adopted the report as its own opinion. At that point the case was lodged in state court.

The defendants appealed to the federal 5th Circuit Court of Appeals. The 5<sup>th</sup> Circuit ruled in favor of defendants by concluding that the issues should be litigated in federal court and the case was lodged in the US District Court for the Middle District of Louisiana. However, the 5<sup>th</sup> Circuit's decision was appealed to the US Supreme Court.

In 2016, the US Supreme Court declined to hear the appeal. That action tacitly sustained the federal 5<sup>th</sup> Circuit's ruling that federal district court is the proper jurisdiction for the matter. Consequently, the foregoing Fletcher cases continued in the US District Court for the Middle District of Louisiana throughout the entire 2015-16 fiscal year where it is now permanently lodged. At this stage, the case has primarily involved the motion practice and the case has not yet reached the point where it can be referred to a jury for a trial on the merits.

Commonwealth:

*Joseph N. Broyles v. Cantor Fitzgerald & Co., et al.*, Civil Action No. 3:10-854-JJB-SCR, United States District Court, Middle District of Louisiana consolidated with *Joseph N. Broyles, et al. versus Cantor Fitzgerald & Co. et al.*, Civil Action No. 3:10-857-JJB-SCR, United States District Court, Middle District of Louisiana; and *In re Sand Spring Capital III*, Case No. 11-13393, US Bankruptcy Court, District of Delaware - A consolidation of five funds managed by Commonwealth Advisors.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

12. PENDING OR THREATENED LITIGATION, CLAIMS, AND ASSESSMENTS: (Continued)

Commonwealth: (Continued)

In 2007, FRS invested approximately \$52.0 million in two funds managed by Commonwealth Advisors. The funds were primarily managed by an investment manager who was at the time a faculty professor of finance at Louisiana State University (LSU). As time passed the overall fund devalued, including the FRS investment and the manager placed the funds into bankruptcy. FRS objected to the liquidation schedule that was included in the reorganization plan filed in the bankruptcy court. Subsequently, the Securities and Exchange Commission issued a "Wells Notice" to the investment manager, and the manager has since been removed from management of the funds.

In November 2010, a third party (Dr. Broyles) filed a lawsuit versus Cantor Fitzgerald, Commonwealth Advisors, and Walter Morales alleging a variety of wrongs related to the same funds in which FRS was an investor. In December 2010, FRS, MERS, and ROVERS, filed a Petition of Intervention into the Broyles lawsuit, alleging similar wrongs which caused substantial damages to FRS and the other retirement systems.

In September 2013, the US Bankruptcy Court for the District of Delaware entered an order confirming a Plan of Reorganization which reserved the funds' right to assert all claims that the Debtors had immediately prior to the filing of the Petition. An independent fiduciary was appointed by the bankruptcy court to liquidate the funds' assets and distribute the proceeds. FRS received \$6.8 million of funds from the bankruptcy estate and \$2.75 million directly from the Sand Springs Funds managed by Commonwealth Advisors. The Broyles/FRS et al lawsuit continued throughout the entirety of the 2015-16 fiscal year.

Sail:

*Firefighters' Retirement System and City of Austin Police Retirement System v. Sail Capital Partners, et al.*, Suit No. 15-2277, Civil District Court for the Parish of Orleans, State of Louisiana.

FRS filed this lawsuit alleging that the defendants, among other things, violated an investment's Offering Memorandum by failing to diversify the portfolio's investments and then released materially misleading financial statements. After the filing of the lawsuit, the principals of the Sail management company announced that there was a lack of working capital. FRS has preserved its rights by continuing the lawsuit while simultaneously evaluating the cost of doing so along with the probability and amount of any recovery, if any. The Sail lawsuit continued throughout the entirety of the 2015-16 fiscal year.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

12. PENDING OR THREATENED LITIGATION, CLAIMS, AND ASSESSMENTS: (Continued)

Duty:

*Duty v. City of Natchitoches and Firefighters' Retirement System*, Suit No. 81,283, 10<sup>th</sup> Judicial District Court, Natchitoches Parish. FRS is named as a defendant along with the City of Natchitoches in a lawsuit filed by a retired city firefighter. The lawsuit alleges that the city failed to include scheduled overtime in the earnable compensation that it reported to FRS, thus resulting in lower than expected retirement benefits. The plaintiff asks the court to grant an increase in the amount of his retirement benefits. The plaintiff requested certification of a statewide class, thereby making the lawsuit applicable to all similarly situated firefighters in the state of Louisiana, if the class action is certified by the Court. The lawsuit has a potential class quantum of approximately \$50.0 million. If a class is certified, then the lawsuit may have a material impact on FRS assets by increasing the contributions and actuarial funding that the plaintiff firefighters and employers must pay to FRS to offset the cost of any increased benefits that FRS must pay. The lawsuit is in the motion and discovery stage but, at this point, the Court has ruled in such a way that assures FRS will be made actuarially whole if the plaintiff (or the class) prevails in the matter. The lawsuit continued throughout the entirety of the 2015-16 fiscal year.

13. TAX QUALIFICATION:

FRS is a tax qualified plan as determined by the Internal Revenue Service.

14. RECLASSIFICATIONS:

Certain reclassifications have been made to the prior year comparative information to conform to the current year presentation. Such reclassifications had no effect on the change in net position.



## REQUIRED SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CHANGES IN NET PENSION LIABILITY  
 FOR THE THREE YEARS ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 49,088,056	\$ 50,473,976	\$ 49,390,618
Interest	147,115,926	139,476,413	133,417,234
Changes of benefit terms	-	17,767,886	-
Differences between expected and actual experience	(6,578,348)	(18,187,590)	(12,708,035)
Changes of assumptions	-	7,891,805	(318,965)
Benefit payments	(94,078,659)	(91,920,483)	(86,647,146)
Refunds of member contributions	(1,358,460)	(1,746,315)	(2,026,345)
Other	944,097	(204,224)	2,259,400
Net change in total pension liability	<u>95,132,612</u>	<u>103,551,468</u>	<u>83,366,761</u>
Total pension liability - beginning	<u>1,958,850,006</u>	<u>1,855,298,538</u>	<u>1,771,931,777</u>
Total pension liability - ending (a)	<u>\$ 2,053,982,618</u>	<u>\$ 1,958,850,006</u>	<u>\$ 1,855,298,538</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 61,537,449	\$ 62,252,947	\$ 57,778,849
Contributions - member	22,579,714	21,286,015	20,465,095
Contributions - non-employer contributing entity	24,825,521	23,924,457	22,849,383
Net investment income/(loss)	(32,230,824)	(3,172,845)	143,849,237
Benefit payments	(94,078,659)	(91,920,483)	(86,647,146)
Refunds of member contributions	(1,358,460)	(1,746,315)	(2,026,345)
Administrative expenses	(1,465,395)	(1,587,980)	(1,434,359)
Other	944,097	(204,224)	2,259,400
Net change in plan fiduciary net position	<u>(19,246,557)</u>	<u>8,831,572</u>	<u>157,094,114</u>
Plan fiduciary net position - beginning	<u>1,419,138,769</u>	<u>1,410,307,197</u>	<u>1,253,213,083</u>
Plan fiduciary net position - ending (b)	<u>1,399,892,212</u>	<u>1,419,138,769</u>	<u>1,410,307,197</u>
Net pension liability - ending (a) - (b)	<u>\$ 654,090,406</u>	<u>\$ 539,711,237</u>	<u>\$ 444,991,341</u>
Plan fiduciary net position as a percentage of total pension liability	68.16%	72.45%	76.02%
Covered employee payroll	\$ 225,825,501	\$ 212,830,587	\$ 204,526,899
Net pension liability as a percentage of covered employee payroll	289.64%	253.59%	217.57%

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

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY  
FOR THE THREE YEARS ENDED JUNE 30, 2016

Fiscal Year End	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2016	\$ 2,053,982,618	\$ 1,399,892,212	\$ 654,090,406	68.16%	\$ 225,825,501	289.64%
2015	1,958,850,006	1,419,138,769	539,711,237	72.45%	212,830,587	253.59%
2014	1,855,298,538	1,410,307,197	444,991,341	76.02%	204,526,899	217.57%

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

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS  
 EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY  
FOR THE THREE YEARS ENDED JUNE 30, 2016

<u>Fiscal Year End</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 86,362,970	\$ 86,362,970	\$ -	\$ 225,825,501	38.24%
2015	86,177,404	86,177,404	-	212,830,587	40.50%
2014	80,628,232	80,628,232	-	204,526,899	39.42%

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

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF INVESTMENT RETURNS  
FOR THE THREE YEARS ENDED JUNE 30, 2016

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2016	-2.50%
2015	-1.50%
2014	11.22%

\* Annual money-weighted rates of return are presented net of investment expense.

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

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE THREE YEARS ENDED JUNE 30, 2016

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

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

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

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

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

The difference between the actuarially determined contributions for employers and non-employer contributing entity and the contributions reported for employers and non-employer contributing entity, and the percentage of contributions received to covered employee payroll is presented in this schedule. Insurance premium taxes are considered to be support from a non-employer contributing entity.

4. SCHEDULE OF INVESTMENT RETURNS:

The annual money-weighted rate of return is shown in this schedule. The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. This expresses investment performance adjusted for the changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements footnote 4, Net Pension Liability of Employers.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016 AND 2015

6. CHANGES IN ACTUARIAL ASSUMPTIONS:

Changes in actuarial assumptions are noted as follows:

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014
Inflation Rate	No changes	2.88%	3.00%
Salary Increases	No changes	Vary from 15% in the first two years of service to 4.75% after 25 years.	Vary from 15% in the first two years of service to 5.5% after 14 years.
Mortality Rate	No changes	Based on the results of an actuarial experience study for period of July 1, 2009 - June 30, 2014.	Based on the results of an actuarial experience study for period of July 1, 2004 - June 30, 2009.

Additional information on the actuarial methods and assumptions used as of the June 30, 2016 and 2015, actuarial valuations follows:

Valuation Date                      June 30, 2016 and 2015

Actuarial Cost Method              Entry Age Normal

Investment Rate of Return        7.5% per annum

Inflation Rate                        2.875% per annum

Mortality                              For the fiscal years ended June 30, 2016 and 2015, mortality assumptions were set after reviewing an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The pre and post-mortality life expectancies of participants based on the RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA for employee, annuitant and beneficiary mortality. The RP-2000 Disabled Lives Mortality table set back 5 years for males and set back 3 years for females was selected for disabled annuitants.

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016 AND 2015

6. CHANGES IN ACTUARIAL ASSUMPTIONS: (Continued)

Salary Increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years.
Cost of Living Adjustments	Only those previously granted.



OTHER SUPPLEMENTARY INFORMATION

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF PER DIEM PAID TO TRUSTEES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

<u>TRUSTEE</u>	<u>2016</u>		<u>2015</u>	
	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Charlie Fredieu	12	\$ 825	11	\$ 825
Stacy Birdwell	12	825	11	825
Perry Jeselink	13	900	12	900
* Jerry Tarleton	13	-	12	-
* Mayor Jimmy Durbin	-	-	5	300
* Mayor David Amrhien	10	750	9	600
* Mayor Ron Roberts	11	-	5	150
* Treasurer or designee	13	-	8	-
* Commissioner of Administration or designee	11	-	12	-
* House Retirement Committee Chairman or designee	-	-	-	-
* Senate Retirement Committee Chairman or designee	1	-	-	-
Totals		<u>\$ 3,300</u>		<u>\$ 3,600</u>

\* There were a total of 13 board meeting days for fiscal year ended June 30, 2016 and 12 board meeting days for fiscal year ended June 30, 2015. Board members can receive \$75 per diem for each meeting attended. Some members do not accept per diem or are paid by other entities.

STATE OF LOUISIANA  
 FIREFIGHTERS' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>HUMAN RESOURCE:</b>		
Salaries	\$ 631,943	\$ 645,410
Payroll taxes	10,230	9,515
Employee retirement	101,807	101,491
Employee insurance	68,189	63,613
Staff training and continued education	50	1,528
Total human resource	<u>812,219</u>	<u>821,557</u>
<b>PROFESSIONAL SERVICE:</b>		
Actuarial	68,743	73,526
IT Support	74,173	85,507
Accounting	68,095	94,850
Legal fees	125,361	140,365
Investigative services	698	1,038
Medical exams	16,378	10,838
Contract services	48,160	39,579
Bank service charges	7,660	11,270
Total professional service	<u>409,268</u>	<u>456,973</u>
<b>COMMUNICATION:</b>		
Advertising	3,460	3,993
Printing	5,424	4,890
Postage	32,888	34,512
Supplies	39,156	32,229
Dues and subscriptions	3,286	8,175
Telephone	7,191	5,451
Total communication	<u>91,405</u>	<u>89,250</u>
<b>TRAVEL:</b>		
Board member per diem	3,300	3,600
Education seminars	2,075	7,175
Travel	32,893	51,815
Total travel	<u>38,268</u>	<u>62,590</u>
<b>BUILDING AND EQUIPMENT:</b>		
Insurance - general	5,350	4,969
Utilities	16,001	15,530
Depreciation	39,022	51,353
Building and equipment maintenance	53,350	85,759
Loss on disposal of fixed assets	512	-
Total building and equipment	<u>114,235</u>	<u>157,611</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>\$1,465,395</u></u>	<u><u>\$ 1,587,981</u></u>

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2016

Agency Head: Steven S. Stockstill

Positions: Executive Director, Attorney at Law, Notary Public, Legislative  
Liason and Public/Media Relations Officer

Salary	\$ 169,500
Benefits - insurance	12,515
Benefits - DROP	86,844
Continuing professional education fees	50
Cell Phone	<u>2,120</u>
Total	<u>\$ 271,029</u>



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

November 28, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Firefighters' Retirement System and subsidiaries, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise of Firefighters' Retirement System's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duplantier, Sharpness, Hogan and Baker, LLP

New Orleans, Louisiana

STATE OF LOUISIANA  
FIREFIGHTERS' RETIREMENT SYSTEM  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of State of Louisiana Firefighters' Retirement System for the years ended June 30, 2016 and 2015 was unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS:

2. Internal Control

Material weaknesses – none noted  
Significant deficiencies – none noted

3. Compliance and Other Matters

Noncompliance material to financial statements -- none noted

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

None.

SUMMARY OF PRIOR YEAR FINDINGS:

None.