Firefighters' Retirement System

Financial Statement Audit
For the Years Ended June 30, 2021, and 2020
Issued December 8, 2021

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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TABLE OF CONTENTS

LETTER OF TRANSMITTAL

December 6, 2021

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

I am pleased to present the Financial Report of Firefighters' Retirement System (FRS) for the fiscal year ended June 30, 2021. 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 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 FRS management. 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.

<u>Plan Characteristics</u>

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.

<u>Controls</u>

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 effectively 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 must audit the financial statements to ensure that they conform to the U.S. Generally Accepted Accounting Principles (GAAP) in all material respects. For the fiscal year ended June 30, 2021, FRS selected the Louisiana Legislative Auditor to perform its audit.

<u>Management's Discussion and Analysis</u>

Management's discussion and analysis (MD&A) begins on page 11 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 $2.3 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 international bonds, and holdings in real estate and private equity. In addition to a diverse asset allocation, FRS obtains diversification through various management styles including growth and value, market capitalization, and sector exposures. For fiscal 2021, FRS' investable assets experienced a 25.9% gain, net of fees, with three- and five-year averages of 10.5% and 10.4%, respectively. See the MD&A for a more detailed discussion of FRS' investment performance.

Last year FRS' investment portfolio experienced a 2.9% gain. Equity markets in 2021 achieved record highs in the U.S. and other major international markets. The U.S. core bond market underperformed in 2021 compared to the previous fiscal year. Financial markets benefitted from the reopening of the economy and monetary and fiscal policies that were enacted to help mitigate the impact related to the COVID-19 global pandemic. These policies included ensuring liquidity in financial markets, providing loans to corporations, and providing income through various relief programs to citizens and small businesses. While financial markets have recovered, the pandemic continues to affect the global economy. Global supply chain disruptions, employment issues, and inflation remain a headwind for the economy. FRS' five-year investment return of 10.4% in fiscal year 2021, was up from 4.9% in fiscal year 2020.

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 actuary's recommended employer rates were accepted by the FRS board of trustees' and approved by the Public Retirement Systems' Actuarial Committee (PRSAC) as follows:

For the fiscal year ended June 30, 2021:

	Above Poverty	Below Poverty
Employee	10.00%	8.00%
Employer	32.25%	34.25%

For the fiscal year ended June 30, 2022:

	Above Poverty	Below Poverty
Employee	10.00%	8.00%
Employer	33.75%	35.75%

The overwhelming majority of plan participants are paid a salary that exceeds the poverty rate; therefore, most employers are paying the above poverty rates for current and future periods.

While FRS' total pension liability was $2.7 billion at June 30, 2021; an increase of $150.3 million from the prior year, its market value of net assets held in trust was $2.3 billion at June 30, 2021; an increase of $489.1 million from the prior year. This results in a decrease of $338.8 million in the system's net pension liability. On a market value of assets basis, as of June 30, 2021, FRS was 86.78% funded compared to 72.61% as of June 30, 2020; an increase of 14.2% in the system's funded status on a market value of assets basis.

Key Developments and Highlights

Our efforts are first and foremost for the benefit of our participating employee and employer members. All FRS departments work together to provide the high-quality service that our participants deserve. Key developments are summarized below.

- This fiscal year 2021 asset value is the highest fiscal year-end value in FRS history. The 25.9% investment return is also the highest return in FRS history, surpassing the previous high of 18.7% in 2011.

- The FRS board of trustees continued to execute on its plan to decrease the actuarially assumed rate of return from 7.5% in fiscal year 2017 in recognition of lower expected long-term investment returns. The FRS board of trustees accelerated this plan and lowered the expected long-term investment rate to 6.90% in fiscal year 2021. This risk reducing design change lessens the reliance on asset returns to pay benefits and decreases the probability of the System failing to reach its investment target.

- Work is progressing well on the new Pension Technology Group (PTG) pension software that the board of trustees approved in 2019, with implementation of the new software and employer portal on track for mid fiscal year 2022. The employee portal is scheduled to be operational in late fiscal year 2022. This new software will enable members and employers to access their personal benefit related information and make updates to their individual file via a web portal in real time, on a 24/7 basis. FRS expects this new system will be more efficient and convenient for all stakeholders in the system.

Acknowledgements and Considerations

The commitment to hard work demonstrated by 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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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

December 6, 2021

Independent Auditor's Report

FIREFIGHTERS' RETIREMENT SYSTEM
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Firefighters' Retirement System (System) as of and for the years ended June 30, 2021, and June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 fiduciary net position of the System as of June 30, 2021, and June 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in note 4 to the financial statements, the total pension liability for the System was $2,681,184,069 and $2,530,844,605 as of June 30, 2021, and June 30, 2020, 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, 2021, and June 30, 2020, could be understated or overstated. Our opinion is not modified with respect to this matter.

As disclosed in note 5 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equities, multi-asset strategies, and investments in real assets. Where a publicly-listed price is not available, the management of the System uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 11 through 15 and the Schedule of Changes in Net Pension Liability, Schedule of Employers' Net Pension Liability, Schedule of Contributions – Employer and Nonemployer Contributing Entity, Schedule of Investment Returns, and Schedule of Changes in the System's Total OPEB Liability and Related Ratios on pages 55 through 66, 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. For the years ended June 30, 2021, and June 30, 2020, 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 audits 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.

Supplementary and 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 supplementary information, including the Schedule of Administrative Expenses and Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer on pages 68 through 69, and the other information presented in the Introductory Section, including the Letter of Transmittal and Board of Trustees chart, on pages 2 through 6, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative Expenses and Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Administrative Expenses and Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information presented in the Introductory Section has not been subjected to the auditing procedures applied in the audits 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 December 6, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 effectiveness of the System's 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 System's internal control over financial reporting and compliance.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BHL:DM:BH:EFS:ch

FRS67 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the financial performance of Firefighters' Retirement System (System). This narrative provides an overview of the financial activities and funding conditions for the fiscal year ended June 30, 2021. Please review it in conjunction with the financial statements which begin on page 16.

FINANCIAL HIGHLIGHTS

- The System's net position restricted for pensions was $2.3 billion for fiscal year 2021 as compared to $1.8 billion for fiscal years 2020 and 2019. Net position restricted for pensions increased $489.1 million, or 26.6% for fiscal year 2021 over fiscal year 2020 and increased $58.8 million, or 3.3% for fiscal year 2020 over fiscal year 2019.

- The employers' net pension liability for fiscal year 2021 was $354.4 million, as compared to $693.2 million for fiscal year 2020, which represents a $338.8 million decrease, or (48.9%) decrease in the pension liability.

- The rate of return on the estimated fair value of the System's investments, net of fees, was 25.9% for fiscal year 2021, as compared to 2.9% for fiscal year 2020.

- The System experienced net investment gains of $480.4 million in fiscal year 2021, which represents a 773.7% increase over fiscal year 2020. The increase in gains is attributable to very strong equity market performance. The System experienced net investment gains of $55.0 million in fiscal year 2020, which represents a (25.8%) decrease over fiscal year 2019. The decrease in gains is attributable to lower earnings in the various equity markets than in 2019 despite an increase in bond returns. In 2020, the fixed income return exceeded the equity returns in the System's portfolio.

- Contributions to the System increased by $12.6 million, or 10.3% in fiscal year 2021 over fiscal year 2020 due to a 4.5% increase in the 27.75% employer contribution rate used in fiscal year 2020, the addition of 24 active members and pay increases for active members in 2021. Contributions to the System increased by $6.7 million, or 5.8% in fiscal year 2020 over fiscal year 2019 due to a 1.25% increase in the 26.50% employer contribution rate used in fiscal year 2019, and pay increases for active members in 2020, which were partially offset by a decrease of 20 active members in fiscal year 2020.

- Benefit and disability payments experienced a net increase of $9.0 million, or 7.8% in fiscal year 2021 over fiscal year 2020. Benefit payments for 81 additional retirees resulted in an increase of $5.2 million, and Deferred Retirement Option Plan (DROP) withdrawals increased by $3.8 million. Benefit and disability payments experienced a net increase of $3.7 million, or 3.3% in fiscal year 2020 over fiscal year 2019. Benefit payments for 90 additional retirees resulted in an increase of $5.3 million, and Deferred Retirement Option Plan (DROP) withdrawals decreased by $1.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

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

The Statements of Fiduciary Net Position report the pension fund's assets, liabilities, and resulting net position restricted for pension benefits. They disclose the financial position of the System as of June 30, 2021, and 2020.

The Statements of Changes in Fiduciary Net Position report the results of the pension fund 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.

FINANCIAL ANALYSIS

Comparative Statements of Fiduciary Net Position

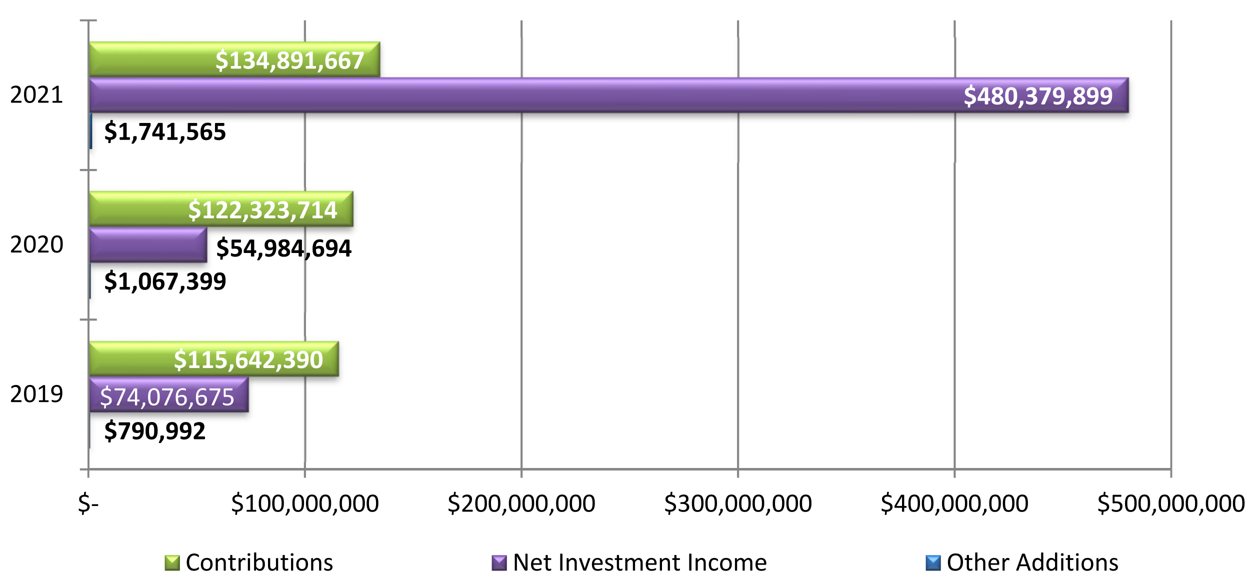
	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Assets:			
Cash	$11,769,357	$10,773,703	$10,478,895
Receivables	15,509,801	13,697,170	19,854,807
Cash held by others for investment	8,016,042	-	-
Investments	2,292,642,609	1,814,067,630	1,750,811,924
Other assets	1,543,664	1,193,272	665,177
Total assets	2,329,481,473	1,839,731,775	1,781,810,803
Deferred outflows of resources - OPEB:			
Total deferred outflows of resources	7,436	-	-
Liabilities:			
Total liabilities	2,576,900	1,895,571	2,788,853
Deferred inflows of resources - OPEB:			
Total deferred inflows of resources	113,140	146,543	90,636
Net Position Restricted for Pensions	$2,326,798,869	$1,837,689,661	$1,778,931,314

Comparative Statements of Changes in Fiduciary Net Position

	Fiscal Year 2021	Fiscal Year 2020	Fiscal Year 2019
Additions:			
Contributions	$134,891,667	$122,323,714	$115,642,390
Net Investment Income	480,379,899	54,984,694	74,076,675
Other Additions	1,741,565	1,067,399	790,992
Total Additions	617,013,131	178,375,807	190,510,057
Deductions:			
Total Deductions	127,903,923	119,617,460	115,627,911
Change in Fiduciary Net Position	489,109,208	58,758,347	74,882,146
Net position restricted for pensions - beginning of year	1,837,689,661	1,778,931,314	1,704,049,168
Net position restricted for pensions - end of year	$2,326,798,869	$1,837,689,661	$1,778,931,314

Changes in the System's fiduciary net position include member and employer contributions, an allocation from the insurance premium assessment, net investment income and deductions for payment of retiree benefits, refunds of contributions, and administrative expenses. The System experienced a gain of $489.1 million for fiscal year 2021, a gain of $58.8 million for fiscal year 2020, and a gain of $74.9 million for fiscal year 2019.

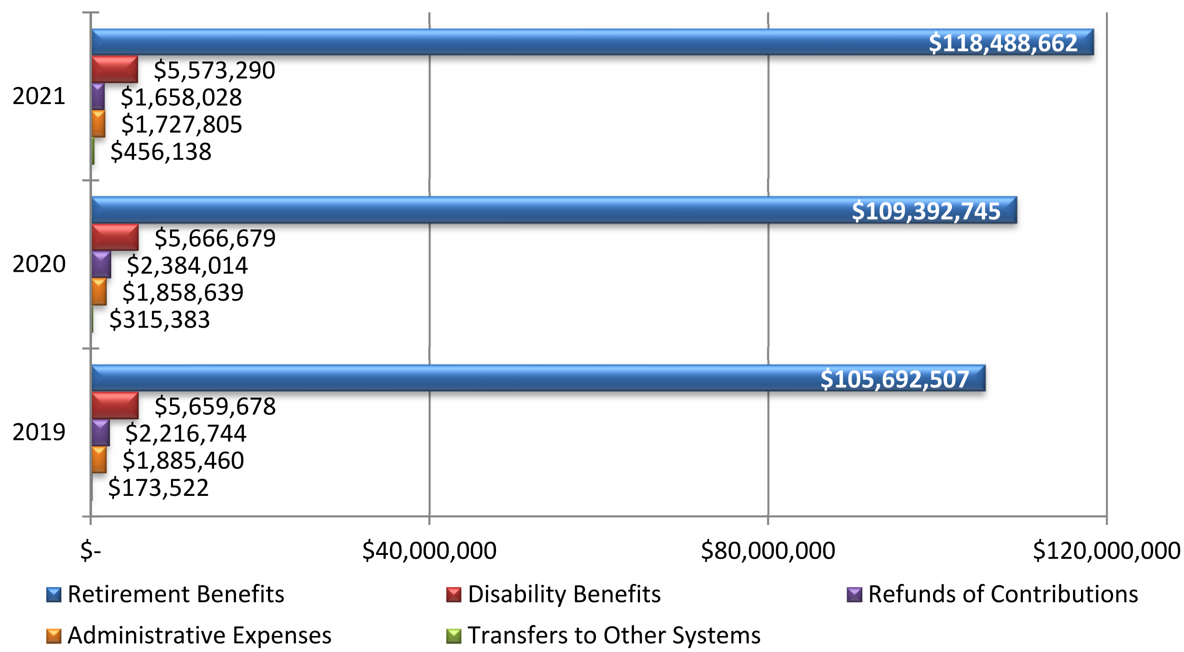
ADDITIONS TO FIDUCIARY NET POSITION



For fiscal year 2021, total additions increased $438.6 million, or 245.9% from fiscal year 2020. The change in total additions is comprised of a net investment income increase of $425.4 million in fiscal year 2021, primarily due to increased earnings from equity markets, an increase of $12.6 million in contributions and an increase of $.6 million on other additions.

For fiscal year 2020, total additions decreased $12.1 million, or (6.4%) from fiscal year 2019. The change in total additions is comprised of a net investment income decrease of $19.1 million in fiscal year 2020, primarily due to decreased earnings from equity markets, which was partially offset by a $6.7 million increase in contributions.

DEDUCTIONS FROM FIDUCIARY NET POSITION



For the fiscal year 2021, total deductions from fiduciary net position increased by $8.3 million, or 6.9%. This increase was primarily due to increased benefits of $5.2 million for 81 additional retirees, an increase of $3.8 million for Deferred Retirement Option Plan (DROP) payments and a $.7 million decrease in refunds, transfers to other systems and administrative expenses.

For the fiscal year 2020, total deductions from fiduciary net position increased by $4.0 million, or 3.5%. This increase was primarily due to increased benefits of $5.3 million for 90 additional retirees, a decrease of $1.6 million for decreased Deferred Retirement Option Plan (DROP) payments and a $.3 million increase in refunds, transfers to other systems and administrative expenses.

INVESTMENTS

The System is responsible for the prudent management of funds held in trust for the exclusive benefit of its members. The primary long-term objectives of the System are to achieve a return equal to or greater than the actuarial return assumption and to maintain asset growth above the rate of inflation. Preservation of capital, capital appreciation, and funding ratio stability are important to the System. The long-term investment horizon of the System enables it to tolerate short-term fluctuations in value. Because investment income is vital to the System's current and continued financial stability, trustees have a fiduciary responsibility to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims when making investment decisions.

The following table summarizes the approximate investment return by asset class:

Investment Returns Summary

	For the fiscal year ending June 30,		
	2021	2020	2019
Equities			
Domestic - Large Cap	40.8%	7.5%	10.4%
Domestic - SMID Cap	52.5%	-11.5%	-2.1%
Emerging Market Equity	42.2%	-4.4%	-0.5%
International Equity	41.4%	-5.8%	0.9%
Global Equity	44.7%	-1.6%	-2.8%
Fixed Income			
Core	-0.1%	8.5%	8.0%
US TIPS	6.5%	8.2%	5.8%
Emerging Market Debt	8.1%	8.4%	6.9%
Alternatives			
Multi Asset Strategies	24.8%	4.2%	5.1%
Private Equity	57.6%	-0.6%	4.9%
Real Estate	2.8%	2.4%	4.3%
Total	25.9%	2.9%	4.2%

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, and System members with an overview of the System's finances and the prudent exercise of the board's oversight. If you have any questions regarding this report or need financial information, please either visit our website at www.ffret.com or contact the System Controller, Layne McKinney, at 3100 Brentwood Drive, Baton Rouge, Louisiana 70809.

FIREFIGHTERS' RETIREMENT SYSTEM

Statements of Fiduciary Net Position
June 30, 2021, and 2020

	2021	2020
ASSETS:		
Cash - operating	$11,769,357	$10,773,703
Receivables:		
Member contributions	2,227,741	2,084,885
Employer contributions	7,185,132	5,794,863
Accrued interest and dividends	4,667,781	4,614,965
Investment receivable	647,422	406,848
Notes receivable	781,725	795,609
Total receivables	15,509,801	13,697,170
Cash held by others for investment	8,016,042	-
Investments at fair value:		
Cash equivalents	47,734,536	51,664,726
Equities - domestic	163,444,406	160,890,934
Equities - foreign	301,191,635	221,523,458
Equity security funds	805,323,462	480,163,559
Corporate bonds - domestic	67,814,740	64,191,033
U.S. government treasury bonds	2,624,182	2,979,108
U.S. government agency bonds	29,366,125	30,633,772
Fixed income funds	482,092,027	451,817,087
Multi-asset strategies	165,008,393	165,366,190
Private equity	110,991,604	73,961,946
Real estate	117,049,880	110,876,122
Derivative instruments	1,619	(305)
Total investments at fair value	2,292,642,609	1,814,067,630
Other assets:		
Capital assets, net of depreciation	1,502,563	1,189,704
Prepaid expenses and other	41,101	3,568
Total other assets	1,543,664	1,193,272
Total assets	2,329,481,473	1,839,731,775
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred ouflows of resources related to OPEB	7,436	-
Total deferred outflows of resources	7,436	-
LIABILITIES:		
Accounts payable	1,582,981	1,263,401
Investment payable	425,643	112,188
Total OPEB liability	568,276	519,982
Total liabilities	2,576,900	1,895,571
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to OPEB	113,140	146,543
Total deferred inflows of resources	113,140	146,543
NET POSITION RESTRICTED FOR PENSIONS	$2,326,798,869	$1,837,689,661

The accompanying notes are an integral part of these statements.

FIREFIGHTERS' RETIREMENT SYSTEM

Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2021, and 2020

	2021	2020
ADDITIONS:		
Contributions:		
Member contributions	$25,163,688	$24,979,990
Employer contributions	81,160,192	69,326,052
State appropriations from insurance premium assessments	28,567,787	28,017,672
Total contributions	134,891,667	122,323,714
Investment income:		
Net appreciation in fair value of investments	467,121,801	42,701,436
Interest and dividends	21,697,752	20,340,838
Legal settlements	2,764	54,115
Less: investment expenses	(8,442,418)	(8,111,695)
Net investment income	480,379,899	54,984,694
Other additions:		
Interest on notes receivable	58,633	89,987
Non-recurring income	-	61,619
Transfers from other systems – employer, employee, and interest	1,682,932	915,793
Total other additions	1,741,565	1,067,399
Total additions	617,013,131	178,375,807
DEDUCTIONS:		
Retirement benefits paid	118,488,662	109,392,745
Disability benefits paid	5,573,290	5,666,679
Refunds of contributions	1,658,028	2,384,014
Administrative expenses	1,727,805	1,858,639
Transfers to other systems – employer, employee, and interest	456,138	315,383
Total deductions	127,903,923	119,617,460
NET INCREASE	489,109,208	58,758,347
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	1,837,689,661	1,778,931,314
End of year	$2,326,798,869	$1,837,689,661

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Firefighters' Retirement System (FRS, or System) was created January 1, 1980, under the provisions of Louisiana Revised Statutes (R.S.) 11:2251 – 11:2272 and is a tax qualified plan as determined by the Internal Revenue Service [IRS Code Section 401(a)]. The System is a cost-sharing, multiple-employer governmental defined benefit pension plan. Members in the System consist of full-time firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least $375 per month, excluding supplemental pay, and is employed by a fire department of any municipality, parish, or fire district of the state of Louisiana, except for Orleans Parish and the City of Baton Rouge. The System is governed by a 10-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 Trustee is a retired firefighter. Two of the Trustees are mayors appointed by the Louisiana Municipal Association. The remaining membership of the Board consists of one member from the State Treasurer's office, one member from the Division of Administration, the chairman of the Senate Retirement Committee, or his designee, and one member of the House Retirement Committee.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of the System are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

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 GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and related standards. These standards provide for the inclusion of a management discussion and analysis section and for supplementary information.

B. REPORTING ENTITY

Under GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (an amendment of GASB 14, *The Financial Reporting Entity)*, as amended, the definition of the reporting entity is based primarily on the concept of financial accountability. The System is not a component unit of the state of Louisiana. In determining its component unit status, the System administrators considered the following:

- The System exists for the benefit of current and former employees who are members of the System;

- Four of the 10 Board members are elected by the members who participate in the System;

- The System is funded by the investment of contributions from the members and member employers who are obligated to make the contributions to the System based upon actuarial valuations. The System receives additional funding from insurance premium assessment collections from the state of Louisiana based upon actuarial valuations in accordance with R.S. 22:1476(A)(3).

The System wholly owns FRS-LB, L.L.C., a limited liability company formed for the purpose of investing in direct real estate. At June 30, 2021, and 2020, FRS-LB, L.L.C.'s investments, totaling $19,815,485 and $19,794,560, respectively, included three properties, two of which are owned 100% by FRS-LB, L.L.C., and the third in which FRS-LB, L.L.C. owns 40.91%. For the fiscal year ended June 30, 2021, the System is reclassifying its investment in FRS-LB, L.L.C. as an investment in accordance with GASB Statement No. 90, Majority Equity Interest (an amendment of GASB statements 14 and 61). For the fiscal year ended June 30, 2020, the System classified FRS-LB, L.L.C. as a blended component unit as defined under GASB 39. The accompanying financial statements reflect the activity accordingly.

C. BASIS OF ACCOUNTING

The financial statements are prepared in conformity with standards established by 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.

- 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 assessments are recorded when received.

D. CASH AND INVESTMENTS

Cash

Cash represents amounts on deposit with the custodian fiscal agent banks. Under R.S. 11:2261, the System may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana or of the United States, provided that the bank is a fiscal agent of the state and approved by the Board of Trustees.

Investments

The System's permissible investments are set forth in R.S. 11:262-263 and are further limited in accordance with investment guidelines promulgated by the Board of Trustees.

The System's investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which requires investments to be valued at fair value, described as an exit price, using valuation techniques that are appropriate under the circumstances and for which sufficient data is available. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement established a hierarchy of inputs to valuation techniques used to measure fair value, which includes three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. 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 5.

Short-term investments (cash equivalents) 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 current exchange rates. 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 value of investments that have no readily available market or are not traded on an exchange may not have a readily ascertainable fair value (such as private equity and real estate). The fair values of these investments have been determined using the net asset value (NAV) per share of the System's ownership interest in partners' capital at the closest available reporting period, adjusted for subsequent contributions, distributions, and management fees. Because of inherent uncertainties in estimating fair value, it is at least reasonably possible that the estimates will change in the near term.

E. CAPITAL ASSETS

Capital assets include retirement software development costs, and property and equipment stated at historical cost less an allowance for depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of 40 years for buildings and 3 to 15 years for equipment and furniture. Expenses for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenses for maintenance and repairs are charged to expense as incurred.

F. COMPENSATED ABSENCES

The employees of the System accumulate unlimited amounts of annual and sick leave at varying rates as established by Board policy. Upon resignation or retirement of an employee that is a member of the System, their unused annual leave of up to 300 hours can be paid to the employee at the employee's rate of pay at the time of separation. If an FRS employee is not a member of the Firefighters' Retirement System, the maximum payment of 300 hours of accrued annual leave provisions do not apply and the full amount of accrued annual leave will be paid to the FRS employee at the employee's rate of pay at the time of separation. The liability for accrued annual leave is included in accounts payable. Additionally, pursuant to R.S 11:2254.1, employees who are members of the System that retire from the System administrative office are allowed to convert any unused accrued leave to service credit.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 significantly from those estimates.

2. PLAN DESCRIPTION

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

A. PLAN MEMBERSHIP

Membership data at June 30, 2021, and 2020, is as follows:

	2021	2020
Participating Employers:		
Cities	67	67
Parishes	19	18
Special districts	57	56
Total Participating Employers	143	141

	2021	2020
Participants:		
Inactive plan members or beneficiaries currently receiving benefits	2,578	2,497
Inactive plan members entitled to but not yet receiving benefits	910	848
Active plan members & DROP Participants	4,691	4,646
Total Participants	8,179	7,991

B. 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 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If members 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 retirees' lives in the form of a monthly annuity. A member 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 member's annuity account balance.

2. At death, their beneficiary will receive a life annuity equal to the member's reduced retirement balance. The named beneficiary may not be changed after the retirement (or DROP) effective date with the exception that any retiree may remove a former spouse as a beneficiary of any benefits paid or payable to the former spouse from this system, provided the former spouse consents to such removal and the consent is evidenced by a certified court order issued in connection with a divorce proceeding relative to the retiree and former spouse.

3. At death, their beneficiary will receive a life annuity equal to ½ of the member's reduced retirement balance. The named beneficiary may not be changed after the retirement (or DROP) effective date with the exception that any retiree may remove a former spouse as a beneficiary of any benefits paid or payable to the former spouse from this system, provided the former spouse consents to such removal and the consent is evidenced by a certified court order issued in connection with a divorce proceeding relative to the retiree and former spouse.

4. Any other benefit certified by the actuary and approved by the Board of Trustees that will be equivalent in value to the member's retirement allowance. This option limits the beneficiary to a spouse and/or minor children or handicapped 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 limits the beneficiary 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 limits the beneficiary to a spouse and/or minor children or handicapped children.

7. The member can select to receive a guaranteed 2.5% COLA (cost of living adjustment) every year beginning when the member reaches age 55. In exchange for this COLA, the member takes an actuarially-reduced benefit upon retirement.

C. DEATH BENEFITS

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

1. If the member is not eligible to retire and dies in the line of duty, their spouse will receive, monthly, an annual benefit equal to 66.667% of the member'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 member's average final compensation.

2. Unmarried children of deceased members 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. Any unmarried surviving child of a deceased member that has a total physical disability or an intellectual disability, regardless of age, shall receive the benefits as long as they are dependent on the surviving spouse or other legal guardian.

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

D. 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, 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 the System who has become disabled or incapacitated because of continued illness or as a result of any injury received, even though not in the line of duty, and who has five 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 thereunder 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 50.0% of the disability benefit being paid immediately prior to the death of the disabled retiree.

E. DEFERRED RETIREMENT OPTION PLAN

After completing 20 years of creditable service and attaining the age of 50 years, 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 DROP, employer and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into a member's DROP account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the DROP account balance. These withdrawals are in addition to their regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No withdrawals may be made from the DROP account until the participant retires.

F. 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 a DROP account.

3. CONTRIBUTIONS AND RESERVES

A. CONTRIBUTIONS

The contribution rate for any member whose earnable compensation is less than or equal to the most recently issued poverty guidelines issued by the United States Department of Health and Human Services according to the size of the member's family unit shall be 8.0%. For all members whose earnable compensation is more than the most recently issued poverty guidelines, the contribution rates are established by R.S. 11:62 at a rate between 8.0% and 10.0%. The statute contains a table of combined employer plus member contribution rates that start at 25.0% and increment by .75% up to a rate of 30.26% or above. This table reflects the member contribution rate associated with each level of combined employer plus member rates. The member contribution rate in the table starts at 8.0% and is incremented by .25% up to 10.0%. For the fiscal years ended June 30, 2021, and 2020, the member's rate for earnable compensation above the poverty line was 10.0%. The contributions are deducted from the member's salary and remitted by the participating employer to the System.

According to state statute, employer contributions are actuarially-determined each year. For the years ended June 30, 2021, and 2020, employer contributions were 32.25% and 27.75% of covered payroll above the poverty line and 34.25% and 29.75% of covered payroll below the poverty line, respectively.

Contributions reported on the Statement of Changes in Fiduciary Net Position consist of regular contributions, as described above, and irregular contributions. Irregular contributions consist of prior-year collections, interest on delinquent contributions, and payments for the conversion of unused leave (as prescribed by R.S. 11:2254.1). The breakdown of contributions is detailed in the table below.

	2021		2020	
	Member	Employer	Member	Employer
Regular	$25,141,642	$81,083,367	$24,962,007	$69,270,625
Irregular	22,046	76,825	17,983	55,427
Total	$25,163,688	$81,160,192	$24,979,990	$69,326,052

According to state statute, the System receives insurance premium assessments from the State of Louisiana. This additional source of income is used to offset the cost of past mergers and is reported as a non-employer contribution. The total received from the State of Louisiana was $28,567,787 and $28,017,672 for the fiscal years ended June 30, 2021, and 2020, respectively. A portion of these contributions is used to finance administrative costs of the System.

B. RESERVES

Use of the term "reserve" by the System indicates that a portion of the net assets (net position) is legally restricted for specific future use. The nature and purpose of these reserves are explained below:

1. Expense Fund

The Expense Fund reserves provide for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the Pension Accumulation Fund reserve and is made as needed.

2. Annuity Savings Fund

The Annuity Savings Fund reserves consist of contributions made by members of the System. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings Fund to the Annuity Reserve Fund to provide part of the benefits. When a member retires, the amount of his accumulated contribution is transferred to the Annuity Reserve Fund to provide part of his benefits. The Annuity Savings Fund balance as of June 30, 2021, and 2020, was $228,835,105 and $223,178,435, respectively.

3. Pension Accumulation Fund

The Pension Accumulation Fund reserves consist of contributions paid by employers, insurance premium assessments, 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 Fund to fund retirement benefits for existing recipients. It is also charged when expenses are not covered by other accounts. The Pension Accumulation Fund balance as of June 30, 2021, and 2020, was $755,042,624 and $370,552,889, respectively.

4. Annuity Reserve Fund

The Annuity Reserve Fund consists of the reserves for all pensions, excluding COLAs, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased members or retirees also receive benefits from this reserve account. The Annuity Reserve Fund balance as of June 30, 2021, and 2020, was $1,184,527,450 and $1,108,849,356, respectively.

5. Deferred Retirement Option Plan Fund

The DROP Fund 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 of employment may receive this benefit in a number of ways as fully described in Note 2, *Plan Description – Deferred Retirement Option Plan*. Such amounts may be withdrawn or remain in the DROP account earning interest at either the money market rate of return or the portfolio rate of return based upon the irrevocable election made by the member at the end of their DROP period. The DROP Fund balance as of June 30, 2021, and 2020, was $153,968,075 and $131,109,685, respectively.

6. Initial Benefit Option Plan Account

The Initial Benefit Option Plan (IBO) 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 either the money market rate of return or the portfolio rate of return based upon the irrevocable election made by the member at the date of retirement. The IBO account balance as of June 30, 2021, and 2020, was $4,425,615 and $3,999,296, respectively.

7. Funding Deposit Account

If the contribution rate is set above the minimum recommended rate pursuant to R.S. 11:107, the surplus contributions collected, if any, are credited to the Funding Deposit Account defined in R.S. 11:107.1. For any fiscal year ending on or after December 31 of the year immediately preceding the date the account is established, in which the Board of Trustees elects or previously elected to set the net direct employer contribution rate higher than the minimum recommended rate, all surplus funds collected by the System are credited to the System's funding deposit account. The funds in the account earn interest annually at the Board-approved actuarial valuation interest rate, and such interest is credited to the account at least once a year. The Board of Trustees may in any fiscal year direct that funds from the account be charged for the following purposes: (1) to reduce the unfunded accrued liability; (2) to reduce the present value of future normal costs for systems using an aggregate funding method; and (3) to pay all or a portion of any future net direct employer contributions. In no event shall the funds charged from the account exceed the outstanding account balance. If the Board of Trustees of the System elects to utilize funds from the funding deposit account to pay all or a portion of any future net direct employer contributions, the percent reduction in the minimum recommended employer contribution rate otherwise applicable is determined by dividing the interest-adjusted value of the charges from the funding deposit account by the projected payroll for the fiscal year for which the contribution rate is to be reduced. For funding purposes, any asset value utilized in the calculation of the actuarial value of assets of a system excludes the funding deposit account balance as of the asset determination date for such calculation. For all purposes other than funding, the funds in the account are considered assets of the System. The Funding Deposit Account balance as of June 30, 2021, and 2020, was $0 and $0, 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, 2021, and June 30, 2020, are as follows:

	2021	2020
Total pension liability	$2,681,184,069	$2,530,844,605
Less: Plan fiduciary net position	(2,326,798,869)	(1,837,689,661)
Employers' net pension liability	$354,385,200	$693,154,944
Plan fiduciary net position as a % of the total pension liability	86.78%	72.61%

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 required Schedule of Employers' Net Pension Liability on page 57 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, 2021, and 2020, is based on actuarial valuations for the same periods, updated using generally accepted actuarial procedures.

For each year, the actuary determines the reasonable range of the actuarial valuation interest rate, an expected long-term portfolio rate of return and standard deviation based upon the System's target asset allocation and a thirty-year time horizon. These rates were based on an analysis of the System's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the System's investment consultant, NEPC, L.L.C. Using these values and assuming that future portfolio returns are normally distributed, ten thousand trials of returns over the upcoming thirty years was performed. The results of these trials were organized into percentiles and a reasonable range equal to the 40th through 60th percentiles was set. For the fiscal year ended June 30, 2021, the reasonable range was set at 6.19% through 7.33% and the Board of Trustees elected to set the System's assumed rate of return at 6.90% for Fiscal 2021. For the fiscal year ended June 30, 2020, the reasonable range was set at 5.99% through 7.06% and the Board of Trustees elected to set the System's assumed rate of return at 7.00% for Fiscal 2020. The actuarial valuation interest rates selected by the board, which were within the reasonable range, were 6.90% and 7.00% for fiscal years 2021 and 2020, respectively.

The remaining actuarial assumptions utilized for this report for fiscal years 2021 and 2020 are based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019, unless otherwise specified in this report. Additional details are given in the actuary's complete Experience Reports for fiscal years 2014 through 2019. Additional information on the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021, and 2020, are as follows:

Valuation Date	June 30, 2021	June 30, 2020
Actuarial Cost Method for Financial Reporting	Entry Age Normal	Entry Age Normal
Investment Rate of Return (Discount Rate)	6.90% per annum, net of investment expenses, including inflation	7.00% per annum, net of investment expenses, including inflation
Inflation Rate	2.50% per annum	2.50% per annum
Mortality Rate	Employee Mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees, annuitant and beneficiary mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees, and disabled lives mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees. In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP-2019 scale.	Employee Mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees, annuitant and beneficiary mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees, and disabled lives mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees. In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP-2019 scale.
Expected Remaining Service Lives	7 years, over a closed period	7 years, over a closed period
Cost of Living Adjustments (COLAs)	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those COLAs previously granted were included.	For the purpose of determining the present value of benefits, COLAs were deemed not to be substantively automatic and only those COLAs previously granted were included.
Salary Increases	14.10% in the first two years of service and 5.20% with 3 or more years of service; includes inflation and merit increases	14.10% in the first two years of service and 5.20% with 3 or more years of service; includes inflation and merit increases

The June 30, 2021, and June 30, 2020, estimated long-term expected rate of return on pension plan investments was determined by the System's actuary using the System's target asset allocation as of January 2021, and February 2020, respectively, and the G.S. Curran & Company Consultant Average study for 2021 and 2020, respectively. The consultants' average study included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment management firms. Each consultant's response included nominal expected long term rates of return. In order to arrive at long term expected arithmetic real rates of return, the actuary normalized the data received from the consultant's responses in the following ways. Where nominal returns received were arithmetic, the actuary simply reduced the return assumption by the long-term inflation assumption. Where nominal returns were geometric, the actuary converted the return to arithmetic by adjusting for the long-term standard deviation and then reduced the assumption by the long-term inflation assumption. Using the target asset allocation for Firefighters' Retirement System and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined. Subsequent to the actuary's calculation of the long term expected real rate of return in January 2021, the FRS board voted to amend the target asset allocation. These changes include an increase to target weight in public equity, a decrease in the target weight in fixed income, and the inclusion of a target weight in private real assets. These changes are reflected in the table on page 34 in Note 5. The System's long-term assumed rate of inflation of 2.50% was used in this process for the fiscal years ended June 30, 2021 and June 30, 2020.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2021, and 2020, are summarized in the following table:

	Asset Type	Long-Term Expected Real Rate of Return 2021	Long-Term Expected Real Rate of Return 2020
Equity	U.S. Equity	5.86%	5.72%
	Non-U.S. Equity	6.44%	6.24%
	Global Equity	6.40%	6.23%
	Emerging Market Equity	8.64%	8.61%
Fixed Income	U.S. Core Fixed Income	0.97%	1.00%
	U.S. TIPS	0.40%	***
	Emerging Market Debt	2.75%	3.40%
Multi-Asset Strategies	Global Tactical Asset Allocation	4.17%	4.22%
	Risk Parity	4.17%	4.22%
Alternatives	Private Equity	9.53%	10.29%
	Real Estate	5.31%	4.20%

*** For the 2020 long term expected real rate of return, the consultant average information for U.S. TIPS was unavailable.

The Long-Term Expected Real Rate of Return is an important input into the actuary's determination of the reasonable range for the discount rate which is used in determining the total pension liability. The actuary's method incorporates information from multiple consultants and investments firms regarding future expected rates of return, variances, and correlation coefficients for each asset class.

The change integrates data from multiple sources to produce average values thereby reducing reliance on a single data source.

The discount rate used to measure the total pension liability was 6.90% at June 30, 2021, and 7.00% at June 30, 2020. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems Actuarial Committee, taking into consideration the recommendation of the System's actuary. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on 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 current discount rate for June 30, 2021, and June 30, 2020, 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 or one percentage point higher than the current rate.

	June 30, 2021 Changes in Discount Rate		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	5.90%	6.90%	7.90%
Net Pension Liability	$679,861,906	$354,385,200	$82,941,128

	June 30, 2020 Changes in Discount Rate		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	$1,001,255,446	$693,154,944	$435,981,943

5. CASH AND INVESTMENTS

A. CASH AND CASH HELD BY OTHERS FOR INVESTMENT

At June 30, 2021, and June 30, 2020, the System's operating cash deposits were entirely covered by federal depository insurance and by pledged securities. The pledged securities were held at the Bank of New York Mellon in joint custody. Cash held by others for investment represents the balance of cash yet to be invested held in accounts at Bank of New York Mellon and at the investment advisors. These deposits were not covered by any pledged securities. At June 30, 2021, and June 30, 2020, cash held by others balances were $8,016,042 and $0, respectively, of which $8,000,000, and $0, respectively, were exposed to custodial credit risk and $16,042, and $0, respectively, were covered by federal depository insurance. Of the $8,016,042 balance, $8,000,000 was contractually obligated to be paid to the investment manager on June 29, 2021 in order to be invested on July 1, 2021.

B. CASH EQUIVALENTS

The System's short-term funds may be invested in cash equivalent securities defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Eligible investments include Treasury bills, commercial paper, money market funds, stable NAV investment pools, and custodial bank short-term investment funds.

At June 30, 2021, and June 30, 2020, the System held cash equivalents with a fair value of $47,734,536 and $51,664,726, respectively, of which $4,652,637 and $4,647,959, respectively, were rated AAAm and $43,081,899 and $47,016,767, respectively, were unrated.

The System invested $4,652,637 and $4,647,959 as of June 30, 2021, and June 30, 2020, in the Louisiana Asset Management Pool (LAMP), Inc., a local government investment pool. LAMP is administered by LAMP, Inc., a nonprofit 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 R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as amended, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for this investment pool:

- *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. The System's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- *Concentration of credit risk:* Pooled investments are excluded from the five percent disclosure requirement.

- *Interest Rate Risk:* LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 53 days (from LAMP's monthly Portfolio Holdings) as of June 30, 2021.

- *Foreign currency risk:* Not applicable.

The investments in LAMP are stated at fair value. 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 net asset 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.

C. INVESTMENTS

1. Investment Policies

In accordance with R.S. 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 the System "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, the System shall not invest more than 55% of the total portfolio in equity investments, except the governing authority of any system may invest more than 55% of the total portfolio in equities, so long as not more than 65% of the total portfolio is invested in equities and at least 10% 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.

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

The following was the System's long-term asset allocation policy as of June 30, 2021, and June 30, 2020:

	Asset Type	Target Allocation 2021	Target Allocation 2020
Equity	U.S. Equity	27.50%	26.00%
	Non-U.S. Equity	11.50%	12.00%
	Global Equity	10.00%	10.00%
	Emerging Market Equity	7.00%	6.00%
Fixed Income	U.S. Core Fixed Income	18.00%	23.00%
	U.S. TIPS	3.00%	3.00%
	Emerging Market Debt	5.00%	5.00%
Multi-Asset Strategies	Global Tactical Asset Allocation	0.00%	0.00%
	Risk Parity	0.00%	0.00%
Alternative	Private Equity	9.00%	9.00%
	Real Estate	6.00%	6.00%
	Real Assets	3.00%	0.00%
Total		100.00%	100.00%

2. Investment Valuation and Fair Value Disclosures

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as described in Note 1. The System has the following recurring fair value measurements as of June 30, 2021, and June 30, 2020, respectively:

Investments Reported at Fair Value at June 30, 2021

		Fair Value Hierarchy		
	6/30/2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities				
U.S. Government Treasury Bonds	$2,624,182	-	$2,624,182	-
U.S. Government Agency Bonds	29,366,125	-	29,366,125	-
Corporate Bonds - Domestic	67,814,740	-	67,814,740	-
Cash Equivalents	631,986	$631,986	-	-
Total Debt Securities	100,437,033	631,986	99,805,047	-
Preferred Securities (foreign)				
Developed Markets	2,061,175	2,061,175		
Emerging Markets	1,039,403	1,039,403	-	-
Total Preferred Securities (foreign)	3,100,578	3,100,578	-	-
Equity Securities				
Domestic - Large Cap	99,449,382	99,449,382	-	-
Domestic - Small and Mid Cap	63,995,024	63,995,024	-	-
Foreign - Developed Markets	255,166,499	255,166,499	-	-
Foreign - Emerging Markets	42,924,558	42,924,558	-	-
Total Equity Securities	461,535,463	461,535,463	-	-
Alternatives				
Direct real estate	19,815,485	-	-	$19,815,485
Total Alternatives	19,815,485	-	-	19,815,485
Total Investments by Fair Value Level	$584,888,559	$465,268,027	$99,805,047	$19,815,485
Investments measured at the Net Asset Value (NAV):				
Cash Equivalents	$47,102,550			
Fixed Income Funds	482,092,027			
Equity Security Funds	805,323,462			
Multi-asset Strategies	165,008,393			
Alternative Investments				
Real Estate	97,234,395			
Private Equity	110,991,604			
Total Investments measured at the NAV	$1,707,752,431			
Total Investments measured at Fair Value	$2,292,640,990			
Investment Derivative Instruments (Note 6):				
Foreign Currency Forward Contracts	$1,619	-	$1,619	-
Total Investment Derivative Instruments	$1,619	-	$1,619	-

Investments Reported at Fair Value at June 30, 2020

		Fair Value Hierarchy		
	6/30/2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by Fair Value Level:				
Debt Securities				
U.S. Government Treasury Bonds	$2,979,108	-	$2,979,108	-
U.S. Government Agency Bonds	30,633,772	-	30,633,772	-
Corporate Bonds - Domestic	64,191,033	-	64,191,033	-
Cash Equivalents	2,109,273	$2,109,273	-	-
Total Debt Securities	99,913,186	2,109,273	97,803,913	-
Preferred Securities (foreign)				
Emerging Markets	1,280,204	1,280,204	-	-
Total Preferred Securities (foreign)	1,280,204	1,280,204	-	-
Equity Securities				
Domestic - Large Cap	66,931,931	66,931,931	-	-
Domestic - Small and Mid Cap	93,959,003	93,959,003	-	-
Foreign - Developed Markets	193,538,754	193,538,754	-	-
Foreign - Emerging Markets	26,704,500	26,704,500	-	-
Total Equity Securities	381,134,188	381,134,188	-	-
Alternatives				
Direct real estate	19,794,560	-	-	$19,794,560
Total Alternatives	19,794,560	-	-	19,794,560
Total Investments by Fair Value Level	$502,122,138	$384,523,665	$97,803,913	$19,794,560
Investments measured at the Net Asset Value (NAV):				
Cash Equivalents	$49,555,453			
Fixed Income Funds	451,817,087			
Equity Security Funds	480,163,559			
Multi-asset Strategies	165,366,190			
Alternative Investments				
Real Estate	91,081,562			
Private Equity	73,961,946			
Total Investments measured at the NAV	$1,311,945,797			
Total Investments measured at Fair Value	$1,814,067,935			
Investment Derivative Instruments (Note 6):				
Foreign Currency Forward Contracts	($305)	-	($305)	-
Total Investment Derivative Instruments	($305)	-	($305)	-

Valuation Techniques

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 and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quote prices. Derivative instruments classified in Level 2 are valued using a 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, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2021, are presented in the following table.

Investment Type	Fair Value 2021	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Cash equivalents	$47,102,550	-	Daily	Same day
Fixed income securities	482,092,027	-	Daily, Monthly	1-10 days
Equity securities	805,323,462	-	Daily	1-10 days
Multi-asset strategies	165,008,393	-	Daily	1-3 days
Alternatives:				
Real-estate - open end	91,725,125	$8,000,000	Quarterly	30-90 days
Real-estate - closed end	5,509,270	508,231	N/A	N/A
Private equity funds	110,991,604	50,589,026	N/A	N/A
Total investments measured at NAV	$1,707,752,431	$59,097,257		

The unfunded commitments and redemption terms, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2020, are presented in the following table.

Investment Type	Fair Value 2020	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Cash equivalents	$49,555,453	-	Daily	Same day
Fixed income securities	451,817,087	-	Daily, Monthly	1-10 days
Equity securities	480,163,559	-	Daily	1-30 days
Multi-asset strategies	165,366,190	-	Daily	1-3 days
Alternatives:				
Real-estate - open end	83,444,551	-	Quarterly	30-90 days
Real-estate - closed end	7,637,011	$2,371,438	N/A	N/A
Private equity funds	73,961,946	60,850,977	N/A	N/A
Total investments measured at NAV	$1,311,945,797	$63,222,415		

Cash Equivalents - Cash equivalent investments consist 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 U.S. 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 daily at $1 per share, and redemption of units can be made on a same-day basis. The fair value of the investment in the 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.

Fixed-Income Securities - Fixed-income investments consist of three separate strategies. The largest strategy replicates the Bloomberg Barclays Aggregate bond index. The second strategy replicates the Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index. The final strategy invests in sovereign and corporate debt of emerging market countries in their respective local currency or in hard currency (generally US Dollar or Euro) 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 one to ten days. Any amount redeemed will be paid within two trading days.

Equity Securities - Equity investments consist of five strategies. The largest strategy replicates the S&P 500 index. Another strategy replicates the Russell 2500 Index. The next strategy replicates the MSCI ACWI index. 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. Units are valued daily, and redemption of units requirements range from advance notice of one to ten days. Any amount redeemed will be paid within three trading days.

Multi-Asset Strategies - Multi-asset investments consist of two 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. Global Tactical Asset Allocation (GTAA) strategies tactically weight asset classes in an effort to add value above static, strategic allocations by taking advantage of mis-pricings and by exploiting relationships between global investment securities and markets. The other strategy focuses on risk-based allocation rather than traditional dollar allocation. The objective of this strategy 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 derivative instruments 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. Units are valued daily, and redemption of units requirements range from advance notice of one to three days. Any amount redeemed will be paid within two trading days.

Real Estate Investments - Real estate investments consist of four open-ended funds and three 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, 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 units requirements range from advance notice of 30 to 90 days. Any amount redeemed will be paid 45 days to 27 months after the beginning of the following quarter. Investments in closed-end funds 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 10 to 15 years from the commencement of the fund.

Private Equity Investments - Private equity investments consist of nine 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 10 to 15 years from the commencement of the fund.

3. Risk Disclosures

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 the System's account balances and the amounts reported in the financial statements.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the time to maturity dates for debt instruments. The System's investment policy states that the overall duration (interest rate sensitivity) of each domestic 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. As of June 30, 2021, and June 30, 2020, the System had the following debt investment securities and maturities:

Debt Investments as of June 30, 2021

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Corporate Bonds - Domestic	$67,814,740	-	$31,944,313	$15,296,715	$20,573,712
U.S. Government Agency Bonds	$29,366,125	-	$2,051,009	$102,282	$27,212,834
U.S. Government Treasury Bonds	$2,624,182	-	-	-	$2,624,182
Fixed-Income Funds	$482,092,027	-	-	$482,092,027	-

Debt Investments as of June 30, 2020

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	5 to 10	More Than 10
Corporate Bonds - Domestic	$64,191,033	$2,006,400	$22,692,710	$17,417,710	$22,074,213
U.S. Government Agency Bonds	$30,633,772	$16	$3,434	$124,338	$30,505,984
U.S. Government Treasury Bonds	$2,979,108	-	-	-	$2,979,108
Fixed-Income Funds	$451,817,087	-	-	$451,817,087	-

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Exposure to custodial credit risk arises when securities are uninsured or are not registered in the name of the System and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name. In the event of a bank failure, the System's cash held in trust may not be returned to it. Investments held in a trust in the name of the System, mutual funds, or investments held in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The System has no formal investment policy regarding custodial credit risk.

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 ratings systems are a good tool with which to assess credit risk on debt obligations. The System's investment policy requires that the average quality of each domestic fixed income manager's portfolio be rated A or higher and non-rated issues or issues below a BBB rating may be purchased, provided that in the judgment of the manager they are of a quality sufficient to maintain the average overall portfolio quality of A or higher. The combined allocation to non-rated issues or issues below a BBB rating may not exceed 15% of each manager's portfolio. The overall average quality of each emerging market fixed income investment manager's portfolio shall be rated BB or higher. Non-rated issues or issues below a BB rating may be purchased, provided that in the judgment of the manager, they are of a quality sufficient to maintain the average overall portfolio quality of BB or higher. Given that the investments may be made via commingled vehicles, the System recognizes that the commingled portfolio holdings cannot be customized or altered for any one investor. Accordingly, investments in each commingled fund will be governed by terms of the System manager's Investment Management Agreement and the spirit and intent of the Investment Policy. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The fixed income funds are not rated at the fund level. However, the investment managers of these funds utilize nationally-recognized bond rating agencies to develop an average credit quality for the funds in their assessment of credit risk.

Below is a schedule of bonds and bond funds with their applicable ratings and exposure to credit risk as of June 30, 2021, and June 30, 2020, respectively.

Standard & Poor's Rating	Bond Ratings at June 30, 2021 U.S. Government Treasury Bonds	U.S. Government Agency Bonds	Corporate Bonds (Domestic)	Fixed Income Funds
AAA	-	-	$ 3,004,150	-
AA+	-	$ 28,516,209	-	-
AA	-	-	2,748,750	-
AA-	-	-	2,112,075	-
A+	-	-	-	-
A	-	-	10,285,953	-
A-	-	-	12,104,695	-
BBB+	-	-	23,331,639	-
BBB	-	-	12,671,243	-
BBB-	-	-	1,556,235	-
BB or below	-	-	-	-
Not Rated	$ 2,624,182	849,916	-	$ 482,092,027
Total	$ 2,624,182	$ 29,366,125	$ 67,814,740	$ 482,092,027

Standard & Poor's Rating	Bond Ratings at June 30, 2020 U.S. Government Treasury Bonds	U.S. Government Agency Bonds	Corporate Bonds (Domestic)	Fixed Income Funds
AAA	-	-	$ 3,113,225	-
AA+	-	$ 29,308,346	-	-
AA	-	-	-	-
AA-	-	-	2,835,175	-
A+	-	-	2,171,662	-
A	-	-	8,717,041	-
A-	-	-	16,581,402	-
BBB+	-	-	15,431,573	-
BBB	-	-	13,845,050	-
BBB-	-	-	1,495,905	-
BB or below	-	-	-	-
Not Rated	$ 2,979,108	1,325,426	-	$ 451,817,087
Total	$ 2,979,108	$ 30,633,772	$ 64,191,033	$ 451,817,087

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by lack of diversification. The System's investment policy 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. No single corporate issuer shall constitute more than 5% of emerging markets fixed income manager's portfolio as determined at the time of purchase. 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 issuer that exceeded the System's investment policy at June 30, 2021, and June 30, 2020, respectively.

Concentrations

GASB Statement No. 67 requires the System to disclose investments in any one organization, other than those issued or explicitly guaranteed by the U.S. Government, that represent 5% or more of the System's fiduciary net position. There were no holdings in any single organization that exceeded 5% at June 30, 2021, and June 30, 2020, respectively. The System adopted the GASB Statement No. 67 concentration language as part of the formal investment policy statement. The investment policy statement defines the term "organization" as an individual security rather than a manager, mutual fund, partnership, or commingled vehicle.

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. The System has no formal policy regarding foreign currency risk. Foreign currency risk for derivative instruments is disclosed in Note 6. The System's foreign currency exposures for the remaining investments in its cash and investment portfolio for the years ended June 30, 2021, and June 30, 2020, are as follows:

	Fair Value at June 30, 2021		Fair Value at June 30, 2020	
Currency	Cash	Equities	Cash	Equities
Australian Dollar	$1,755	$10,542,130	$88,986	$7,876,025
Brazil Real	20,029	1,563,807	53,044	1,237,075
Canadian Dollar	15,802	11,952,305	102,123	7,584,768
Danish Krone	18,163	3,321,440	9,683	3,750,758
Euro	23,580	112,153,412	437,100	81,176,963
Hong Kong Dollar	102,782	25,832,081	75,732	18,650,318
Hungarian Forint	19,189	519,775	4,076	402,881
Indonesian Rupiah	2,477	2,279,044	45,201	1,887,157
Japanese Yen	192,613	50,650,171	52,098	34,036,620
Malaysian Ringgit	6,046	326,484	30,344	280,581
Mexican Peso	7,454	1,280,810	19,456	373,753
New Zealand Dollar	-	601,491	-	-
Norwegian Krone	13,208	3,889,239	44,573	1,887,565
Pound Sterling	106,282	32,832,423	179,577	32,064,145
Singapore Dollar	3,486	2,912,511	45,276	1,995,482
South African Rand	3,701	958,807	15,379	687,012
South Korean Won	49,387	18,154,056	300,312	9,765,585
Swedish Krona	2,053	9,241,422	22,347	4,171,750
Swiss Franc	4,363	11,411,756	583,966	12,902,612
Thailand Baht	39,616	768,471	-	792,408
Total	$631,986	$301,191,635	$2,109,273	$221,523,458

4. Other Disclosures

Money-Weighted Rate of Return

For the years ended June 30, 2021, and June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 26.58% and 3.01%, 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 year ended June 30, 2021, the System's investments (including those bought, sold, and held during the year) experienced an increase in value of $467,121,801. This increase was comprised of $82,847,330 in realized gains and $384,274,471 in unrealized gains for the year ended June 30, 2021.

During the year ended June 30, 2020, the System's investments (including those bought, sold, and held during the year) experienced an increase in value of $42,701,436. This increase was comprised of $9,808,372 in realized gains and $32,893,064 in unrealized gains for the year ended June 30, 2020.

The calculation of net appreciation or depreciation 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. DERIVATIVE INSTRUMENTS

The System's investment derivative instruments include foreign currency forward contracts whereby the System agrees to receive and deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts were entered into with the foreign exchange department of a bank located in a major money market for the purpose of hedging cash flows due to changes in foreign currency rates associated with investments that are recorded at fair value. These contracts are valued daily. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract.

The fair values of the foreign currency forward contracts were estimated based on the present value of their estimated future cash flows. At June 30, 2021, and June 30, 2020, the System has the following investment derivative instruments:

Investment Derivative Instruments at June 30, 2021

	Notional Amount	Fair Value Classification	Fair Value Amount	Changes in Fair Value Classification	Changes in Fair Value Amount
Forwards:					
Foreign Exchange Contracts	$336,833	Derivative Instruments	$1,619	Net App (Dep) in Fair Value	$1,619
Total Derivative Instruments	$336,833		$1,619		$1,619

Investment Derivative Instruments at June 30, 2020

	Notional Amount	Fair Value Classification	Fair Value Amount	Changes in Fair Value Classification	Changes in Fair Value Amount
Forwards:					
Foreign Exchange Contracts	$262,995	Derivative Instruments	($305)	Net App (Dep) in Fair Value	($305)
Total Derivative Instruments	$262,995		($305)		($305)

Risk Disclosures

Credit risk – The System is exposed to credit risk on its foreign currency forward contracts in the event that the counterparty to one of the contracts does not fulfill its obligations. The System's investment policy requires managers to measure and monitor exposure to counterparty credit risk resulting from over-the-counter derivative instrument activities. Managers are required to submit a report to the System semi-annually. The report must contain (1) each instance of exposure that represents greater than 5% of the manager's total portfolio value, (2) the specific legal entity that is counterparty to the transaction, and (3) the nature of the relationship with the counterparty. At June 30, 2021, and June 30, 2020, the System was exposed to counterparty credit risk in the amount of $1,619 and $0, respectively.

Foreign currency risk – The System is exposed to foreign currency risk on its foreign currency forward contracts that are denominated in foreign currency. The System has no formal policy regarding foreign currency risk. The fair values of the contracts by currency are as follows:

Currency Denomination	U.S. Dollar June 30, 2021	U.S. Dollar June 30, 2020
Australian Dollar	($21)	-
Euro	(27)	-
Japanese Yen	1,787	($71)
Pound Sterling	(120)	-
Singapore Dollar	-	3
Swedish Krona	-	7
Swiss Franc	-	(244)
Total	$1,619	($305)

7. NOTES RECEIVABLE

Notes receivable from merged municipalities was $0 and $0 at June 30, 2021, and June 30, 2020, respectively. The merged municipalities paid the outstanding balance of these notes in full during September 2019.

The System 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 receivable at June 30, 2021, and June 30, 2020, consisted of the following:

Fire District	Annual Payments (including interest)	Final Payment Due	Balance at June 30, 2021
St. George	$73,628	July 1, 2042	$781,725
Total	$73,628		$781,725

The balance of the note receivable was $795,609 at June 30, 2020.

8. CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2021, are as follows:

Asset Class	Beginning Balance July 1, 2020	Additions	Deletions	Ending Balance June 30, 2021
Land	$260,107	-	-	$260,107
Building	772,645	-	-	772,645
Equipment	76,796	-	-	76,796
Furniture and Fixtures	98,257	-	-	98,257
Computer Equipment	202,290	$3,260	-	205,550
Retirement Software Development	531,000	356,500	-	887,500
Total Capital Assets, gross	1,941,095	359,760	-	2,300,855
Accumulated Depreciation	(751,391)	(46,901)	-	(798,292)
Total Capital Assets, net	$1,189,704	$312,859	-	$1,502,563

Changes in capital assets for the year ended June 30, 2020, are as follows:

Asset Class	Beginning Balance July 1, 2019	Additions	Deletions	Ending Balance June 30, 2020
Land	$260,107	-	-	$260,107
Building	734,720	$37,925	-	772,645
Equipment	76,796	-	-	76,796
Furniture and Fixtures	98,257	-	-	98,257
Computer Equipment	179,983	22,307	-	202,290
Retirement Software Development	-	531,000	-	531,000
Total Capital Assets, gross	1,349,863	591,232	-	1,941,095
Accumulated Depreciation	(707,448)	(43,943)	-	(751,391)
Total Capital Assets, net	$642,415	$547,289	-	$1,189,704

Depreciation expense for the years ended June 30, 2021, and 2020, was $46,901 and $43,943, respectively.

9. RISK MANAGEMENT

Risks related to net pension liability and investments are discussed in Notes 4, 5, and 6 above. The System is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the System carries insurance through the state of Louisiana, Office of Risk Management at levels which management believes are adequate to protect the System. During the past three fiscal years, there have been no claims resulting from these risks.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Office of Group Benefits (OGB) administers the State of Louisiana Post-Retirement Benefits Plan – a defined-benefit, multiple-employer other post-employment benefit plan. The plan provides medical, prescription drug, and life insurance benefits to retirees, disabled retirees, and their eligible beneficiaries through premium subsidies. Current employees, who participate in an OGB health plan while active, are eligible for plan benefits if they are enrolled in the OGB health plan immediately before the date of retirement and retire under one of the state sponsored retirement systems (Louisiana State Employees' Retirement System, Teachers' Retirement System of Louisiana, Louisiana School Employees' Retirement System, or Louisiana State Police Retirement System) or they retire from a participating employer that meets the qualifications in Louisiana Administrative Code 32:3.303. Benefit provisions are established under R.S. 42:851 for health insurance benefits and R.S. 42:821 for life insurance benefits. The obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended under the authority of R.S. 42:802.

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement 75. The plan is funded on a "pay-as-you-go basis" under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments become due.

Employer contributions are based on plan premiums and the employer contribution percentage. Premium amounts vary depending on the health plan selected and if the retired member has Medicare coverage. OGB offers retirees the following plans:

Plans available to all retirees -
- Blue Cross Blue Shield (BCBS) Magnolia Open Access (self-insured)
- BCBS Magnolia Local (self-insured)
- BCBS Magnolia Local Plus (self-insured)
- BCBS Pelican HRA 1000 (self-insured)
- Vantage Medical Home HMO plan (fully-insured)

Plans available to retirees with Medicare Part A and B -
- Peoples Health HMO-POS
- Vantage Premium
- Vantage Standard
- Vantage Basic
- Blue Advantage HMO (effective January 1, 2019)
- Humana HMO (effective January 1, 2019)
- Via Benefits Individual Medicare Market Exchange HRA

The employer contribution percentage is based on the date of participation in an OGB plan and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and retiree is based on the following schedule:

OGB Participation	Employer Share	Retiree Share
Under 10 years	19%	81%
10 - 14 years	38%	62%
15 - 19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retirees and spouses of retirees, subject to maximum values. Employers pay approximately 50% of monthly premiums for individual retirees. The retiree is responsible for 100% of the premium for dependents. Effective January 1, 2018, the total monthly premium for retirees in the basic or supplemental life insurance plan varies according to age group.

Employees Covered by Benefit Terms

	Valuation Date	
	July 1, 2020	July 1, 2019
Inactive employees or beneficiaries currently receiving benefit payments	-	-
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active employees	8	9
Total	8	9

Total OPEB Liability

At June 30, 2021, and 2020, the System reported a total OPEB liability of $568,276 and $519,982, respectively. The total OPEB liability was measured as of July 1, 2020, and 2019, respectively, and was determined by an actuarial valuation as of that date. The total OPEB liability in the actuarial valuation was determined using the following actuarial methods, assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method – Entry Age Normal, level percentage of pay. Service costs are attributed through all assumed ages of exit from active service.

- Estimated remaining service lives – 4.8 years for the July 1, 2020, and July 1, 2019, valuations

- Inflation rate – Consumer Price Index (CPI) 2.8%

- Salary increase rate – 3.00% to 12.80% for the July 1, 2020 valuation, and 3.20% to 13.00% for the July 1, 2019 valuation

- Discount rate – 2.66% for the July 1, 2020 valuation based on the June 30, 2020, Standard & Poor's 20-year municipal bond index rate, and 2.79% for the July 1, 2019 valuation based on the June 30, 2019, Standard & Poor's 20-year municipal bond index rate

- Mortality rates –For the July 1, 2020, and July 1, 2019, valuations, assumptions for mortality rates were based on the following:

  - General active members: RP-2014 Blue Collar Employee tables, adjusted by 0.978 for males and 1.144 for females, with projection for improvement using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis

  - General (Healthy) retiree/inactive members: RP-2014 Blue Collar Healthy Annuitant tables, adjusted by 1.280, for males, and RP-2014 White Collar Healthy

Annuitant tables, adjusted by 1.417, for females with projection for improvement using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis

- o Disability retirees: RP-2000 Disabled Retiree Mortality table, adjusted by 1.009 for males and 1.043 for females, no projection for improvement

- Healthcare cost trend rates – 6.75%, and 7.00%, for pre-Medicare eligible employees in the July 1, 2020 and July 1, 2019 valuations, respectively, grading down by .25% each year to an ultimate rate of 4.5% in 2029, and thereafter, for each valuation; 5.25%, and 5.50% for post-Medicare eligible employees in the July 1, 2020, and July 1, 2019 valuations, respectively, grading down by .25% each year to an ultimate rate of 4.5% in 2023-2024 and thereafter, for each valuation. The initial trend was developed using the National Health Care Trend Survey; the ultimate trend was developed using a building block approach which considers CPI, Gross Domestic Product, and technology growth.

- Healthcare claim cost – Per capita costs for the self-insured plans in the July 1, 2020 valuation were based on prescription drug claims for retired participants for the period January 1, 2019 through December 31, 2020, and medical claims for retired participants for the period January 1, 2018 through December 31, 2019, trended to the valuation date. The last month of the prescription drug claim experience was adjusted for incurred but not reported claims using completion factors based on prior year data. Per capita costs for the self-insured plans in the July 1, 2019 valuation were based on medical and prescription claims for retired participants for the period January 1, 2018 through December 31, 2019, trended to the valuation date, and adjusted for incurred but not reported claims using completion factors based on prior year data. Per capita costs for fully-insured plans in the July 1, 2020 and July 1, 2019 valuations were based on calendar year 2021, and 2020, premiums adjusted to the valuation date using the trend assumptions above, respectively. Per capita costs were adjusted for expected age-related differences in morbidity, where applicable.

- Participation rates – The percentage of employees and their dependents eligible for early retiree benefits that will participate in the retiree medical plan is outlined in the table below. Active participants who have been covered continuously under the medical plan since before January 1, 2002 are assumed to participate at a rate of 88%. This rate assumes that a one-time irrevocable election to participate is made at the time of retirement.

Years of Service	July 1, 2020 Valuation	July 1, 2019 Valuation
Under 10 years	33%	52%
10 - 14 years	60%	73%
15 - 19 years	80%	84%
20+ years	88%	88%

Future retirees are assumed to participate in the life insurance benefit at a 36% rate for the July 1, 2020 valuation, and a 52% rate for the July 1, 2019 valuation, and are assumed to elect a total of $45,000 in basic and supplemental life insurance coverage, before any age reductions for both valuations. Spouses are assumed to elect $2,000 of coverage.

Changes in Total OPEB Liability

	Total OPEB Liability	
	2021	2020
Beginning Balance	$519,982	$566,955
Changes for the year:		
Service Cost	39,147	36,888
Interest	15,600	17,995
Changes of benefit terms	-	-
Differences between expected and actual experience	(15,846)	(20,157)
Changes in assumptions or other inputs	9,393	(81,699)
Benefit payments	-	-
Net Changes	48,294	(46,973)
Ending Balance	$568,276	$519,982

Changes of assumptions and other inputs for the July 1, 2020, valuation include the following:

- Changes in the discount rate from 2.79% as of July 1, 2019, to 2.66% as of July 1, 2020.

- The July 1, 2020, valuation reflects updates in the health care claims costs assumptions. Baseline per capita costs were adjusted to reflect 2020 claims and enrollment and retiree health plan contributions were updated based on 2021 premiums. In addition, the 2020 medical claims and enrollment experience was not included in the projection of expected 2021 plan costs due to the COVID-19 pandemic which resulted in 2020 medical claims and experience which is not reflective of what is expected in future years.

- In the July 1, 2020 valuation, based on a review of OPEB experience from July 1, 2017, through June 30, 2020, the percentage of future retirees assumed to be Medicare-eligible upon reaching age 65 was decreased from 100% to 99% and the percentage of current retirees under age 65 at June 30, 2017, assumed to be eligible was changed from 95% to rates ranging from 90% to 99% based on the date the retiree turns 65. Other assumptions were also updated based on the experience study, including the medical and life participation rates in the table above, the age difference between future retirees and their spouses, and medical plan election percentages.

<u>Sensitivity of the total OPEB liability to changes in the discount rate</u>

The following presents the System's total OPEB liability using the current discount rate as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	June 30, 2021		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	(1.66%)	(2.66%)	(3.66%)
Total OPEB Liability	$689,836	$568,276	$473,738

	June 30, 2020		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	(1.79%)	(2.79%)	(3.79%)
Total OPEB Liability	$628,132	$519,982	$435,314

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the System's total OPEB liability using the current healthcare cost trend rates as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	June 30, 2021		
	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
Pre-65 Rates	5.75% decreasing to 3.5%	6.75% decreasing to 4.5%	7.75% decreasing to 5.5%
Post-65 Rates	4.25% decreasing to 3.5%	5.25% decreasing to 4.5%	6.25% decreasing to 5.5%
Total OPEB Liability	$462,812	$568,276	$707,687

	June 30, 2020		
	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
Pre-65 Rates	6.0% decreasing to 3.5%	7.0% decreasing to 4.5%	8.0% decreasing to 5.5%
Post-65 Rates	4.5% decreasing to 3.5%	5.5% decreasing to 4.5%	6.5% decreasing to 5.5%
Total OPEB Liability	$427,001	$519,982	$641,751

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, and 2020, the System recognized OPEB expense of $7,454 and $8,934, respectively. At June 30, 2021, and 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	($41,638)	-	($42,924)
Changes of assumptions or other inputs	$7,436	(71,502)	-	(103,619)
Amounts paid by the employer for OPEB subsequent to the measurement date	-	-	-	-
Amounts incurred by the employer for OPEB administrative expenses subsequent to the measurement date	-	-	-	-
Total	$7,436	($113,140)	$0	($146,543)

GASB requires deferred outflows of resources related to OPEB resulting from the System's benefit payments subsequent to the measurement date to be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021, and 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Net Amount Recognized in OPEB Expense
2022	($47,292)
2023	($39,016)
2024	($18,320)
2025	($1,076)
	($105,704)

REQUIRED SUPPLEMENTARY INFORMATION

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in Net Pension Liability
Schedule is intended to show information for 10 years.
Additional years will be presented as they become available.

	For the Fiscal Years Ended				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total Pension Liability					
Service cost	$62,047,712	$58,319,570	$57,145,057	$55,066,112	$52,076,589
Interest	177,222,297	172,035,812	166,514,953	160,608,723	154,171,843
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	5,900,222	(13,516,923)	(13,797,929)	(22,251,660)	(13,331,207)
Changes of assumptions	29,563,548	25,591,821	28,739,403	23,944,920	22,708,091
Benefit payments	(124,061,952)	(115,059,424)	(111,352,185)	(104,277,290)	(102,768,682)
Refunds of member contributions	(1,658,028)	(2,384,014)	(2,216,744)	(1,781,606)	(1,467,175)
Other	1,325,665	735,439	832,802	1,066,212	1,509,479
Net change in total pension liability	150,339,464	125,722,281	125,865,357	112,375,411	112,898,938
Total pension liability - beginning	2,530,844,605	2,405,122,324	2,279,256,967	2,166,881,556	2,053,982,618
Total pension liability - ending (a)	$2,681,184,069	$2,530,844,605	$2,405,122,324	$2,279,256,967	$2,166,881,556
Plan Fiduciary Net Position					
Contributions - employer	$81,083,367	$69,270,625	$64,205,763	$63,243,874	$59,091,498
Contributions - member	25,141,642	24,962,007	24,230,606	23,860,402	23,404,268
Contributions - non-employer contributing entity	28,567,787	28,017,672	26,807,631	25,953,989	25,310,647
Net investment income (loss)	480,438,532	55,074,681	74,259,733	104,507,945	190,196,312
Benefit payments	(124,061,952)	(115,059,424)	(111,352,185)	(104,277,290)	(102,768,682)
Refunds of member contributions	(1,658,028)	(2,384,014)	(2,216,744)	(1,781,606)	(1,467,175)
Administrative expenses	(1,727,805)	(1,858,639)	(1,885,460)	(1,657,801)	(1,471,911)
Other	1,325,665	735,439	832,802	1,066,212	1,509,479
Net change in plan fiduciary net position	489,109,208	58,758,347	74,882,146	110,915,725	193,804,436
Plan fiduciary net position - beginning	1,837,689,661	1,778,931,314	1,704,049,168	1,593,696,648	1,399,892,212
Plan fiduciary net position - restatement	-	-	-	(563,205)	-
Plan fiduciary net position - ending (b)	2,326,798,869	1,837,689,661	1,778,931,314	1,704,049,168	1,593,696,648
Net pension liability - ending (a) - (b)	$354,385,200	$693,154,944	$626,191,010	$575,207,799	$573,184,908
Plan fiduciary net position as a percentage of total pension liability	86.78%	72.61%	73.96%	74.76%	73.55%
Covered payroll	$251,421,293	$249,623,874	$242,285,898	$238,656,128	$234,025,735
Net pension liability as a percentage of covered payroll	140.95%	277.68%	258.45%	241.02%	244.92%

See accompanying notes to the schedule.

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in Net Pension Liability
Schedule is intended to show information for 10 years.
Additional years will be presented as they become available.

	For the Fiscal Years Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
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	95,132,612	103,551,468	83,366,761
Total pension liability - beginning	1,958,850,006	1,855,298,538	1,771,931,777
Total pension liability - ending (a)	$2,053,982,618	$1,958,850,006	$1,855,298,538
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	(19,246,557)	8,831,572	157,094,114
Plan fiduciary net position - beginning	1,419,138,769	1,410,307,197	1,253,213,083
Plan fiduciary net position - restatement	-	-	-
Plan fiduciary net position - ending (b)	1,399,892,212	1,419,138,769	1,410,307,197
Net pension liability - ending (a) - (b)	$654,090,406	$539,711,237	$444,991,341
Plan fiduciary net position as a percentage of total pension liability	68.16%	72.45%	76.02%
Covered payroll	$225,825,501	$212,830,587	$204,526,899
Net pension liability as a percentage of covered payroll	289.64%	253.59%	217.57%

See accompanying notes to the schedule.

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Employers' Net Pension Liability

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

Fiscal Year Ended	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability as a Percentage of Covered Payroll
June 30, 2021	$2,681,184,069	$2,326,798,869	$354,385,200	86.78%	$251,421,293	140.95%
June 30, 2020	$2,530,844,605	$1,837,689,661	$693,154,944	72.61%	$249,623,874	277.68%
June 30, 2019	$2,405,122,324	$1,778,931,314	$626,191,010	73.96%	$242,285,898	258.45%
June 30, 2018	$2,279,256,967	$1,704,049,168	$575,207,799	74.76%	$238,656,128	241.02%
June 30, 2017	$2,166,881,556	$1,593,696,648	$573,184,908	73.55%	$234,025,735	244.92%
June 30, 2016	$2,053,982,618	$1,399,892,212	$654,090,406	68.16%	$225,825,501	289.64%
June 30, 2015	$1,958,850,006	$1,419,138,769	$539,711,237	72.45%	$212,830,587	253.59%
June 30, 2014	$1,855,298,538	$1,410,307,197	$444,991,341	76.02%	$204,526,899	217.57%

See accompanying notes to the schedule.

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Contributions -
Employer and Nonemployer Contributing Entity

Schedule is intended to show information for 10 years.

Additional years will be presented as they become available.

Fiscal Year Ended	(a) Actuarially Determined Contribution	(b) Contributions in Relation to the Actuarially Determined Liability	(b-a) Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2021	$109,651,155	$109,651,154	($1)	$251,421,293	43.61%
June 30, 2020	$97,288,297	$97,288,297	-	$249,623,874	38.97%
June 30, 2019	$90,407,679	$91,013,394	605,715	$242,285,898	37.56%
June 30, 2018	$89,197,863	$89,197,863	-	$238,656,128	37.38%
June 30, 2017	$84,402,145	$84,402,145	-	$234,025,735	36.07%
June 30, 2016	$86,362,970	$86,362,970	-	$225,825,501	38.24%
June 30, 2015	$86,177,404	$86,177,404	-	$212,830,587	40.49%
June 30, 2014	$80,628,232	$80,628,232	-	$204,526,899	39.42%

See accompanying notes to the schedule.

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Investment Returns

Schedule is intended to show information for 10 years.

Additional years will be presented as they become available.

Fiscal Year-End	Annual Money-Weighted Rate of Return *
June 30, 2021	26.58%
June 30, 2020	3.01%
June 30, 2019	3.87%
June 30, 2018	5.77%
June 30, 2017	13.45%
June 30, 2016	-2.50%
June 30, 2015	-1.50%
June 30, 2014	11.22%

* Annual money-weighted rates of return are presented net of investment expense.
  See accompanying notes to the schedule.

Schedule 5

FIREFIGHTERS' RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in the System's Total OPEB Liability and Related Ratios

Schedule is intended to show information for 10 years.

Additional years will be presented as they become available.

	For the Fiscal Year Ended*			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability				
Service cost	$39,147	$36,888	$45,402	$49,036
Interest	15,600	17,995	19,478	16,577
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(15,846)	(20,157)	(46,229)	-
Changes of assumptions or other inputs	9,393	(81,699)	(28,055)	(50,332)
Benefit payments	-	-	(1,064)	(1,063)
Net change in total OPEB liability	48,294	(46,973)	(10,648)	14,218
Total OPEB liability - beginning	519,982	566,955	577,423	563,205
Total OPEB liability - ending	$568,276	$519,982	$566,955	$577,423
Covered-employee payroll	$777,640	$705,214	$679,536	$632,333
Total OPEB liability as a percentage of covered-employee payroll	73.08%	73.73%	83.43%	91.32%

* Amounts presented were determined as of the beginning of the fiscal year (on the measurement date).

See accompanying notes to the schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The fiscal year 2018 beginning fiduciary net position contains $563,205 in prior period adjustments for the cumulative effect of a change in accounting principle for GASB 75 implementation.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY

The schedule shows the System's employers' net pension liability in relation to covered payroll. The employers' net pension liability is the liability of the contributing employers to members for benefits provided through the System. Covered payroll is the payroll of all employees that are contributing to the plan.

3. SCHEDULE OF CONTRIBUTIONS – EMPLOYER AND NONEMPLOYER CONTRIBUTING ENTITY

The difference between the actuarially-determined contributions for employers and a non-employer contributing entity and the contributions reported for employers and a non-employer contributing entity, and the percentage of contributions received to covered payroll is presented in this schedule. Insurance premium assessments are considered to be support from a non-employer contributing entity. The actuarially-determined contributions for employers are the contributions determined by the actuary's funding valuation to be the minimum recommended contributions applicable to the fiscal year. For fiscal year 2019, the Board of Trustees elected to set the net direct employer contribution rate higher than the minimum recommended rate pursuant to R.S. 11:107(B) resulting in excess contributions.

4. SCHEDULE OF INVESTMENT RETURNS

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 the investment performance adjusted for changing amounts actually invested throughout the year, measured using monthly inputs with expenses measured on an accrual basis.

5. SCHEDULE OF CHANGES IN THE SYSTEM'S TOTAL OPEB LIABILITY AND RELATED RATIOS

The OPEB liability is funded on a "pay-as-you-go" basis. There are no assets accumulated in a trust that meets the requirements in paragraph 4 of GASB Statement No. 75 to pay related benefits. The fiscal year 2018 beginning fiduciary net position contains $563,205 in prior period adjustments for the cumulative effect of a change in accounting principle for GASB 75 implementation. Changes of assumptions and other inputs used in the valuations are:

- Changes in the discount rate from 2.71% as of July 1, 2016, to 3.13% as of July 1, 2017, to 2.98% as of July 1, 2018, to 2.79% as of July 1, 2019, to 2.66% as of July 1, 2020.

- The July 1, 2020, July 1, 2019, and July 1, 2018 valuations reflect updates in the health care claims costs assumptions. Baseline per capita costs were adjusted to reflect 2020, 2019, and 2018 claims and enrollment, respectively, and retiree health plan contributions were updated based on 2021, 2020, and 2019 premiums, respectively. For the July, 1, 2018 valuation, the impact of the High Cost Excise Tax was revisited reflecting updated plan premiums. In the July 1, 2019 valuation, the impact of the High Cost Excise Tax was removed because the tax was repealed in December 2019. The July 1, 2019 valuation was also adjusted to include updates to life insurance contributions based on 2020 premium schedules. In the July 1, 2020 valuation, the 2020 medical claims and enrollment experience was not included in the projection of expected 2021 plan costs due to the COVID-19 pandemic which resulted in 2020 medical claims and experience which is not reflective of what is expected in future years.

- The July 1, 2020 valuation reflects updates to the Medicare eligibility assumption. Based on a review of OPEB experience from July 1, 2017, through June 30, 2020, the percentage of future retirees assumed to be Medicare-eligible upon reaching age 65 was decreased from 100% to 99% and the percentage of current retirees under age 65 at June 30, 2017, assumed to be eligible was changed from 95% to rates ranging from 90% to 99% based on the date the retiree turns 65. Other assumptions were also updated based on the experience study, including the medical and life participation rates, the age difference between future retirees and their spouses, and medical plan election percentages.

- The July 1, 2019, and July 1, 2018, valuations reflect updates in the mortality assumptions. The July 1, 2019 assumptions were updated consistent with the LASERS pension plan and based on a June 30, 2019, LASERS pension valuation experience study. The July 1, 2018 assumptions were updated using project scale MP-2018 based on information released by the Society of Actuaries in October 2018.

- The July 1, 2018, valuation reflects updates in participation rate assumptions. The percentage of future retirees assumed to elect medical coverage was adjusted based on recent plan experience.

6. ACTUARIAL ASSUMPTIONS FOR PENSION AND CONTRIBUTION SCHEDULES

The pension information presented in the required supplementary schedules (schedules 1 - 2), including the related actuarial assumptions for inflation, discount rate, salary, mortality rates, and cost of living adjustments described below, was used in the actuarial valuation for funding purposes when determining the actuarially-determined contribution rate (schedule 3). The actuarially-determined contribution rates in the schedule of contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. Additional actuarial assumptions for both the pension valuation and the funding valuation are included in the tables below. The assumptions and methods used for both actuarial valuations were recommended by the actuary and adopted by the Board.

Actuarial Assumptions for Pension and Contribution Schedules (continued)

Actuarial Assumptions for Pension Schedules	Fiscal Year End			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarial Cost Method	No Change	No Change	No Change	No Change
Inflation Rate	No Change	No Change	2.500%	2.700%
Investment Rate of Return (Discount Rate)	6.900%, net of investment expenses, including inflation	7.000%, net of investment expenses, including inflation	7.150%, net of investment expenses, including inflation	7.300%, net of investment expenses, including inflation
Salary Increases	No Change	14.10% in the first two years of service and 5.20% with 3 or more years of service.	Vary from 14.75% in the first two years of service to 4.50% with 25 or more years of service.	No Change
Mortality Rate	No Change	As stated in the experience study performed on plan data for the period July 1, 2014 through June 30, 2019, mortality assumptions were changed to full generational mortality based upon the sex distinct MP2019 mortality improvement scales. Employee mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees, annuitant and beneficiary mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees, and disabled lives mortality was set based on the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees. In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP-2019 scale.	No Change	No Change
Cost of Living Adjustments	No Change	No Change	No Change	No Change

Actuarial Assumptions for Pension and Contribution Schedules (continued)

Actuarial Assumptions for Pension Schedules	Fiscal Year End			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarial Cost Method	No Change	No Change	No Change	Entry Age Normal
Inflation Rate	2.775%	No Change	2.880%	3.000%
Investment Rate of Return (Discount Rate)	7.400%, net of investment expenses, including inflation	No Change	No Change	7.500%, net of investment expenses, including inflation
Salary Increases	No Change	No Change	Vary from 15.00% in the first two years of service to 4.75% with 25 or more years of service.	Vary from 15.00% in the first two years of service to 5.50% after 14 years.
Mortality Rate	No Change	No Change	Based on the results of an actuarial experience study for the period of July 1, 2009 – 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.	Based on the results of an actuarial experience study for the period of July 1, 2004 – June 30, 2009. 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.
Cost of Living Adjustments	No Change	No Change	No Change	Not substantively automatic. The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living adjustments.

Actuarial Assumptions for Pension and Contribution Schedules (continued)

Actuarial Assumptions for Contribution Schedules	Fiscal Year End			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Actuarial Cost Method	No Change	No Change	Frozen Initial Liability	No Change
Amortization Method	No Change	No Change	No Change	No Change
Remaining Amortization Period	13 years for unamortized portion of non-merger bases and 2 to 20 years for gains and losses for mergers.	14 years for unamortized portion of non-merger bases and 3 to 21 years for gains and losses for mergers.	15 years for unamortized portion of non-merger bases and 4 to 22 years for gains and losses for mergers.	1 to 15 years for gains and losses for non-merger bases and 5 to 23 years for gains and losses for mergers.
Asset Valuation Method	No Change	No Change	No Change	No Change

Actuarial Assumptions for Pension and Contribution Schedules (concluded)

Actuarial Assumptions for Contribution Schedules	Fiscal Year End			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Actuarial Cost Method	No Change	No Change	No Change	Entry Age Normal
Amortization Method	No Change	No Change	No Change	Level dollar basis, closed
Remaining Amortization Period	1 to 15 years for gains and losses for non-merger bases and 6 to 24 years for gains and losses for mergers.	1 to 15 years for gains and losses for non-merger bases and 7 to 25 years for gains and losses for mergers.	1 to 15 years for gains and losses for non-merger bases and 8 to 26 years for gains and losses for mergers.	1 to 15 years for gains and losses for non-merger bases and 9 to 27 years for gains and losses for mergers.
Asset Valuation Method	No Change	No Change	No Change	5-year smoothed market as fully detailed below.

<u>Asset Valuation Method Details</u>: All assets are valued at market value adjusted to defer four-fifths of all earnings above or below the valuation interest rate in the valuation year, three-fifths of all earnings above or below the valuation interest rate in the prior year, two-fifths of all earnings above or below the valuation interest rate from two years prior, and one-fifth of all earnings above or below the valuation interest rate from three years prior. The resulting smoothed values are subject to a corridor of 85% to 115% of the market value of assets. If the smoothed value falls outside the corridor, the actuarial value is set equal to the average of the corridor limit and the smoothed value.

SUPPLEMENTARY INFORMATION

FIREFIGHTERS' RETIREMENT SYSTEM

Supplementary Information
Schedule of Administrative Expenses
For the Fiscal Years Ended June 30, 2021, and 2020

	2021	2020
Human Resource:		
Salaries, including accrued leave (Note 1F)	$782,088	$820,480
Payroll taxes	11,503	12,222
Employee retirement	203,023	197,824
Employee insurance, including OPEB (Note 10)	102,697	100,956
Staff training and continued education	3,678	1,877
Total human resource	1,102,989	1,133,359
Professional Services:		
Actuarial	81,450	90,738
IT Support	62,000	76,214
Accounting	93,060	102,610
Legal fees	165,386	186,581
Medical exams	10,000	22,363
Contract services (including investigative services)	23,583	23,392
Bank service charges	2,092	1,011
Total professional services	437,571	502,909
Communication:		
Advertising	193	2,194
Printing	7,095	709
Postage	21,379	16,189
Supplies	23,940	29,290
Dues and subscriptions	4,075	7,088
Telephone	4,699	5,309
Total communication	61,381	60,779
Travel:		
Board member per diem	2,100	2,850
Education seminars	2,100	7,787
Other travel	12,119	45,617
Total travel	16,319	56,254
Building and equipment:		
General liability insurance	7,914	7,033
Utilities	13,683	13,746
Depreciation	46,901	43,943
Building and equipment maintenance	41,047	40,616
Total building and equipment	109,545	105,338
Total Administrative Expenses	$1,727,805	$1,858,639

FIREFIGHTERS' RETIREMENT SYSTEM

Supplementary Information
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer
For the Fiscal Years Ended June 30, 2021, and 2020

Agency Head: Steven S. Stockstill
Positions: Executive Director, Attorney at Law, Notary Public, Legislative Liaison, and Public/Media Relations Officer

	2021	2020
Salary	$183,331	$183,060
Benefits - Health & life insurance	16,265	15,823
Benefits - Employer retirement contributions	58,172	50,714
Licenses & professional education	1,372	1,061
Cell phone	1,324	1,309
Total	$260,464	$251,967

As required by R.S. 24:513A(3), the supplemental report includes the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expenses, per diem, and registration fees.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

December 6, 2021

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*

Independent Auditor's Report

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 fiduciary net position and the related statements of changes in fiduciary net position of the Firefighters' Retirement System (System), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 6, 2021. Our report was modified to include emphasis of matter paragraphs regarding actuarial assumptions and investment valuations.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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

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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 System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 System's internal control and compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BHL:DM:BH:EFS:ch

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