

ANNUAL FINANCIAL REPORT
SHERIFFS' PENSION AND RELIEF FUND
JUNE 30, 2018 AND 2017

SHERIFFS' PENSION AND RELIEF FUND

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INDEPENDENT AUDITOR'S REPORT

December 27, 2018

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We have audited the accompanying financial statements of the Sheriffs' Pension and Relief Fund as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Sheriffs' Pension and Relief Fund'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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sheriffs' Pension and Relief Fund, as of June 30, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for the Sheriffs' Pension and Relief Fund was \$3,998,832,755 and \$3,761,394,421 as of June 30, 2018 and 2017, respectively. The actuarial valuation was based on various assumptions made by the Sheriffs' Pension and Relief Fund'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, 2018 and 2017 could be under or overstated. Our opinion is not modified with respect to this matter.

The Fund's financial statements include investments valued at \$13,767,382 and \$26,122,522 as of June 30, 2018 and 2017, respectively, whose fair value was estimated by management of the investment fund in the absence of readily ascertainable fair market values. The estimate of fair value was based primarily on the net asset values and other financial information provided management of each underlying private investment fund. Our opinion is not modified with respect to this matter.

As disclosed in Note 17 to the financial statements, for the year ended June 30, 2018, the Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, related to its participation in a defined benefit OPEB plan based on certain methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the adoption of the new accounting standard, the Fund's beginning net position reported on the statements of fiduciary net position decreased by \$1,270,278, and the beginning OPEB liability reported on the statements of fiduciary net position increased by \$1,270,278 for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sheriff's Pension and Relief Fund's basic financial statements. The supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of the Sheriffs' Pension and Relief Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Sheriffs' Pension and Relief Fund'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 Sheriffs' Pension and Relief Fund's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018 AND 2017

The Management's Discussion and Analysis of the Sheriffs' Pension and Relief Fund (Fund or LSPRF) financial performance presents a narrative overview and analysis of the Sheriffs' Pension and Relief Fund's financial activities for the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Sheriffs' Pension and Relief Fund's financial statements which begin on page 14.

Economy and the Global Investment Markets for FY 2017-2018

A good year of investment performance by the Fund, along with the long-term positive impact of our major benefits reform legislation effective beginning in 2012 continued to produce a positive trend for the growth and funding of the LSPRF for the fiscal year ended June 30, 2018.

World events continued to impact the global economy and market conditions. Synchronized global growth, coupled with substantial U.S. fiscal policy changes, led to new all-time highs in major equity indices. U.S. regulatory/tax reforms contributed to strong corporate earnings, high business/consumer confidence, and improving employment data. The strong economic growth in the fiscal year caused increased volatility due to uncertainty over inflation and timing of Federal Reserve rate hikes. While global conditions improved, geopolitical concerns and conflicts persisted:

- Trade war with China
- European political uncertainty
 - Brexit
 - Italian election
- Middle East turmoil
- Russia issues

With the planning of Our Board, Investment Committee, staff and consultants, our portfolio and asset allocation were well positioned to take advantage of the market opportunities offered during the fiscal year, while maintaining conservative positioning of our portfolio.

LSPRF's investments returned a respectable 8.6% net of fees for the FY ended 6/30/18. This exceeded the Fund's valuation interest rate or target rate of return of 7.4% resulting in a very favorable impact on the funding of the LSPRF and a reduction in the Plan's Actuary's required employer contribution rate for the fiscal year beginning 7/1/19 which is a positive development for our Plan sponsors, the Louisiana Sheriffs' Offices and their budgets.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Results of the Years' Experience on Fund Net Position and Historical Review

As measured by our auditors, the Fund closed this year with the Fiduciary Net Position at \$3,615,367,904, representing an increase over last year of \$287,000,846 from the 2017 level of \$3,328,367,058 and an all-time record high for the Fund in the Fiduciary Net Position at year end close. This represents the Fund's market value of assets using fiscal year end 2018 results, as compared to the actuarial value of assets covered later in the analysis.

For comparison to other recent years, this year's closing Net Fiduciary Position represents an increase of \$704,901,948 over the 2016 level of \$2,910,465,956 and an increase of \$732,994,334 over the 2015 net position of \$2,882,373,570.

From a longer-term historical perspective, the Fund's growth in the net position or market value of assets has increased by \$2.308 billion or about 177% during the recovery from the 2009 recession and the continuing favorable capital markets through June 30, 2018.

This very positive performance has made a substantial impact in reducing the required employer contribution rate that increased to a high of 14.5% as a result of the recession to a recommended rate of 9.5% for fiscal 2019 and a recommended rate of 9.25% for fiscal 2020. This is a favorable budget development for our employer plan sponsors, helping to lower contribution rates and accumulate reserves to help control contribution rates in difficult times expected in the next recession.

Discussion of 2018 Actuarial Valuation Results

Due to the perpetual nature of the Fund, it is important to recognize that the Fund is necessarily a long-term investor and is subject to periods of favorable and unfavorable volatile global market conditions over time. To manage and measure funding progress and prepare to meet liabilities that will become due well out into the future, the Fund uses actuarial funding methods to help ensure sufficient funding is accumulated over the working lifetime of members to meet member's benefits that will be due upon retirement. This is the Fund's most important mission and obligation.

As recommended by our actuaries, the Fund uses an actuarial smoothing method to help mitigate the impact of market volatility and assist in providing more stable funding requirements in keeping with capital market conditions. The Plan's investment gains or losses are smoothed over a 5-year period to stabilize funding requirements and to set the required employer contribution rates necessary to meet each year's funding needs. The actuarial methods used by the Fund's actuaries provided an actuarial rate of return of 8.1% for the 2018 valuation year ended June 30, 2018. This actuarial rate of return is compared to the Funds valuation interest rate, or assumed rate of return and exceeded the assumed of 7.40% as a factor in determining the recommended employer contribution rate for the 2020 fiscal year.

This smoothing period is also a factor in determining the Actuarial Value of Assets as compared to each year's Market Value of Assets that are subject to market volatility, and to help in measuring the longer-term Funding progress of the Fund.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The 2018 actuarial valuation reflects an Actuarial Value of Assets of \$3,592,604,022 for an increase of \$270,452,219 over the prior year level of \$3,322,151,803. This favorable increase is a result of a number of years of very solid gains since the last recession, using the Fund's five-year actuarial smoothing method.

Employer Contribution Rates and Funding Deposit Account Discussion

As noted previously, the Fund's actuarially recommended rate for fiscal year 2018 was 10%. The Board of trustees approved collecting an actual rate of 12.75%, or 2.75% above the minimum recommended employer contribution rate in order to replenish reserves in the Plan's Funding Deposit Account (FDA). The 12.75% was a reduction of .50% from the prior year level of 13.25% in order to assist our plan sponsors.

This collection of the additional 2.75% resulted in placing an additional \$20,123,301 in Funding Deposit Account reserves, providing options for the future. When combined with the accumulated reserves in the FDA at the end of Fiscal 2017, the total in the FDA as of June 30, 2018 is \$52,683,236. An explanation of the FDA is included in later sections of this analysis and report.

For the current year – fiscal 2019, the Fund's actuarially recommended employer contribution rate is set at 9.50%. The Board again approved a reduction of .50% in the actual rate being collected of 12.75% for 2018 and approved an actual rate collected of 12.25% or 2.75% above the recommended rate for fiscal year 2019. Please note that the recommended rate for the year and the actual required rate for the year will differ based on the Fund's performance and experience and will not be known until fiscal year end. The difference between the 12.25% being collected for the year and the actual rate necessary to meet funding needs for the year will again be deposited in the Funding Deposit Account to further increase reserves for future use, if there is a positive difference.

For fiscal 2020 (beginning July 1, 2019) this year's actuarial valuation has set the minimum recommended employer contribution rate at 9.25%, a decrease of .25% over the 2019 fiscal year recommended rate due to the Fund exceeding the assumed rate of return of 7.40% for fiscal year 2018 because of favorable capital market conditions. The Board will consider a recommendation to again reduce the actual contribution rate from the current collected rate of 12.25%, but still collect a rate above the minimum recommended rate of 9.25% to further strengthen our FDA reserves to meet future, potentially negative, economic conditions.

One of the measures of the health of a plan is the recommended annual contribution rate. The LSPRF is fortunate to annually have among the lowest recommended rates of the Louisiana pension systems. This position gives the Fund the option to take the measures of collecting rates above recommended rates to provide reserves as described in this section of the analysis.

SHERIFFS' PENSION AND RELIEF FUND
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An additional measure taken by the LSPRF Board and plan sponsors in 2014 was to voluntarily increase the employee contribution rate from 10% to 10.25% to provide additional funding into the Plan to strength the plan for the future. We plan to maintain this increase for the foreseeable future. This is a reflection of the support the LSPRF receives from the plan sponsors and membership to assist in continuing to strengthen our Fund.

Funding Deposit Account (FDA) Provisions

The FDA was established by law effective June 30, 2009 to provide a reserve fund into which excess employer contributions collected above the required amount, as described above are credited. Funds accumulated in the FDA may be used, at the discretion of the Board for the following purposes only:

- To reduce the Unfunded Accrued Liability (UAL)
- Reduce future normal costs
- As an offset to the recommended direct employer contributions
- To pre-fund a cost of living increase for retirees

Prior to passage of this Act excess contributions could be used by the Board to reduce the Frozen UAL. In 2008 the Board used excess contributions to substantially reduce the Frozen UAL by \$22,548,024. Based on this payment, LSPRF is 6 years ahead of the amortization and will be fully paid by June 30, 2023 rather than the original amortization schedule of 2029. Annual payments continue to reduce the UAL. This will benefit the Fund through substantial interest savings.

As a result of the severe recession of 2009, FDA excess contributions have been used to partially offset or reduce the rising employer contributions resulting from the impact of the recession to assist our plan sponsors (sheriffs' offices) to reduce the impact on their required contributions and their local budgets. The FDA reserves were depleted prior to the credit of the excess contributions collected in 2016, 2017 and the \$20,123,301 accumulated in FY 2018 as previously explained.

The Board's Funding Study Committee and our actuary will meet in the near future to determine the best use and timing of the current reserves.

Pension Fund Reform and Valuation Interest Rate Discussion

In the 2011 legislative session, the Fund's Board was a leader in voluntarily sponsoring major pension reform in the benefits structure and retirement eligibility. The legislation was effective beginning January 1, 2012, and the Fund began to benefit from costs savings from new hires in the first year of implementation. The Fund has continued to accrue costs savings annually, and will continue to do so well out into the long-term future. This action by the Fund's Board and other cost savings measures going back to 2007 were an important accomplishment in the Fund's management of long-term liabilities.

SHERIFFS' PENSION AND RELIEF FUND
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Also in 2012, the Board of Trustees approved a plan to reduce the valuation interest rate or assumed rate of return of 8% used to fund the Plan by decreasing the rate by .10bps per year over a 5-year period to a rate of 7.5%. This was based on the downward trend in capital market assumptions and expected rates of return on investments for the long-term outlook. Capital market assumptions are projected by consultants and various financial institutions and are published annually. Since that time, the Board has approved further lowering of the assumed rate of return over time to 7.25% upon reaching the original rate of 7.5%. The result of lowering the rate has a negative impact on the Employer's Normal Cost Accrual Rate that flows into an increase in the recommended employer contribution rate. While this is a negative impact initially, it is important to use a realistic assumed rate of return. The current year's rate (fiscal year 2019) is set at 7.25%, and the fiscal year 2020 is planned to be lowered to a rate to be determined by the Board of Trustees. The Board's plans are to continue to reduce the rate to 7.0% over the coming two years with incremental reductions, then re-examine the capital market assumptions to consider further reductions.

Depending on investment experience this reduction in the assumption can be a favorable impact on actuarial experience when investment experience exceeds the lower assumed rate of return, and also has the effect of lessening the actuarial impact when investment returns end the fiscal year below the lowered assumed rate of return. Over time, this change is expected to be positive for the Fund.

The reason for discussing pension fund reform and the reduction in the assumed rate of return and the resulting cost impact of the reduction in the same section of the analysis is that the savings from the major pension reform effective January 1, 2012 is substantially offsetting the increase from lowering the assumed rate beginning in 2012 providing a positive impact on the Normal Cost Accrual Rate and the employer contribution rate. Combined, these two actions represent responsible decision making by the Board of Trustees.

Non-Investment Revenue Discussion

The Fund has dedications of special revenues for funding of the Plan. As measured by our auditors and actuaries, for the 2018 fiscal year revenues received for the Fund's statutorily dedicated portion from insurance premium tax collections totaled \$19,733,532, an increase of \$643,342 over the prior year. The Fund's receipts of dedicated ad valorem taxes were \$20,670,933, an increase of \$486,689 over the prior year, and receipts of \$420,828 from State Revenue Sharing for an increase of \$64 from fiscal year 2017.

Contributions to the Plan by employers and members totaled \$166,758,275 for a decrease of \$5,007,733 from 2017. Employer contributions were collected at 12.75%, and employee contributions collected at 10.25%. The decrease is due in part to a reduction in the employer contribution rate.

The annual actuarial valuation of the Fund reflects contributions and other non-investment income that exceeded payments for benefits paid to members, refunds, transfers and administrative expenses by \$3,991,691, a decrease of \$15,959,739 from fiscal year 2017. For fiscal 2018 the Fund had a positive cash flow and did not rely on investment income to pay current benefits to members.

SHERIFFS' PENSION AND RELIEF FUND
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Benefits Payments Discussion

Pension and disability benefits paid to retirees and beneficiaries, as verified by the Fund's auditors totaled \$180,414,500 an increase of \$13,027,965 over the prior year. Refunds of contributions paid to members upon termination, and transfers to other systems on behalf of members totaled \$21,156,726, for a decrease of \$1,185,631 from the prior year.

Funded Ratio and Progress of Payment of Frozen UAL

Using the GASB 25 method of measuring progress in payment of the Fund's frozen UAL, the Plan's funded ratio for fiscal 2018 is 98.95%, an increase over the prior year's ratio of 98.68%. The GASB 25 ratio measure has been replaced and is no longer stated in the actuarial valuation, but the frozen UAL is stated annually and we continue to monitor the progress in eliminating the liability.

The new funded ratio as stated in the Actuarial Valuation of the Plan for 2018 is 89.84%, for an increase in the ratio over the prior year's ratio of 88.32%. This ratio represents the Actual Value of Assets to the Actuarial Accrued Liability, and is the method used by our actuaries in the actuarial funding of the Plan. This ratio replaces the former GASB 25 ratio due to changes in reporting methods.

Subsequent Event Note

For the current 2019 fiscal year performance began strong with a 1st quarter return of 3% at September 30th. The beginning of the 2nd quarter in October 2018 saw performance turn negative with very heavy market volatility over global growth and other concerns and has remained negative to this point. The Fund's November 2018 report reflects a negative return for the FY to date of (1.5%) +/- with heavy volatility continuing. During this 2nd quarter most of the major market indices have been in an official "market correction" much of the time. Market forecasters including our consultants are forecasting a potential market rebound during the coming months in 2019. As always, a relatively high level of uncertainty and risks remains in investment markets the balance of this fiscal year, and there can be no guarantees of any results at FY end for June 30, 2019.

Summary and Other Relevant Information

As explained in this analysis, the Plan has made substantial progress in recovering from the last severe recession and has continued to grow the Plan's assets far beyond recession and pre-recession levels. The Board has had the foresight to implement major pension reform to help manage the Fund's liabilities for the long-term future. As noted earlier in the report, the Fund's employer contribution rates are among the lowest of Louisiana retirement systems providing the Board with options to accrue reserves that will be of assistance during unfavorable market and economic conditions in the future.

The Board maintains professional investment consultants and investment managers to advise the Fund, and strives to maintain a conservative and diversified asset allocation to take advantage of favorable investment markets, and to protect assets to a sound extent in unfavorable economic times.

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The Fund also employs legal counsel that is highly competent in pension fund matters to advise the Board and staff, and to assist in due diligence and protection in entering into contracts with investment managers.

The Board and staff management have continued to improve the professionalism and educational requirements of the staff over time, and have enhanced technology and operational methods to better serve our members. The Fund has a strong succession plan in place for senior management and has developed future leaders.

In closing, the Board of Trustees has provided substantial growth and progress over time, and has been a leader in pension reform to control liabilities for future benefits and assist in protecting the soundness and perpetual nature of the Fund.

Using This Financial Report

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

- Statement of fiduciary net position,
- Statement of changes in fiduciary net position, and
- Notes to financial statements.

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

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and five required schedules of historical trend information. The statements of fiduciary net position and statements of changes in fiduciary net position provide information about the activities of the pension funds as a whole. Sheriffs' Pension and Relief Fund is the fiduciary of funds held in trust for sheriffs, deputies, non-commissioned employees of sheriffs' offices throughout the State of Louisiana and employees of the Louisiana Sheriffs' Association and the Sheriffs' Pension Fund office.

The required supplementary information consists of five schedules and related notes disclosing the changes in net pension liability, employers' net pension liability, employer contributions, money-weighted rate of investment returns, and changes in the Fund's total other postemployment benefits (OPEB) liability and related ratios.

The supplementary information includes the schedule of changes in reserve balances, schedule of administrative expenses, and the schedule of per diem and travel expenses paid to board members.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018 AND 2017

Financial Analysis of the Fund

This analysis focuses on fiduciary net position (Table 1) and changes in fiduciary net position (Table 2) of the Fund.

TABLE 1
FIDUCIARY NET POSITION
(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 3,783,398	\$ 3,490,765
Receivables and prepaid	135,677	143,995
Capital assets	<u>2,112</u>	<u>2,213</u>
Total assets	<u>3,921,187</u>	<u>3,636,973</u>
Deferred outflows of resources	<u>1,031</u>	<u>-</u>
Total liabilities	<u>306,804</u>	<u>308,606</u>
Deferred inflows of resources	<u>46</u>	<u>-</u>
Fiduciary net position	<u>\$ 3,615,368</u>	<u>\$ 3,328,367</u>

TABLE 2
CHANGES IN FIDUCIARY NET POSITION
(In Thousands)

	<u>2018</u>	<u>2017</u>
Additions:		
Contributions	\$ 199,287	\$ 202,451
Net investment income	284,279	397,950
Other	<u>8,297</u>	<u>9,010</u>
Total additions	<u>491,863</u>	<u>609,411</u>
Deductions:		
Benefits	180,415	167,387
Refunds and transfers	21,156	22,342
Administrative expenses and depreciation	<u>2,021</u>	<u>1,781</u>
Total deductions	<u>203,592</u>	<u>191,510</u>
Net change in fiduciary net position	<u>288,271</u>	<u>417,901</u>
Net position at beginning of year, as previously reported	3,328,367	2,910,466
Cumulative effect of a change in accounting principle	<u>(1,270)</u>	<u>-</u>
Net position at beginning of year, as restated	<u>3,327,097</u>	<u>-</u>
Net position at end of year	<u>\$ 3,615,368</u>	<u>\$ 3,328,367</u>

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis of the Fund (Continued)

Fiduciary net position increased by \$288,271,124 or 8.66%, offset by a decrease of \$1,270,278 due to the adoption of GASB statement No. 75 during the year ended June 30, 2018 from \$3,328,367,058. The current year increase in plan net position was primarily attributable to contributions exceeding benefit payments in the current fiscal year and also to improved investment performance in the current fiscal year. This net position is restricted for use to provide monthly retirement allowances to members who contributed to the Fund as employees and their beneficiaries.

Additions to Fiduciary Net Position

Additions to Sheriffs' Pension and Relief Fund fiduciary net position were primarily derived from member and employer contributions and net investment income. Member contributions decreased \$365,913 or 0.51% while employer contributions decreased \$3,928,093 or 4.28%.

The decrease in employer contributions of \$3,928,093 was primarily due to a decrease in the employer contribution rate from 13.25% to 12.75% in the current year. The decrease in employee contributions of \$365,913 was primarily due to a decrease in covered employee payroll in the current year. The Fund experienced net investment income of \$284,279,433 as compared to net investment income of \$397,949,672 in the prior year. The decrease in net investment income was primarily due to a change in market conditions in the current year.

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Member Contributions	\$ 70,631,946	\$ 70,997,859	\$ (365,913)
Employer Contributions	87,830,131	91,758,224	(3,928,093)
Insurance Premium Taxes	19,733,532	19,090,190	643,342
Ad Valorem Taxes	20,670,933	20,184,244	486,689
State Revenue Sharing	420,828	420,764	64
Net Investment Income	284,279,433	397,949,672	(113,670,239)
Other Additions	<u>8,296,579</u>	<u>9,009,925</u>	<u>(713,346)</u>
Total Additions	<u>\$ 491,863,382</u>	<u>\$ 609,410,878</u>	<u>\$ (117,547,496)</u>

Deductions from Fiduciary Net Position

Deductions from fiduciary net position include mainly retirement, death, survivor benefits, refunds and transfers of contributions to other retirement plans and administrative expenses. Deductions from plan net position totaled \$203,592,258 in fiscal year 2018. This is an increase of \$12,082,482 when compared to fiscal year 2017. Retirement benefit payments increased by \$13,027,965 and refunds of contributions decreased by \$1,335,599 in fiscal 2018. Increase in retirement benefit payments was primarily due to an increase in the number of retirees in the current year while the refunds decrease was attributable to a decrease in the number of members refunding.

SHERIFFS' PENSION AND RELIEF FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018 AND 2017

Deductions from Fiduciary Net Position (Continued)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Retirement Benefits	\$ 180,414,500	\$ 167,386,535	\$ 13,027,965
Refunds of Contributions	19,302,400	20,637,999	(1,335,599)
Administrative Expenses and Depreciation	2,021,032	1,780,884	240,148
Transfers to Other Systems	<u>1,854,326</u>	<u>1,704,358</u>	<u>149,968</u>
Total deductions	<u>\$ 203,592,258</u>	<u>\$ 191,509,776</u>	<u>\$ 12,082,482</u>

Investments

The Fund is responsible for the prudent management of funds held in trust for the exclusive benefits of the members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at June 30, 2018 amounted to \$3,767,864,364 as compared to \$3,475,254,852 at June 30, 2017, which is an increase of \$292,609,512 or 8.42%. The increase in investments was primarily due to the net investment gain incurred in the current year in addition to the investment of excess contributions received over benefit payments in the current year.

Sheriffs' Pension and Relief Fund's investments in various markets at the end of the 2018 and 2017 fiscal years are indicated in the following table:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Cash Equivalents	\$ 145,613,277	\$ 136,027,781	\$ 9,585,496
Collateral Held Under Securities Lending Program	18,395,039	34,343,294	(15,948,255)
Fixed Income	898,930,702	876,377,555	22,553,147
Equities	2,226,710,282	1,978,533,217	248,177,065
Alternative Investments	<u>478,215,064</u>	<u>449,973,005</u>	<u>28,242,059</u>
Total	<u>\$ 3,767,864,364</u>	<u>\$ 3,475,254,852</u>	<u>\$ 292,609,512</u>

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Osey McGee, Jr., Sheriffs' Pension and Relief Fund, 1225 Nicholson Drive, Baton Rouge, Louisiana 70802, (225) 219-0500.

SHERIFFS' PENSION AND RELIEF FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash	\$ <u>15,533,878</u>	\$ <u>15,510,559</u>
Receivables and prepaid expense:		
Member contributions	5,605,383	4,979,101
Employer contributions	6,918,281	6,443,350
Accrued interest and dividends	5,916,880	4,912,181
Receivable for investments sold	116,958,736	127,213,824
Other receivables and prepaids	<u>277,436</u>	<u>446,272</u>
Total receivables and prepaid expense	<u>135,676,716</u>	<u>143,994,728</u>
Investments (at fair value):		
Cash equivalents	145,613,277	136,027,781
Collateral held under securities lending program	18,395,039	34,343,294
Fixed income	898,930,702	876,377,555
Equities	2,226,710,282	1,978,533,217
Alternative investments	<u>478,215,064</u>	<u>449,973,005</u>
Total investments	<u>3,767,864,364</u>	<u>3,475,254,852</u>
Land, property, plant, and equipment:		
Building	2,745,809	2,745,809
Land and improvements	92,692	92,692
Furnishings, equipment, and vehicles	<u>1,059,815</u>	<u>1,060,811</u>
	3,898,316	3,899,312
Less: Accumulated depreciation	<u>1,786,267</u>	<u>1,686,488</u>
Total land, property, plant, and equipment	<u>2,112,049</u>	<u>2,212,824</u>
Total assets	<u>3,921,187,007</u>	<u>3,636,972,963</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources related to OPEB	<u>1,030,998</u>	<u>-</u>
LIABILITIES:		
Obligations under securities lending program	18,395,039	34,334,252
Payable for investment securities purchased	260,107,221	251,266,188
Refunds payable	1,078,046	1,004,142
Other payables	21,038,982	18,270,564
OPEB liability	2,497,409	108,694
Accounts payable	3,532,173	3,442,882
Pension payable	49,572	70,616
Accrued leave payable	<u>105,105</u>	<u>108,567</u>
Total liabilities	<u>306,803,547</u>	<u>308,605,905</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources related to OPEB	<u>46,554</u>	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$ <u>3,615,367,904</u>	\$ <u>3,328,367,058</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Contributions:		
Members	\$ 70,631,946	\$ 70,997,859
Employers	87,830,131	91,758,224
Insurance premium tax	19,733,532	19,090,190
Ad valorem taxes	20,670,933	20,184,244
State revenue sharing	420,828	420,764
Total contributions	<u>199,287,370</u>	<u>202,451,281</u>
Investment income:		
Interest income	20,201,687	18,098,502
Dividend income	20,913,084	18,294,945
Net change in fair value of investments	256,652,957	373,253,328
Commission recapture	2,388	3,174
	<u>297,770,116</u>	<u>409,649,949</u>
Less investment expense:		
Investment advisory fees	12,849,279	11,101,939
Custodian fee and bank charges	641,404	598,338
	<u>13,490,683</u>	<u>11,700,277</u>
Net investment income	<u>284,279,433</u>	<u>397,949,672</u>
Other additions:		
Transfers from other retirement systems	8,296,198	9,009,586
Miscellaneous income	381	339
Total other additions	<u>8,296,579</u>	<u>9,009,925</u>
Total additions	<u>491,863,382</u>	<u>609,410,878</u>
DEDUCTIONS:		
Benefits	180,414,500	167,386,535
Refund of contributions	19,302,400	20,637,999
Transfers to other retirement systems	1,854,326	1,704,358
Administrative expenses	1,906,682	1,670,725
Depreciation	114,350	110,159
Total deductions	<u>203,592,258</u>	<u>191,509,776</u>
NET CHANGE IN FIDUCIARY NET POSITION	288,271,124	417,901,102
NET POSITION RESTRICTED FOR PENSION BENEFITS:		
Beginning of year, before restatement	3,328,367,058	2,910,465,956
Cumulative effect of change in accounting principle	<u>(1,270,278)</u>	-
Beginning of year, after restatement	3,327,096,780	2,910,465,956
End of Year	<u>\$ 3,615,367,904</u>	<u>\$ 3,328,367,058</u>

See accompanying notes.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

The Sheriffs' Pension and Relief Fund (Fund) is a public corporation created in accordance with the provisions of Louisiana Revised Statute 11:2171 to provide retirement, disability and survivor benefits to employees of sheriffs' offices throughout the State of Louisiana, employees of the Louisiana Sheriffs' Association (LSA) and the Sheriffs' Pension and Relief Fund's office.

The Fund is governed by a Board of Trustees composed of 14 elected members and two legislators who serve as ex-officio members, all of whom are voting members consisting of a president, vice president, three active, participating sheriffs, and three full-time participating deputy sheriffs, three retired sheriffs and three retired deputy sheriffs participating in the Fund, and the chairman of the Senate Finance and House Retirement Committee serve as ex-officio members. The President may be either an active or retired sheriff, elected by the members of the LSA for a term of three years from the date of taking office. Reelection is permissible. At the annual sheriffs' conference, the general membership of the LSA elects one active sheriff and one retired sheriff to serve three-year staggered terms on the Board. Active and retired deputy sheriff members are elected from their respective ranks to three-year staggered terms. The members of the LSA elect the vice president every three years. All candidates for service on the Board of Trustees must complete legislatively required hours of training prior to becoming a candidate. Office personnel and retained professionals serve as authorized by the Board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

In addition, these financial statements include the management's discussion and analysis as supplementary information, as required by GASB Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards.

Basis of Accounting:

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

Interest and dividend income is recognized when earned. Ad valorem taxes and state revenue sharing monies are recognized in the year appropriated by the legislature. Insurance premium tax income is recorded in the fiscal year for which it is allocated.

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Method Used to Value Investments:

The Fund implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the fiscal year ended June 30, 2016. As required by GASB Statement No. 72, investments are reported at fair value. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques used to measure fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs and valuation techniques used to measure fair value based on three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, whether directly or indirectly. Lastly, Level 3 inputs are unobservable inputs, such as management's assumptions or investment manager assumptions that are unobservable. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques used. These disclosures are organized by type of asset or liability. GASB Statement No. 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

Fair value of short-term investments approximates cost. Fair value of securities traded on a national or international exchange is calculated using the last reported sales price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in partnerships is calculated as the Fund's percentage of ownership of the partner's capital reported by the partnership.

Property, Plant and Equipment:

Property, plant and equipment are accounted for and capitalized in the Fund. Depreciation of these assets is recorded as an expense in the Fund. The assets are valued on the basis of historical cost and depreciated using the straight-line method of depreciation as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Vehicles	5 years
Office furniture and equipment	3-10 years

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. PLAN DESCRIPTION:

The Sheriffs' Pension and Relief Fund, State of Louisiana, is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The Sheriffs' Pension and Relief Fund received a favorable determination from the IRS regarding its status as a qualified plan in August 1995. The determination applied to plan years beginning after December 31, 1988.

The Sheriffs' Pension and Relief Fund, State of Louisiana, provides retirement benefits for employees of Sheriffs' offices throughout the State of Louisiana. There are sixty-four contributing sheriff offices, with employees of the Louisiana Sheriffs' Association office and the Fund's staff also contributing. At June 30, 2018 and 2017 statewide retirement membership consisted of:

	<u>2018</u>	<u>2017</u>
Inactive members or beneficiaries currently receiving benefits	5,613	5,341
Inactive members entitled to but not yet receiving benefits	6,748	6,334
Active members	<u>14,350</u>	<u>14,609</u>
Total participants as of the valuation date	<u>26,711</u>	<u>26,284</u>

Laws that govern the Fund are located in the Louisiana Revised Statutes beginning with 11:2171 et seq. which specifically pertains to the Sheriffs' Pension Fund, and 11:11 et seq. which governs all public retirement systems in Louisiana.

Eligibility Requirements:

Membership in the Fund is required for all eligible sheriffs and deputies. Court criers of specified courts and non-deputized employees may become members. They are eligible immediately upon employment as long as they meet statutory criteria as to age and physical condition. All salaried employees of the Sheriffs' Pension and Relief Fund and the Louisiana Sheriffs' Association who meet certain requirements are also eligible to become members of the Fund. Members are vested after twelve years of service time.

Retirement Benefits:

For members who become eligible for membership on or before December 31, 2011: Members with twelve years of creditable service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three and one-third percent of the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Active, contributing members with at least ten years of creditable service may retire

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

at age sixty. The accrued normal retirement benefit is reduced actuarially for each month or fraction thereof that retirement begins prior to the member's earliest normal retirement date assuming continuous service.

For members whose first employment making them eligible for membership in the system began on or after January 1, 2012: Members with twelve years of creditable service may retire at age sixty two; members with twenty years of service may retire at age sixty; members with thirty years of creditable service may retire at age fifty-five. The benefit accrual rate for such members with less than thirty years of service is three percent; for members with thirty or more years of service, the accrual rate is three and one-third percent. The retirement allowance is equal to the benefit accrual rate times the member's average final compensation multiplied by his years of creditable service, not to exceed (after reduction for optional payment form) 100% of average final compensation. Members with twenty or more years of service may retire with a reduced retirement at age fifty.

For a member whose first employment making him eligible for membership in the system began on or before June 30, 2006, final average compensation is based on the average monthly earnings during the highest thirty-six consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the thirty-six month period shall not exceed 125% of the preceding twelve-month period.

For a member whose first employment making him eligible for membership in the system began after June 30, 2006 and before July 1, 2013, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the sixty-month period shall not exceed 125% of the preceding twelve-month period.

For a member whose first employment making him eligible for membership in the system began on or after July 1, 2013, final average compensation is based on the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. The earnings to be considered for each twelve-month period within the sixty-month period shall not exceed 115% of the preceding twelve-month period.

Cost-of-Living Increases:

The Board of Trustees is authorized to grant retired members and survivors of members who have retired an annual cost of living increase of 2.5% of their current benefit. When such a cost-of-living increase is granted in any fiscal year, no such cost-of-living increase may be granted in the immediately following fiscal year. Members are eligible to receive this cost-of-living adjustment

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. PLAN DESCRIPTION: (Continued)

Cost-of-Living Increases: (Continued)

when they have attained the sixty years of age and they have been retired for at least one year. In order for the Board to grant a cost-of-living adjustment, the Fund must meet certain criteria in the statutes related to funding status and excess investment earnings. The funding criteria for granting cost-of-living adjustments are as follows:

- Funding Criteria 1 - if the funded ratio is equal to or in excess of 90%, the Fund is eligible to grant a cost-of-living adjustment every other year.
- Funding Criteria 2 - if the funded ratio is equal to or in excess of 80%, the Fund is eligible to grant a cost-of-living adjustment every three years.
- Funding Criteria 3 - if the funded ratio is equal to or in excess of 70%, the Fund is eligible to grant a cost-of-living adjustment every four years.

If the funded ratio is less than 70%, the Fund is not eligible to grant a cost-of-living adjustment in any year.

Deferred Benefits:

The Fund does provide for deferred benefits for vested members who terminate before being eligible for retirement. Benefits become payable once the member reaches the appropriate age for retirement.

Disability Benefits:

A member is eligible to receive disability benefits if he has at least ten years of creditable service when a non-service related disability is incurred; there are no service requirements for a service related disability. Disability benefits shall be the lesser of 1) a sum equal to the greatest of 45% of final average compensation or the members' accrued retirement benefit at the time of termination of employment due to disability, or 2) the retirement benefit which would be payable assuming continued service to the earliest normal retirement age. Members who become partially disabled receive 75% of the amount payable for total disability.

Survivor Benefits:

Survivor benefits for death solely as a result of injuries received in the line of duty are based on the following. For a spouse alone, a sum equal to 50% of the member's final average compensation with a minimum of \$150 per month. If a spouse is entitled to benefits and has a child or children under eighteen years of age (or over said age if physically or mentally incapacitated and dependent upon the member at the time of his death), an additional sum of 15% of the member's final average compensation is paid to each child with total benefits paid to spouse and children not

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

to exceed 100%. If a member dies with no surviving spouse, surviving children under age eighteen will receive monthly benefits of 15% of the member's final average compensation up to a maximum of 60% of final average compensation if there are more than four children. If a member is eligible for normal retirement at the time of death, the surviving spouse receives an automatic option 2 benefit. The additional benefit payable to children shall be the same as those available for members who die in the line of duty. In lieu of receiving option 2 benefit, the surviving spouse may receive a refund of the member's accumulated contributions. All benefits payable to surviving children shall be extended through age twenty-three, if the child is a full-time student in good standing enrolled at a board approved or accredited school, college, or university.

Contribution Refunds:

Upon withdrawal from service, members who have remained out of service for a period of thirty days, are paid a refund of accumulated contributions upon request. Receipt of such a refund cancels all accrued benefits in the system.

Back Deferred Retirement Option Plan (Back-DROP):

In lieu of receiving a service retirement allowance, any member of the Fund who has more than sufficient service for a regular service retirement may elect to receive a "Back-DROP" benefit. The Back-DROP benefit is based upon the Back-DROP period selected and the final average compensation prior to the period selected. The Back-DROP period is the lesser of three years or the service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. For those individuals with thirty or more years, the Back-DROP period is the lesser of four years or service accrued between the time a member first becomes eligible for retirement and his actual date of retirement. At retirement the member's maximum monthly retirement benefit is based upon his service, final average compensation and plan provisions in effect on the last day of creditable service immediately prior to the commencement of the Back-DROP period. In addition to the monthly benefit at retirement, the member receives a lump-sum payment equal to the maximum monthly benefit as calculated above multiplied by the number of months in the Back-DROP period. In addition, the member's Back-DROP account will be credited with employee contributions received by the retirement fund during the Back-DROP period. The member's DROP and Back-DROP balances left on deposit are managed by a third party, fixed income investment manager, see Note 8. Participants have the option to opt out of this program and take a distribution, if eligible, or to rollover the assets to another qualified plan.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members were established by the Board of Trustees for the year ended June 30, 2018 and 2017. The employee contribution rate cannot be less than 9.8% or more than 10.25% of earnable compensation. The employee contribution rate for the years ended June 30, 2018 and 2017 was 10.25% of payroll. Contributions are deducted from the member's salary and remitted monthly by the participating parish.

Gross employer contributions are determined by actuarial valuation and are subject to change each year in accordance with R.S. 11:103. For the year ended June 30, 2018 and 2017, the employers contributed 12.75% and 13.25%, respectively, of members' salaries with an additional 0% and 0%, respectively, allocated from the Funding Deposit Account. Also, the Fund annually receives revenue sharing funds, 0.5% of the aggregate amount of the ad valorem tax shown to be collected by the tax roll of each respective parish, and additional funds as indicated by valuation and apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premium taxes described in RS 22:1476A(3).

Administrative costs of the Fund are financed through employer contributions.

Reserves:

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor eligible for a benefit, the member's accumulated contributions are transferred from the Annuity Savings to the Annuity Reserve. When a member retires, his accumulated contributions are transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings balance as of June 30, 2018 and 2017 was \$617,228,899 and \$594,345,079, respectively.

B) Pension Accumulation Reserve:

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not included in other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve at June 30, 2018 and 2017 was \$1,237,723,396 and \$1,139,343,119, respectively.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

C) Funding Deposit Account:

The Funding Deposit Account consists of excess contributions collected by the Fund. The excess funds earn interest at the board approved actuarial valuation rate and are credited to the Fund at least once a year. These funds are available due to the Fund setting the employer rate at a higher rate than minimum recommended rate. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability, (2) reduce the present value of future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account as of June 30, 2018 and 2017 was 52,683,236 and \$56,567,343, respectively.

D) Annuity Reserve:

The Annuity Reserve is the reserve for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2018 and 2017 was \$1,694,642,588 and \$1,525,862,355, respectively.

E) Deferred Retirement Option Plan:

The Deferred Retirement Option Plan 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. Members participate in the program for up to three or four years, and upon termination receive benefits in a lump sum payment or annuity. The deferred retirement option plan as of June 30, 2018 and 2017 was \$13,089,785 and \$12,249,162, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the liability of the Fund's employers to plan members for benefits provided through the pension plan was as follows as of June 30, 2018 and 2017:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2018	\$ 3,998,832,755	\$ 3,615,367,904	\$ 383,464,851	90.41%
2017	3,761,394,421	3,328,367,058	433,027,363	88.49

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an experience study for the period from July 1, 2009 and June 30, 2014. The required Schedules of Employers' Net Pension Liability located in the required supplementary information presents multi-year trend information regarding whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability.

Additional information on the actuarial methods and assumptions used in the latest actuarial valuation was as follows:

Valuation Date	June 30, 2018 and 2017
Actuarial Cost Method	Entry Age Normal Method
Actuarial Asset Values:	
Bonds and Equities	The actuarial value of assets is based on the market value of assets adjusted to phase in asset earnings above or below the assumed rate of return over a five-year period with limits set at 85% and 115% of the market value of assets. When the adjusted value falls outside of the limits, the actuarial value is set equal to the average of the limited and adjusted value.
Actuarial Assumptions:	
Investment Rate of Return	2018 – 7.25%, net of investment expense 2017 – 7.40%, net of investment expense
Discount Rate	2018 – 7.25% 2017 – 7.40%
Projected Salary Increases	2018 – 5.50% (2.60% Inflation, 2.9% Merit) 2017 – 5.50% (2.775% Inflation, 2.725% Merit)
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Table for active members, healthy annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table for disabled annuitants
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the Fund and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Changes in Valuation

Methods and Assumptions The discount rate was lowered from 7.40% to 7.25% for the year ended June 30, 2018. The investment rate of return was lowered from 7.40% to 7.25%, net of investment expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Estimates of arithmetic real rates of return for each major asset class based on the Fund's target asset allocation as of June 30, 2018 were as follows:

	Expected Rate of Return		
<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Equity Securities	62%	6.9%	4.3%
Fixed Income	23	3.2	0.7
Alternative Investments	<u>15</u>	4.5	<u>0.7</u>
Totals	<u>100%</u>		5.7%
Inflation			<u>2.5</u>
Expected Arithmetic Nominal Return			<u>8.2%</u>

Estimates of arithmetic real rates of return for each major asset class based on the Fund's target asset allocation as of June 30, 2017 were as follows:

	Expected Rate of Return		
<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Equity Securities	60%	7.4%	4.4%
Fixed Income	25	2.6	0.7
Alternative Investments	<u>15</u>	4.2	<u>0.6</u>
Totals	<u>100%</u>		5.7%
Inflation			<u>2.6</u>
Expected Arithmetic Nominal Return			<u>8.3%</u>

SHERIFFS' PENSION AND RELIEF FUND
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4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the Fund's actuary. Based on those assumptions, the Fund'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 discount rate of 7.25%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate as of June 30, 2018 and 2017:

	June 30, 2018		
	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease	Discount	Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Net Pension Liability	\$ <u>867,832,205</u>	\$ <u>383,464,851</u>	\$ <u>(24,317,052)</u>

	June 30, 2017		
	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease	Discount	Increase
	<u>6.40%</u>	<u>7.40%</u>	<u>8.40%</u>
Net Pension Liability	\$ <u>892,150,557</u>	\$ <u>433,027,363</u>	\$ <u>46,737,746</u>

5. INVESTMENT FAIR VALUE:

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of June 30, 2018 and 2017, respectively:

SHERIFFS' PENSION AND RELIEF FUND
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5. INVESTMENT FAIR VALUE: (Continued)

	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash equivalents	\$ 132,492,006	\$ 114,320,393	\$ 6,607,992	\$ 11,563,621
Fixed income securities:				
U.S. Treasury and Government Obligations	464,472,393	235,023,464	229,448,929	-
Asset backed securities	46,298,456	339,704	45,958,752	-
Commingled Bond Funds	49,518,852	-	47,797,047	1,721,805
Corporate bonds - domestic	236,974,422	-	227,664,652	9,309,770
Corporate bonds - foreign	28,109,750	-	28,109,750	-
Emerging Market Debt	55,618,691	55,618,691	-	-
International fixed income	5,857,776	-	5,857,776	-
Mortgage Backed Securities	9,076,528	-	9,076,528	-
Short-term Investments	3,003,834	858,253	2,145,581	-
Total fixed income securities	<u>898,930,702</u>	<u>291,840,112</u>	<u>596,059,015</u>	<u>11,031,575</u>
Equity Securities:				
Domestic equities	2,036,992,192	1,125,168,627	911,823,565	-
Foreign equities	189,718,090	169,488,483	20,229,607	-
Total equity securities	<u>2,226,710,282</u>	<u>1,294,657,110</u>	<u>932,053,172</u>	<u>-</u>
Alternative Investments:				
Commingled funds	72,488,201	-	29,060,360	43,427,841
Real estate funds	240,428,027	31,346,628	-	209,081,399
Total Alternative Investments	<u>312,916,228</u>	<u>31,346,628</u>	<u>29,060,360</u>	<u>252,509,240</u>
Securities Lending Cash Collateral:	18,395,039	-	18,395,039	-
Total Investments at Fair Value Level	<u>3,589,444,257</u>	<u>\$ 1,732,164,243</u>	<u>\$ 1,582,175,578</u>	<u>\$ 275,104,436</u>
Investments measured at the net asset value (NAV):				
Cash equivalents	13,121,271			
Alternative investments:				
Commingled funds	106,233,442			
Hedge Funds	59,065,394			
Total Investments at NAV	<u>178,420,107</u>			
Total Investments at Fair value	<u>\$ 3,767,864,364</u>			

SHERIFFS' PENSION AND RELIEF FUND
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5. INVESTMENT FAIR VALUE: (Continued)

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash equivalents	\$ 124,360,029	\$ 110,003,126	\$ 3,357,299	\$ 10,999,604
Fixed income securities:				
U.S. Treasury and Government Obligations	458,150,768	252,864,950	205,285,818	-
Asset backed securities	51,842,750	-	43,123,371	8,719,379
Commingled Bond Funds	48,523,713	-	46,813,412	1,710,301
Corporate bonds - domestic	244,970,436	-	244,721,139	249,297
Corporate bonds - foreign	27,154,839	-	27,154,839	-
Emerging Market Debt	27,058,183	27,058,183	-	-
International bonds	7,102,134	357,135	6,744,999	-
Mortgage Backed Securities	11,574,732	-	11,574,732	-
Short-term Investments	-	-	-	-
Total fixed income securities	<u>876,377,555</u>	<u>280,280,268</u>	<u>585,418,310</u>	<u>10,678,977</u>
Equity Securities:				
Domestic equities:	1,819,247,880	970,945,059	848,302,821	-
Foreign equities:	<u>159,285,337</u>	<u>147,035,462</u>	<u>12,249,875</u>	<u>-</u>
Total equity securities	<u>1,978,533,217</u>	<u>1,117,980,521</u>	<u>860,552,696</u>	<u>-</u>
Alternative Investments:				
Commingled Funds	54,211,559	-	26,589,935	27,621,624
Real estate funds	221,712,634	29,404,123	-	192,308,511
Total Alternative Investments	<u>275,924,193</u>	<u>29,404,123</u>	<u>26,589,935</u>	<u>219,930,135</u>
Securities Lending Cash Collateral:	<u>34,343,294</u>	<u>-</u>	<u>34,343,294</u>	<u>-</u>
Total Investments at Fair Value Level	<u>3,289,538,288</u>	<u>\$ 1,537,668,038</u>	<u>\$ 1,510,261,534</u>	<u>\$ 241,608,716</u>
Investments measured at the net asset value (NAV):				
Cash equivalents	11,667,752			
Alternative investments:				
Commingled funds	117,656,399			
Hedge Funds	<u>56,392,413</u>			
Total Investments at NAV	<u>185,716,564</u>			
Total Investments at Fair value	<u>\$ 3,475,254,852</u>			

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
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5. INVESTMENT FAIR VALUE: (Continued)

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

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using 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 for investments measured at the net asset value (NAV) per share or its equivalent as of June 30, 2018 is presented on the following table:

	<u>Net Asset Value 2018</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Cash Equivalents	\$ 13,121,271	\$ -	Daily	5 - 30 days
Commingled Funds	106,233,442	-	3-6 Months	45-100 days
Hedge Funds	59,065,394	-	6-12 Months	95 days
Total Investments at NAV	<u>\$ 178,420,107</u>	<u>\$ -</u>		

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share or its equivalent as of June 30, 2017 is presented on the following table:

	<u>Net Asset Value 2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Cash Equivalents	\$ 11,667,752	\$ -	Daily	5 - 30 days
Commingled Funds	117,656,399	-	Monthly	5 - 30 days
Hedge Funds	56,392,413	-	Monthly	5 - 30 days
Total Investments at NAV	<u>\$ 185,716,564</u>	<u>\$ -</u>		

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. INVESTMENT FAIR VALUE: (Continued)

Cash Equivalents:

This investment type includes an investment held in a 2a7-like external investment pool. This investment aims to provide a conservative vehicle for investing in short-term, high quality investments. The fair value of the investment in this pool has been determined using the NAV per share or equivalent of the investments. Units are valued weekly and redemption of units varies from five to thirty days advance notice. Any amount redeemed will be paid within five to thirty business days following the date following the date the redemption notice was submitted.

Commingled Funds:

This investment type includes investments in commingled investment funds that pursue a variety of investment strategies. 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 monthly and redemption of units varies from forty-five to one hundred days advance notice.

Hedge Funds:

Hedge fund is an asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange. Hedge funds employ a combination of strategies to earn superior risk-adjusted returns. The fair values of the investments in this asset class have been determined using the NAV per share or equivalent of the hedge funds capital. These investments can't be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Units are valued monthly.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

The following are the components of the Fund's deposits, cash equivalents and investments at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Deposits (bank balance)	\$ 16,205,202	\$ 18,826,255
Cash equivalents	145,613,277	133,136,814
Investments	<u>3,622,251,087</u>	<u>3,339,227,071</u>
	<u>\$ 3,784,069,566</u>	<u>\$ 3,491,190,140</u>

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits:

At June 30, 2018, the Fund's bank deposits were fully insured or collateralized with securities held by the Federal Reserve Bank in the Fund's name. At June 30, 2017, \$17,585,748 of the Fund's bank deposits were insured or collateralized with securities held by the Fund's bank in the name of the Fund \$1,240,507 of the Fund's bank deposits were uninsured and uncollateralized. On July 1, 2017, the Fund transferred out \$2,890,967 of bank deposits resulting in bank deposits being fully insured or collateralized with securities held by the Fund's bank.

Cash Equivalents:

At June 30, 2018 and 2017 cash equivalents in the amount of \$132,213,122 and \$121,469,062, respectively, consisted of government-backed pooled funds. These funds are held by a sub-custodian, are managed by separate money managers and are in the name of the Fund's custodian's trust department. At June 30, 2018 and 2017, cash equivalents also included amounts invested in the Louisiana Asset Management Pool totaling \$13,121,271 and \$11,667,752, respectively. (See Note 8)

Investments:

Statutes authorize the Fund to invest under the Prudent-Man Rule. Pursuant to Louisiana Revised Statute 11:263, the Prudent-Man rule requires each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system 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. Notwithstanding the Prudent-Man Rule, the Fund shall not invest more than sixty-five percent of the total portfolio in equity investments.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to a lack of diversification. The Fund's investment policy establishes concentration limits for certain types of investments as a means of managing risk. Following is a summary of certain limits included in the Fund's policy:

- a) Short-term investments may not exceed 5% of each manager's assigned portfolio allocation without approval by the staff.
- b) Maximum single stock ownership shall not exceed 7% and 7%, respectively, of each manager's portfolio for domestic and international equities.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Concentration of Credit Risk: (Continued)

- c) Maximum single bond ownership shall not exceed 5% of each manager's portfolio, excluding securities issued or guaranteed by the U. S. Government, its Agencies, or Government Sponsored Enterprises or securities or loans collateralized by such investments.
- d) Mortgages, as a percentage of each advisor's fixed income portfolio at market value, shall not be more than 10% greater than the mortgage sector's current percent of the Barclay's Aggregate index. Collateralized mortgage obligations shall not exceed 15% of each advisor's fixed income portfolio at market value.

At June 30, 2018 and 2017, there were no investments in any one organization, other than those issued or guaranteed by the U.S. Government or mutual funds, which represented 5% of plan net position or plan investments.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the Fund's investments in long-term debt securities as of June 30, 2018 and 2017:

	<u>2018</u>				
<u>Credit Rating</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed/ Collateralized Mortgage Obligations</u>	<u>U.S. Government</u>	<u>Other</u>	<u>Total</u>
AAA	\$ 30,031,189	\$ 22,831,895	\$ 289,847,944	\$ 4,144,172	\$ 346,855,200
AA	6,859,406	-	7,573,114	-	14,432,520
A	43,154,730	-	1,668,058	-	44,822,788
BAA	98,968,361	1,524,734	1,509,411	-	102,002,506
BA	16,268,325	30,983	-	-	16,299,308
B	-	104,196	-	-	104,196
CAA	-	410,183	-	-	410,183
CA	-	66,025	-	-	66,025
Not Rated	<u>99,633,451</u>	<u>3,065,647</u>	<u>124,692,006</u>	<u>146,546,872</u>	<u>373,937,976</u>
	<u>\$ 294,915,462</u>	<u>\$ 28,033,663</u>	<u>\$ 425,290,533</u>	<u>\$ 150,691,044</u>	<u>\$ 898,930,702</u>

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

<u>2017</u>					
<u>Credit Rating</u>	<u>Corporate Bonds</u>	<u>Mortgage Backed/ Collateralized Mortgage Obligations</u>	<u>U.S. Government</u>	<u>Other</u>	<u>Total</u>
AAA	\$ 21,507,804	\$ 14,308,434	\$ 292,052,648	\$ 18,646,213	\$ 346,515,099
AA	10,255,810	-	8,322,693	-	18,578,503
A	29,254,693	46,656	1,694,617	1,019,813	32,015,779
BAA	111,561,829	1,859,607	2,628,160	-	116,049,596
BA	16,344,770	136,088	-	-	16,480,858
B	1,359,518	240,583	-	-	1,600,101
CAA	-	505,167	-	-	505,167
CA	-	74,804	-	-	74,804
Not Rated	<u>102,077,204</u>	<u>8,096,426</u>	<u>97,280,648</u>	<u>137,103,370</u>	<u>344,557,648</u>
	<u>\$ 292,361,628</u>	<u>\$ 25,267,765</u>	<u>\$ 401,978,766</u>	<u>\$ 156,769,396</u>	<u>\$ 876,377,555</u>

All security types included in the benchmark (Barclays Aggregate Bond Index) are candidates for purchase and placement in the bond portfolio. Bond portfolios must have a minimum average quality rating of A. Securities must be rated Baa3/BBB- by at least two of the major rating agencies at the time of the purchase. Any security that falls below Baa3/BBB-rating by any of the major rating agencies must be sold within 90 days of the downgrade announcement. The investment manager must contact the consultant and/or investment committee for approval should they wish to hold the security beyond 90 days.

Derivatives are limited to the use of U.S. Treasury bond futures, primarily for the purpose of adjusting fixed income duration. The use of futures shall not cause asset class policy ranges to be exceeded, or cause the total fund to be leveraged. The net notional principal amounts outstanding of all derivative investments, expressed in terms of the value of the underlying position, shall not exceed 15% of the market value of the Fund. All derivatives positions must be incorporated into the overall portfolio market values and risk measures.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Fund is not exposed to custodial credit risk at June 30, 2018 and 2017 for investments and cash equivalents in the amount of \$3,749,469,325 and \$3,438,020,591, respectively, since the investments and cash equivalents are

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Custodial Credit Risk: (Continued)

held in the name of the Fund. At June 30, 2018 and 2017, collateral held under securities lending in the amount of 18,395,039 and \$34,343,294, respectively, and non-cash collateral received under the securities lending program in the amount of \$80,360,733 and \$77,642,525, respectively, was exposed to custodial credit risk since these investments are not held in the name of the Fund. These securities are held in the name of a counterparty or counterparty's trust department or agent.

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 Fund's exposure to foreign currency risk is limited to its investment in foreign marketable securities at June 30, 2018 and 2017 as follows:

<u>Currency</u>	<u>2018</u>	<u>2017</u>
Australian dollar	\$ 7,911,281	\$ 2,941,319
Canadian dollar	1,538,500	158,691
Danish krone	1,270,901	670,675
European euro	33,925,568	27,823,894
Hong Kong dollar	3,816,737	817,967
Israeli shekel	367,877	115,773
Japanese yen	34,093,573	27,521,892
Mexican new peso	426,372	140,277
New Zealand dollar	64,568	407,595
Norwegian krone	1,361,249	5,471
Pound sterling	17,241,547	11,416,190
Singapore dollar	371,774	1,194,546
South African Comm Rand	54	-
Swedish krona	2,269,366	4,598,552
Swiss franc	5,271,790	3,058,989
	<u>\$ 109,931,157</u>	<u>\$ 80,871,831</u>

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2018 and 2017, the Fund had the following investments in long-term debt securities and maturities:

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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

<u>Investment Type</u>	<u>2018</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater Than 10</u>
U.S. Government and Government agency obligations	\$ 425,290,532	\$ 127,840,042	\$ 88,652,779	\$ 87,446,553	\$ 121,351,158
Other Bonds:					
Corporate bonds	294,915,462	137,910,602	52,749,637	62,194,360	42,060,863
Mortgage-backed securities and collateralized mortgage obligations	28,033,664	17,211,249	2,086,953	4,146,166	4,589,296
Other	<u>150,691,044</u>	<u>94,502,647</u>	<u>423,122</u>	<u>5,916,262</u>	<u>49,849,013</u>
	<u>\$ 898,930,702</u>	<u>\$ 377,464,540</u>	<u>\$ 143,912,491</u>	<u>\$ 159,703,341</u>	<u>\$ 217,850,330</u>
Collateral held under Securities Lending Program	<u>\$ 18,395,039</u>	<u>\$ 18,395,039</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

<u>Investment Type</u>	<u>2017</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>Greater Than 10</u>
U.S. Government and Government agency obligations	\$401,978,766	\$ 6,394,703	\$ 99,447,515	\$ 69,520,319	\$ 226,616,229
Other Bonds:					
Corporate bonds	207,254,710	47,727,580	65,319,592	51,662,937	42,544,601
Mortgage-backed securities and collateralized mortgage obligations	25,267,765	8,877,963	4,203,666	2,759,959	9,426,177
Other	<u>241,876,314</u>	<u>176,482,834</u>	<u>2,254,723</u>	<u>15,890,110</u>	<u>47,248,647</u>
	<u>\$ 876,377,555</u>	<u>\$ 239,483,080</u>	<u>\$ 171,225,496</u>	<u>\$ 139,833,325</u>	<u>\$ 325,835,654</u>
Collateral held under Securities Lending Program	<u>\$ 34,343,294</u>	<u>\$ 34,343,294</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

The Fund invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Money-Weighted Rate of Return:

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense for the year ended June 30, 2018 and 2017 was 8.59% and 13.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. SECURITIES LENDING PROGRAM:

State statutes and board of trustee policies authorize the Fund to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the Fund is allowed to lend its securities to broker - dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Fund enters into a contract with a company, which acts as their third-party securities lending agent. The lending agent has access to the Fund's lendable portfolio or available assets. The agent lends available assets such as U.S. Treasury, government-guaranteed and corporate fixed income securities, and equities. The lending agent has discretion over the selection of borrowers and continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them; however, the Fund may restrict borrowers. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit. Collateralization of loans is required to be 102% of the market value of the loaned securities plus accrued income. As a result of the required collateralization percentage, the Fund has no credit risk.

The lending agent and the Fund enter into contracts with all approved borrowers. In the case of security loans in which the collateral received by the Fund is cash, the value of the amount invested is reported as an asset with a corresponding liability for the value of the collateral. When the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the statement of fiduciary net position and in Note 6. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of the Fund) in approved investments outlined in the contract between the agent and the Fund. Acceptable collateral from approved borrowers for repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AA or higher, commercial paper, and other investments stipulated in lender agent contract.

The fair value of the securities on loan as of June 30, 2018 and 2017 was \$98,445,349 and \$109,553,554, respectively. The fair value of noncash collateral on loan as of June 30, 2018 and 2017 was \$80,466,867 and \$76,108,912, respectively.

The contracts with the lending agent require the lending agent to indemnify the Fund from any and all claims, actions, demands or lawsuits of any kind whatsoever resulting from the lending agent's gross negligence or willful misconduct in its administration of the program and to replace loaned securities not returned to the Fund for any reason.

The term to maturity of the securities loaned is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements with maturities of one to two days.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net amount of income received from the transactions is recorded in the financial statements in investment income.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

8. LOUISIANA ASSET MANAGEMENT POOL:

Investments held at June 30, 2018 and 2017 include \$13,121,271 and \$11,667,752 respectively, in the Louisiana Asset Management Pool (LAMP), a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

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

Credit risk: LAMP is rated AAAM by Standard and 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 public entity'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 5 percent disclosure requirement.

Interest rate risk: The weighted average maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

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

The investments in LAMP are stated at net asset value based on quoted market rates. The net asset value is determined on a weekly basis by LAMP and the value of the position in the external investment pool 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.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

9. EMPLOYEES' DEFERRED COMPENSATION PLAN:

The Sheriffs' Pension and Relief Fund offers its employees a deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Board of Trustees has authorized matching contributions to be made to the plan by the Fund on behalf of the employees. The contributions for the years ended June 30, 2018 and 2017 totaled \$51,857 and \$41,530, respectively.

All assets and income are held in a custodial trust account for the exclusive benefit of the participants and their beneficiaries.

10. ANNUAL AND SICK LEAVE:

Employees' leave is accrued at rates of 12 to 20 days per year depending upon length of service. Upon separation, employees are compensated for accumulated annual leave, up to a maximum of 60 days. Employees are not compensated for accumulated sick leave upon termination. The liability for annual leave accrued at June 30, 2018 and 2017 was \$105,105 and \$108,567, respectively.

11. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

12. USE OF ESTIMATES:

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

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

13. PROPERTY AND EQUIPMENT:

A summary of changes in property and equipment follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Land	\$ 92,692	\$ -	\$ -	\$ 92,692
Building	2,745,809	-	-	2,745,809
Vehicles	26,730	-	-	26,730
Office furniture and equipment	<u>1,034,081</u>	<u>13,575</u>	<u>(14,571)</u>	<u>1,033,085</u>
	3,899,312	13,575	(14,571)	3,898,316
Accumulated depreciation	<u>(1,686,488)</u>	<u>(114,350)</u>	<u>14,571</u>	<u>(1,786,267)</u>
Total Property and Equipment	<u>\$ 2,212,824</u>	<u>\$ (100,775)</u>	<u>\$ -</u>	<u>\$ 2,112,049</u>

Depreciation expense for the year ended June 30, 2018 and 2017 totaled \$114,350 and \$110,159, respectively.

14. OTHER RECEIVABLES AND PREPAIDS:

The following is a schedule of other receivables and prepaid expenses at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Other receivables:		
Pension	\$ 132,976	\$ 6,744
Taxes	6,649	1,103
Other investment receivables	<u>126,031</u>	<u>425,445</u>
Total other receivables	265,656	433,292
Prepaid expenses	<u>11,780</u>	<u>12,980</u>
Total Receivables and Prepaids	<u>\$ 277,436</u>	<u>\$ 446,272</u>

Pension receivable represents amounts that were determined to have been paid for benefits that were not due to the recipient. Amounts due are generally established through legal judgments. Taxes receivable represent ad valorem and revenue sharing taxes due from parishes.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS:

General Information about the OPEB Plan:

During the year ended June 30, 2018, the fund adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 provides guidance on employer reporting, is designed to improve the usefulness of financial reports of employer governments whose employees are provided with OPEB by:

- Reporting the effects of OPEB-related transactions and events on the financial statements of the employers,
- Providing information about the government's OPEB obligations and the assets available to satisfy the obligations, and
- Improving information about support provided by certain non-employer entities that contribute resources to OPEB plans for other entities' employees.

Plan Description:

Substantially all of the Fund's employees become eligible for postemployment health care, life insurance and dental benefits if they reach normal retirement age while working for the Fund. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Fund.

The Plan is required to comply with House Bill 253, Act 314 of 1999 which provides that the premium costs of group hospital, surgical, medical expenses, and dental insurance and the first \$10,000 of life insurance contracted under the provisions of the bill shall be paid in full from the Sheriffs' general fund for all sheriffs and deputy sheriffs retired with a minimum of fifteen years of service and fifty-five years of age. The insurance advisory committee of the Louisiana Sheriffs' Association is the plan administrator. No assets are accumulated in a trust that meets all of the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Benefits Provided:

The OPEB plan provided benefits such as: death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from pension plan, as well as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Employees Covered by Benefit Terms:

As of June 30, 2018, the following employees were covered by benefits terms:

Active	12
Retired	<u>5</u>
Total	<u>17</u>

Contributions:

The OPEB Plan is currently financed on a pay as you go basis. The Fund contributed \$436 per month for retiree-only coverage with Medicare or \$640, per month for retiree-only coverage without Medicare, during the year ended June 30, 2018. During the fiscal year ended June 30, 2018, the Fund paid \$25,349 for insurance premiums.

Actuarial Methods and Assumptions:

The Fund's total OPEB liability of \$2,497,409 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

Since the Sheriffs' Pension and Relief Fund has fewer than 100 Plan members, it qualified to use the Alternative Measurement Method (AMM), which is the calculation of the actuarial accrued liability and annual contribution without a traditional actuarial valuation. The AMM calculation process is similar to an actuarial valuation, but with simplifications of several assumptions permitted under GASB guidelines.

SHERIFFS' PENSION AND RELIEF FUND
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Actuarial Methods and Assumptions: (Continued)

The following key assumptions were used in the AMM valuation dated June 30, 2018:

<u>Description</u>	<u>Assumption Used</u>
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Amortization Period	20 years
Bond Yield:	2.98%
Discount Rate	2.98%
Measurement Date:	6/30/2018
Projected Salary Increases	5.50%
Average Retirement Age	62
Percentage Participation:	100%
NOL and ADC:	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality	RP2000 Mortality Table for Males and Females projected 18 years; this assumption does not include a margin for future improvements in longevity.
Turnover Assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.
Health Care Cost Trends:	
Health	4.6%
Pharmacy	7.6%
Dental	4.0%
Vision	3.0%

Discount Rate:

The discount rate used to measure the total OPEB liability was 2.98% for this plan. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Discount Rate: (Continued)

The discount rate used to measure the total OPEB liability was decreased to 2.98% in the June 30, 2018 valuation from 3.70% as of July 1, 2017. The discount rate in the current valuation reflects the 20-year tax-exempt municipal bond yield or index rate.

Changes in the total OPEB liability:

The following table presents the changes in the Fund's total OPEB liability, for the year ended June 30, 2018:

	<u>Total OPEB Liability</u>
Balance as of July 01, 2017	\$ 1,378,972
Changes for the year:	
Service cost	49,743
Interest on total OPEB obligation	51,690
Effect of economic/demographic	
Gains or losses	(49,292)
Changes in assumptions	1,091,645
Benefits payments	<u>(25,349)</u>
Net changes	<u>1,118,437</u>
Balance as of June 30, 2018	<u>\$ 2,497,409</u>

Sensitivity of the Total OPEB liability to Changes in the Discount Rate:

The following presents the total OPEB liability of the Fund, as well as what the Fund's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.98%) or 1% higher (3.98%) than the current discount rate:

	<u>1.0% Decrease (1.98%)</u>	<u>Current Discount Rate (2.98%)</u>	<u>1.0% Increase (3.98%)</u>
Total OPEB Liability \$	\$ <u>3,051,586</u>	\$ <u>2,497,409</u>	\$ <u>2,080,141</u>

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Changes in the total OPEB liability: (Continued)

Sensitivity of total OPEB Liability to Changes in the Healthcare Cost Trend Rates: (Continued)

The following presents the total OPEB liability of the Fund, as well as what the Fund's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% point higher than the current healthcare cost trend rates:

	<u>1.0% Decrease</u>	<u>Current Trend Rates</u>	<u>1.0% Increase</u>
Total OPEB Liability \$	2,161,218	\$ 2,497,409	\$ 2,948,078

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

For the year ended June 30, 2018, the Fund recognized OPEB expense of \$159,342. At June 30, 2018, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience \$	-	\$ 46,554
Changes in assumptions	1,030,998	-
Total	\$ 1,030,998	\$ 46,554

Amounts reported as deferred outflows of resources and deferred inflows or resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year ending June 30:	
2019	\$ 57,909
2020	57,909
2021	57,909
2022	57,909
2023	57,909
Thereafter	694,899
Total	\$ 984,444

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

15. POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE BENEFITS: (Continued)

Payables to the OPEB Plan:

As of June 30, 2018, the Fund reported a payable of \$-0- for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

16. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2017 comparative information to conform to the 2018 presentation. Such reclassification had no effect on the change in net position.

17. CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2017, the Fund adopted GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for defined benefit OPEB plans. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

As a result of the adoption of the new accounting standard, the Fund's beginning net position reported on the statements of fiduciary net position decreased by \$1,270,278 and beginning OPEB liability as reported on the statements of fiduciary net position increased by \$1,270,278.

**SHERIFFS' PENSION AND RELIEF FUND
SUPPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION	DEFERRED RETIREMENT OPTION PLAN (DROP)	FUNDING DEPOSIT ACCOUNT	TOTAL
BALANCES - BEGINNING OF YEAR	\$ 1,525,862,355	\$ 594,345,079	\$ 1,139,343,119	\$ 12,249,162	\$ 56,567,343	\$ 3,328,367,058
Change in accounting principle	-	-	(1,270,278)	-	-	(1,270,278)
Beginning of year, after restatement	<u>1,525,862,355</u>	<u>594,345,079</u>	<u>1,138,072,841</u>	<u>12,249,162</u>	<u>56,567,343</u>	<u>3,327,096,780</u>
REVENUES INVESTMENTS INCOME AND TRANSFERS:						
Contributions	-	70,631,946	108,532,123	-	20,123,301	199,287,370
Net income from investments	-	-	279,917,723	175,727	4,185,983	284,279,433
Miscellaneous income	-	-	381	-	-	381
Annuities derived from accumulated savings and DROP	36,105,909	-	-	-	-	36,105,909
Contributions for purchased or transferred services	-	2,558,353	5,737,845	-	-	8,296,198
Transfer of post-DROP contributions	-	-	-	3,080,696	-	3,080,696
Transfer of DROP recinds	-	-	-	-	-	-
DROP pensions accumulated from Annuity Reserve	-	-	-	24,006,567	-	24,006,567
Actuarial transfer	318,855,550	-	28,193,391	-	-	347,048,941
Total revenues investment income and transfers	<u>354,961,459</u>	<u>73,190,299</u>	<u>422,381,463</u>	<u>27,262,990</u>	<u>24,309,284</u>	<u>902,105,495</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid during the period	162,174,659	-	-	-	-	162,174,659
Transfer to Annuity Reserve	-	27,923,383	-	8,182,526	-	36,105,909
Transfer of post-DROP contributions	-	3,080,696	-	-	-	3,080,696
Transfer of DROP recinds	-	-	-	-	-	-
Refunds to members	-	19,302,400	-	-	-	19,302,400
Administrative expenses and depreciation	-	-	2,021,032	-	-	2,021,032
Funds transferred to other systems	-	-	1,854,326	-	-	1,854,326
Pensions paid into DROP	24,006,567	-	-	-	-	24,006,567
Pensions paid out of DROP	-	-	-	18,239,841	-	18,239,841
Actuarial transfer	-	-	318,855,550	-	28,193,391	347,048,941
Total expenses and transfers	<u>186,181,226</u>	<u>50,306,479</u>	<u>322,730,908</u>	<u>26,422,367</u>	<u>28,193,391</u>	<u>613,834,371</u>
Net change	<u>168,780,233</u>	<u>22,883,820</u>	<u>99,650,555</u>	<u>840,623</u>	<u>(3,884,107)</u>	<u>288,271,124</u>
BALANCES - END OF YEAR	<u>\$ 1,694,642,588</u>	<u>\$ 617,228,899</u>	<u>\$ 1,237,723,396</u>	<u>\$ 13,089,785</u>	<u>\$ 52,683,236</u>	<u>\$ 3,615,367,904</u>

SHERIFFS' PENSION AND RELIEF FUND
SUPPLEMENTARY INFORMATION
STATEMENTS OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	ANNUITY RESERVE	ANNUITY SAVINGS	PENSION ACCUMULATION	DEFERRED RETIREMENT OPTION PLAN (DROP)	FUNDING DEPOSIT ACCOUNT	TOTAL
BALANCES - BEGINNING OF YEAR	\$ 1,389,938,934	\$ 576,668,835	\$ 900,827,008	\$ 12,888,384	\$ 30,142,795	\$ 2,910,465,956
REVENUES INVESTMENTS INCOME AND TRANSFERS:						
Contributions	-	70,997,859	107,289,584	-	24,163,838	202,451,281
Net income from investments	-	-	395,608,725	80,237	2,260,710	397,949,672
Miscellaneous income	-	-	339	-	-	339
Annuities derived from accumulated savings and DROP	41,248,275	-	-	-	-	41,248,275
Contributions for purchased or transferred services	-	2,112,439	6,897,147	-	-	9,009,586
Transfer of post-DROP contributions	-	-	-	3,081,518	-	3,081,518
Transfer of DROP recinds	-	-	-	-	-	-
DROP pensions accumulated from Annuity Reserve	-	-	-	23,666,021	-	23,666,021
Actuarial transfer	267,794,442	-	-	-	-	267,794,442
Total revenues investment income and transfers	<u>309,042,717</u>	<u>73,110,298</u>	<u>509,795,795</u>	<u>26,827,776</u>	<u>26,424,548</u>	<u>945,201,134</u>
EXPENSES AND TRANSFERS:						
Retirement allowances paid during the period	149,453,275	-	-	-	-	149,453,275
Transfer to Annuity Reserve	-	31,714,537	-	9,533,738	-	41,248,275
Transfer of post-DROP contributions	-	3,081,518	-	-	-	3,081,518
Transfer of DROP recinds	-	-	-	-	-	-
Refunds to members	-	20,637,999	-	-	-	20,637,999
Administrative expenses and depreciation	-	-	1,780,884	-	-	1,780,884
Funds transferred to other systems	-	-	1,704,358	-	-	1,704,358
Pensions paid into DROP	23,666,021	-	-	-	-	23,666,021
Pensions paid out of DROP	-	-	-	17,933,260	-	17,933,260
Actuarial transfer	-	-	267,794,442	-	-	267,794,442
Total expenses and transfers	<u>173,119,296</u>	<u>55,434,054</u>	<u>271,279,684</u>	<u>27,466,998</u>	<u>-</u>	<u>527,300,032</u>
Net change	<u>135,923,421</u>	<u>17,676,244</u>	<u>238,516,111</u>	<u>(639,222)</u>	<u>26,424,548</u>	<u>417,901,102</u>
BALANCES - END OF YEAR	<u>\$ 1,525,862,355</u>	<u>\$ 594,345,079</u>	<u>\$ 1,139,343,119</u>	<u>\$ 12,249,162</u>	<u>\$ 56,567,343</u>	<u>\$ 3,328,367,058</u>

SHERIFFS' PENSION AND RELIEF FUND
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Building maintenance	\$ 6,553	\$ 11,883
Computer services	33,722	38,030
Equipment maintenance	29,326	32,965
Equipment rental	5,430	5,150
Group medical and bond insurance	137,379	153,748
Janitorial, garage, yard	19,881	20,410
Leases - office equipment	5,723	7,553
Medical fees - members	8,783	3,050
Members education	1,338	4,822
Office supplies and expense	82,677	84,382
OPEB expense	159,342	-
Payroll taxes	16,558	16,766
Professional development	2,567	4,046
Professional retainers and legal fees	344,254	272,861
Salaries and related cost	938,231	916,288
Security	6,524	6,463
Telephone	13,784	15,221
Travel - Board and Committee meeting expenses	19,211	21,561
Travel - LSA conferences	26,512	1,938
Board educational expense	14,567	17,984
Utilities	34,320	35,604
	<u> </u>	<u> </u>
Total administrative expenses	<u>\$ 1,906,682</u>	<u>\$ 1,670,725</u>
Professional retainers and legal fees:		
Legal	\$ 165,453	\$ 110,612
GASB 67 and GASB 68 expenses	12,826	9,744
Professional services	55,575	47,205
Retainer - actuary	<u>110,400</u>	<u>105,300</u>
	<u> </u>	<u> </u>
Total professional retainers and legal fees	<u>\$ 344,254</u>	<u>\$ 272,861</u>

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 PER DIEM AND TRAVEL EXPENSES PAID TO BOARD OF TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Travel			Travel		
	<u>Per Diem</u>	<u>Reimbursement</u>	<u>Total</u>	<u>Per Diem</u>	<u>Reimbursement</u>	<u>Total</u>
Wayne F. McElveen	\$ 900	\$ 883	\$ 1,783	\$ 525	\$ 883	\$ 1,408
Kenneth Goss	525	432	957	300	432	732
Calvin McFerrin	-	971	971	-	971	971
Donal L. Rittenberry	1,275	2,532	3,807	750	2,532	3,282
Harold Turner	<u>300</u>	<u>195</u>	<u>495</u>	<u>225</u>	<u>195</u>	<u>420</u>
Totals	<u>\$ 3,000</u>	<u>\$ 5,013</u>	<u>\$ 8,013</u>	<u>\$ 1,800</u>	<u>\$ 5,013</u>	<u>\$ 6,813</u>

SHERIFFS' PENSION AND RELIEF FUND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Agency head: Sheriff William Hilton, Chairman of the Board

<u>Purpose</u>	2018	2017
LSA conference expenses - registration *	335	-
LSA conference expenses - lodging*	979	358
Board educational conference expenses - lodging**	290	373
Total	\$ 1,604	\$ 731

* Due to a longstanding agreement with the Louisiana Sheriffs' Association, our plan sponsors, our Board of Trustees and limited staff attend the annual LSA conference where re-elections are held for active and retired Sheriffs for the Pension Fund Board of Trustees, as provided by law. In addition, the Fund also provides financial reporting and education seminars for the membership.

** To meet the annual education requirement provided by law for the Board of Trustees.

SHERIFFS' PENSION AND RELIEF FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 120,192,459	\$ 116,587,142	\$ 113,145,678	\$ 110,234,168	\$ 107,079,257
Interest	280,213,884	267,976,249	255,538,471	243,675,277	232,540,719
Changes of Benefit Terms	28,193,391	-	-	20,857,099	-
Difference Between Expected and Actual Experience	(63,618,781)	(29,559,195)	(30,213,211)	(24,230,357)	(49,042,594)
Changes of Assumptions	65,732,028	41,953,740	39,348,710	786,746	35,200,402
Retirement Benefits	(180,414,500)	(167,386,535)	(149,210,559)	(139,219,191)	(127,604,168)
Refunds and Transfers of Member Contributions	(12,860,147)	(13,332,432)	(11,578,943)	(13,111,071)	(11,498,541)
Net Change in Total Pension Liability	<u>237,438,334</u>	<u>216,238,969</u>	<u>217,030,146</u>	<u>198,992,671</u>	<u>186,675,075</u>
Total Pension Liability - Beginning	<u>3,761,394,421</u>	<u>3,545,155,452</u>	<u>3,328,125,306</u>	<u>3,129,132,635</u>	<u>2,942,457,560</u>
Total Pension Liability - Ending (a)	<u>\$ 3,998,832,755</u>	<u>\$ 3,761,394,421</u>	<u>\$ 3,545,155,452</u>	<u>\$ 3,328,125,306</u>	<u>\$ 3,129,132,635</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 87,830,131	\$ 91,758,224	\$ 93,996,292	\$ 94,496,664	\$ 89,359,583
Contributions - Member	70,631,946	70,997,859	70,094,659	68,009,895	65,974,932
Contributions - Nonemployer Contributing Entities	40,825,293	39,695,198	38,845,486	37,442,873	35,621,011
Net Investment Income	284,279,433	397,949,672	(12,277,606)	103,374,920	410,664,372
Retirement Benefits	(180,414,500)	(167,386,535)	(149,210,559)	(139,219,191)	(127,604,168)
Refunds and Transfers of Member Contributions	(12,860,147)	(13,332,432)	(11,578,943)	(13,111,071)	(11,498,541)
Administrative Expenses	(1,906,682)	(1,670,725)	(1,658,172)	(1,640,879)	(1,491,074)
Depreciation Expense	(114,350)	(110,159)	(118,771)	(111,758)	(157,122)
Net Change in Plan Fiduciary Net Position	<u>288,271,124</u>	<u>417,901,102</u>	<u>28,092,386</u>	<u>149,241,453</u>	<u>460,868,993</u>
Plan Fiduciary Net Position - Beginning	3,328,367,058	2,910,465,956	2,882,373,570	2,733,132,117	2,272,263,124
Change in Accounting Principle	<u>(1,270,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>3,615,367,904</u>	<u>3,328,367,058</u>	<u>2,910,465,956</u>	<u>2,882,373,570</u>	<u>2,733,132,117</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 383,464,851</u>	<u>\$ 433,027,363</u>	<u>\$ 634,689,496</u>	<u>\$ 445,751,736</u>	<u>\$ 396,000,518</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	90.41%	88.49%	82.10%	86.61%	87.34%
Covered Employee Payroll	\$ 688,863,773	\$ 692,514,898	\$ 683,609,396	\$ 663,134,484	\$ 643,337,531
Net Pension Liability as a % of Covered Employee Payroll	55.67%	62.53%	92.84%	67.22%	61.55%

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

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Postion</u>	<u>Employers' Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a % of Total Pension Liability</u>		<u>Covered Employee Payroll</u>	<u>Employers' Net Pension Liability as a % of Covered Employee Payroll</u>
2018	\$ 3,998,832,755	\$ 3,615,367,904	\$ 383,464,851	90.41 %	\$	688,863,773	55.67 %
2017	3,761,394,421	3,328,367,058	433,027,363	88.49		692,514,898	62.53
2016	3,545,155,452	2,910,465,956	634,689,496	82.10		683,609,396	92.84
2015	3,328,125,306	2,882,373,570	445,751,736	86.61		663,134,484	67.22
2014	3,129,132,635	2,733,132,117	396,000,518	87.34		643,337,531	61.55

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

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS
 EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITIES
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Liability</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 109,719,673	\$ 128,655,424	\$ (18,935,751)	\$ 688,863,773	18.68 %
2017	105,465,110	131,453,422	(25,988,312)	692,514,898	18.98
2016	119,551,166	132,841,778	(13,290,612)	683,609,396	19.43
2015	132,152,310	131,939,537	212,773	663,134,484	19.90
2014	125,191,048	124,980,594	210,454	643,337,531	19.43

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

SHERIFFS' PENSION AND RELIEF FUND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	Annual Money-Weighted <u>Rate of Return*</u>
2018	8.59 %
2017	13.75
2016	(0.45)
2015	3.82
2014	18.04

*Annual money-weighted rates of return are presented net of investment expense. Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

SHERIFFS' PENSION AND RELIEF FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE FUND'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Total OPEB liability		
Service cost	\$	49,743
Interest		51,690
Effect of economic/demographic gain or losses		(49,292)
Change of assumptions or other inputs		1,091,645
Benefits payments		<u>(25,349)</u>
Net change in total OPEB liability		1,118,437
Total OPEB liability - beginning		<u>1,378,972</u>
Total OPEB liability - ending	\$	<u><u>2,497,409</u></u>
Covered payroll	\$	872,677
Total OPEB liability as a % of covered payroll		286%

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

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FIVE YEARS ENDED JUNE 30, 2018

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the Fund'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 Fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the Funds employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the Fund. Covered employee payroll is the payroll on which contributions to the Fund are based.

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

The difference between the actuarially determined contributions from employer and non-employer contributing entities and the contributions reported from employers and non-employer contributing entities, and the percentage of employer contributions received to covered employee payroll is presented in this schedule. Ad valorem and state revenue sharing funds received are considered support from non-employer contributing entities.

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS:

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

6. CHANGES OF BENEFIT TERMS:

Pension Plan:

During the year ended June 30, 2015, the Fund granted a 2.5% Cost of Living Adjustment (COLA) to retired members and beneficiaries. The actuarial cost of the COLA was included as a change of benefit in the Schedule of Changes in Net Pension Liability for the year ended June 30, 2015.

SHERIFFS' PENSION AND RELIEF FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FIVE YEARS ENDED JUNE 30, 2018

6. CHANGES OF BENEFIT TERMS: (CONTINUED)

Pension Plan (Continued):

During the year ended June 30, 2018, the Fund granted a 2.5% Cost of Living Adjustment (COLA) to retired members and beneficiaries, effective January 1, 2018. The actuarial cost of the COLA was included as a change of benefit in the Schedule of Changes in Net Pension Liability for the year ended June 30, 2018.

OPEB Plan:

There were no changes of benefit terms for the OPEB Plan during any of the years presented.

7. CHANGES OF ASSUMPTIONS:

Pension Plan:

During the year ended June 30, 2018, the discount rate was reduced from 7.40% to 7.25%, the inflation rate assumption was reduced from 2.775% to 2.60%. During the year ended June 30, 2017, the discount rate was reduced from 7.50% to 7.40%. During the year ended June 30, 2016, the discount rate was reduced from 7.60% to 7.50%, the salary increase assumption was reduced from 6.0% to 5.5%, and the inflation rate assumption was reduced from 2.875% to 2.775%.

OPEB Plan:

During the year ended June 30, 2018, the discount rate increased to 3.13% from 2.71% as of July 1, 2017.

8. SCHEDULE OF CHANGES IN THE FUND'S TOTAL OPEB LIABILITY AND RELATED RATIOS

This schedule reflects the participation of the Fund's employees in the post-employment benefits plan and its total other post-employment liability, and the total other post-employment benefits liability as a percentage of its covered employee payroll. The employers' total other post-employment benefit liability is the liability of the Fund's employees for benefits provided through the post-employment benefits plan. Covered employee payroll is the payroll of all employees that are provided with benefits through the plan.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits.



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

December 27, 2018

Board of Trustees
Sheriffs' Pension and Relief Fund
State of Louisiana
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 Sheriffs' Pension and Relief Fund, as of and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Sheriffs' Pension and Relief Fund's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriffs' Pension and Relief Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

SHERIFFS' PENSION AND RELIEF FUND
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinions issued on the financial statements of the Sheriffs' Pension and Relief Fund for the years ended June 30, 2018 and 2017, were unmodified.

2. Internal Control:

Material weaknesses: None noted
Significant deficiencies: None noted

3. Compliance and Other Matters:

Noncompliance material to financial statements: None noted

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

None

SUMMARY OF PRIOR YEAR FINDINGS:

None

SHERIFFS' PENSION AND RELIEF FUND
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD APRIL 1, 2017
THROUGH MARCH 31, 2018



Duplantier
Hrapmann
Hogan &
Maher, LLP

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

December 18, 2018

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To the Board of Trustees of the
Sheriffs' Pension and Relief Fund and the
Louisiana Legislative Auditor

We have applied the procedures enumerated below which were agreed to by the Sheriffs' Pension and Relief Fund (the Fund) and the Louisiana Legislative Auditor, solely to assist you with respect on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures for the period April 1, 2017 to March 31, 2018. The Fund's management is responsible for the C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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Written Policies and Procedures (Continued)

- c) Disbursements, including processing, reviewing, and approving.
- d) Receipts, including receiving, recording, and preparing deposits.
- e) Payroll/Personnel, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No findings were noted as a result of applying the agreed-upon procedure above.

Travel and Expense Reimbursement

- 2) We obtained from management a listing of all travel and related expense reimbursements, during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for travel reimbursements. We also obtained management's representation that the listing or general ledger was complete. We randomly selected five reimbursements for testing. We obtained the expense reimbursement reports or prepaid expense documentation of each selected reimbursement, including the supporting documentation. For each of the five reimbursements selected:
 - a) For reimbursements using a per diem, we compared the amounts to the rates established either by the State of Louisiana or by the U.S. General Services Administration (www.gsa.gov).

Travel and Expense Reimbursement (Continued)

- b) For reimbursements using actual costs, we determined that each reimbursement was supported by an original itemized receipt that identified precisely what was purchased.
- c) We determined that each reimbursement was supported by documentation of the business/public purpose and other documentation required by written policy.
- d) We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No findings were noted as a result of applying the agreed-upon procedure above.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the control and compliance areas identified in the Statewide Agreed Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Fund and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana