

ACTUARIAL VALUATION REPORT

**FIREFIGHTERS' PENSION AND
RELIEF FUND FOR THE CITY
OF NEW ORLEANS
[OLD FUND]**

Annual Actuarial Valuation
as of January 1, 2020

INTRODUCTION

We present in this report the results of our actuarial valuation of the Firefighters' Pension and Relief Fund of the City of New Orleans as of January 1, 2020. The Old Fund has not been actuarially funded, but rather has been funded on a "pay-as-you-go" basis. Past practice in the annual actuarial valuations has been to present the results using the Entry Age Normal Cost Method, with the unfunded liability amortized over a varying period of years. However, there are not any active members left in the Old Fund nor are there any members in the D.R.O.P., with a resulting zero normal cost. Therefore, the Entry Age Normal Cost method for the Old Fund effectively results only in an amortization amount for the unfunded actuarial liability over ten years. Beginning with the January 1, 2015 actuarial valuation, the ten year open level dollar amortization funding amount plus estimated expenses is less than the cash flow requirements for monthly benefit payments plus expenses and has therefore not been included.

The Summary of Plan Provisions presented in the Appendix is intended to describe the principal benefits provided by the plan, particularly from the perspective of their significance in affecting the actuarial liability and cost of the plan. The summary is not, of course, intended to be a comprehensive or complete description of all benefits payable under all circumstances under the pension plan.

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

SUMMARY

I. FINANCIAL AND ACTUARIAL STATUS
as of January 1, 2020 - Old Fund

Market Value of Assets	\$ 5,538,413	Page 4
Actuarial Value of Assets	5,538,413	Page 4

II. ACTUARIAL LIABILITIES AND REQUIRED CONTRIBUTIONS
as of January 1, 2020 - Old Fund

Unfunded Actuarial Liability	\$ 92,102,854	Page 6
Employer Contribution (Including Expenses)	13,825,460	Page 6

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III. FINANCIAL AND ACTUARIAL STATUS as of January 1, 2020
Old Fund

Table 1
Market Value of Assets
As of December 31, 2019
Old Fund

CURRENT ASSETS *

Cash in Banks	\$	614,596	
Deposits		0	
Accrued investment income		7,465	
Miscellaneous receivable		0	
Prepaid insurance		0	
Due from other System		<u>1,021,480</u>	
Total Current Assets	\$		1,028,945

INVESTMENTS

Cash equivalents	\$	6,358,039	
Stock		<u>0</u>	
Total Investments	\$		6,358,039

PROPERTY AND EQUIPMENT, NET \$ 16,505

Less,

CURRENT LIABILITIES

Accounts payable	\$	1,785	
Due to New System		0	
Prepaid appropriation		<u>2,477,887</u>	
Total Current Liabilities	\$		<u>2,479,672</u>

NET ASSETS AVAILABLE FOR PENSION BENEFITS ** \$ 5,538,413

* See discussion on the following page concerning the omitted receivable, if any, relating to the "New Orleans Firefighters' Pension and Retirement Fund Trust" administered by the Board of City Trusts.

** The actuarial value of assets used in this valuation is Market Value.

IV. ACTUARIAL LIABILITIES AND REQUIRED CONTRIBUTIONS
for the Plan Year Beginning January 1, 2020

Old Fund

The Old Fund has been funded "pay-as-you-go" with appropriations generally sufficient only to cover actual benefit payments and distributions and expenses in any given year. As a result of this chronically inadequate funding, the Old Fund has accrued liabilities of about \$92.1 million over the years with about \$ 5.5 million in assets as of December 31, 2019. Benefit payments and allocated administrative expenses are estimated to be about \$13.8 million for calendar year 2020.

During the year 2000, the City of New Orleans, as sponsoring employer of the Old Fund Pension Plan, issued revenue bonds intended to bolster funding of the liabilities of the Old Fund. However, the proceeds of that bond issue had been deposited in a separate trust, the "New Orleans Firefighters' Pension and Retirement Fund Trust", which is controlled by the Board of City Trusts. While the contents of that Trust are purportedly irrevocably dedicated to the Firefighters' Pension and Relief Fund (Old Fund), the Firefighters' Pension and Retirement Fund Trust Agreement limits the amounts deposited into the Old Fund effectively to the level which has heretofore been contributed; namely, the "pay-as-you-go" amounts needed for benefit payments and allocated expenses each year. Furthermore, the aforementioned Trust Agreement limits the employer contributions from the City of New Orleans to a set series of payments in its attached "Schedule 1".

Although the plan's auditors have historically included the amounts in the Trust representing the remaining bond issue proceeds, if any, as a "receivable" to the Old Fund because of GASB accounting rules, that receivable has not been deemed to be an asset of the Old Fund for purposes of this actuarial valuation. The reason for this is due to the barriers described above which effectively cause the Old Fund to be in the same actuarial funding position as prior to the bond issue; namely, on a pay-as-you-go basis.

IT SHOULD BE NOTED THAT THIS ACTUARIAL VALUATION HAS NOT BEEN PERFORMED ON THE SAME BASIS AS THE ACTUARIAL CALCULATIONS USED TO DETERMINE THE AMOUNT OF THE BOND ISSUE. THEREFORE, IT WOULD NOT BE APPROPRIATE TO USE THIS VALUATION AS THE "ACTUARY REPORT" ALLUDED TO IN PARAGRAPH 1.4 OF EXHIBIT B OF CITY COUNCIL RESOLUTION NO. R-00-553 THAT "ACTUARY REPORT" HAS BEEN PREPARED SEPARATELY AND PRESENTED DIRECTLY TO THE BOARD OF CITY TRUSTS.

The foregoing information regarding the 2000 bond issue and Board of City Trusts is included for historical information purposes. As a practical matter, the assets in that trust were depleted during 2010 and the actuarial valuations called for by the City Council Resolution have not been performed since that time.

Table 2
Actuarial Liabilities and Required Contributions
for the Year Beginning January 1, 2020 - Old Fund

(1)	Actuarial Present Value of Expected Benefits to Plan Participants Participants (Including D.R.O.P.)		
	(a) Active *	\$	0
	(b) Ordinary Retirement		57,059,886
	(c) Disabled Retirement		6,294,965
	(d) Survivors and Widows		26,912,618
	(e) Terminated Vested		0
	(f) P.L.O.P. Account Balances **		1,062,203
	(g) D.R.O.P. Account Balances **		773,182
	(h) D.R.O.P. Future Benefits *		<u>0</u>
	Total		\$ 92,102,854
(2)	Actuarial Value of Assets ** (from Table 1)		5,538,413
(3)	Unfunded Actuarial Accrued Liability (1) - (2)		86,564,441
(4)	Actuarially Required Contribution in 2020 (Estimated total monthly benefit payments)		13,325,460
(5)	Estimated Administrative Expenses		500,000
(6)	Total Actuarially Required Contribution for 2020 (4) + (5)		13,825,460

* There are not any longer any active or D.R.O.P. participants in the Old Fund. D.R.O.P. account balances are on behalf of former D.R.O.P. participants with amounts remaining on deposit.

** The P.L.O.P. and D.R.O.P. account balances in items (1)(f) and (g) are included in the assets in item (2) and are thus not available to offset other actuarial liabilities of the Old System. It should also be noted that the "Actuarially Required Contribution" in item (4) does not include any additional cash flow allowance for anticipated D.R.O.P. or P.L.O.P. redemptions during fiscal calendar year 2020.

EXHIBIT I
FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUMMARY OF PLAN PROVISIONS
[OLD FUND]

COVERAGE

Firefighters employed before January 1, 1968 and elected to remain in the Old Fund.

EMPLOYEE CONTRIBUTIONS:

6% of salary. Employee contributions are no longer deducted when member becomes eligible for normal retirement.

EMPLOYER CONTRIBUTIONS:

Fire insurance premium taxes as stipulated in RS 22:1580 - RS 22:1585. The Fund also receives payments from the City of New Orleans to offset monthly retirement benefits and DROP accruals.

RETIREMENT BENEFITS:

Eligibility:

20 years of service; or Age 55 and 12 years of service

Benefits:

Retirement allowance equal to 50% of average compensation during the best year of service preceding the date of retirement. Members with more than 20 years, benefits are an additional 2.5% per year to be increased by 0.5% for each year of service over 25 upon attaining age 50.

Maximum Benefit payable is 100% of average compensation earned during any three highest average consecutive years of service preceding retirement.

Minimum Benefit

Benefit of retirees and widows shall not be less than \$500 per month.

Cost-of-living: Board is authorized to provide annual increases to retirees and widows based on excess earnings in an amount not to exceed 3% of the original benefit. For retirees and widows age 65 and older, the board is authorized to provide an additional amount not to exceed 2% of the original benefit.

EXHIBIT I
FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUMMARY OF PLAN PROVISIONS
[OLD FUND] - Continued

DISABILITY BENEFITS:

Eligibility:

1. Service-related physically and mentally permanently incapacitated for performance of duties as a member of the fire department. (certified by civil service physician and board).
2. Non-service related physically and mentally permanently incapacitated for performance of duties as a member of the fire department.

Benefit:

1. benefits are equal to the greater of two-thirds of monthly compensation or a regular retirement benefit if the member is eligible. If able to work, benefits are equal to the greater of one-half of monthly compensation or a regular retirement benefit if the member is so eligible.
2. members with 10 years of service or less receive 30% of average compensation during the last year of service immediately preceding disability; 40% of average compensation for members with more than 10 years but less than 15 years of service; and 50% of average compensation for members with 15 or more years of service.

DEATH BENEFITS:

Eligibility:

1. Death of an active member killed while performing duties as a firefighter.
2. Non-duty related death of active or former firefighter entitled to benefits.

Benefit:

1. Surviving widow receives $66 \frac{2}{3}\%$ of salary at time of death. Each child under age 18 receives \$75 per month.
2. 50% of salary at the time of death.

Effective July 1, 1997, a death benefit of \$3,000 is paid to the beneficiary of the deceased active or retired firefighter.

EXHIBIT I
FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
SUMMARY OF PLAN PROVISIONS
[OLD FUND] - Continued

SEPARATION BENEFIT:

Eligibility:

1. withdrawal from service with 12 years of service prior to age 50, or 20 years of service prior to age 50.
2. Separation of service.

Benefit:

1. Employee may allow contributions to remain on deposit and receive benefit at age 50.
2. refund of 80% of his accumulated contributions.

DEFERRED RETIREMENT OPTION PLAN:

Any member who is eligible for a service retirement allowance and has at least 15 years in this system may participate in the DROP plan.

- 1) A member can only participant once, and only up to five years.
- 2) When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit is paid into his DROP account.
- 3) Members of the DROP do not receive cost-of-living increases.
- 4) Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out in a lump sum payment.
- 5) If at the end of a Member's period of DROP participation he does not terminate employment, payments into the DROP account shall cease and he shall resume active contributing membership in the system.
- 6) There are no payments made from the DROP account until employment is terminated. Interest is earned each year after the completion of DROP participation based on a 5-year rolling average minus a 2% administrative fee.
- 7) An additional benefit is paid based on the additional service, using the method of computation for his original benefit if the additional service is less than one year. If the additional service is 12 months or more, the average compensation is based on the period of additional service.

EXHIBIT II
FIREFIGHTERS' PENSION AND RELIEF FUND
FOR THE CITY OF NEW ORLEANS
[OLD FUND]

STATEMENT OF ACTUARIAL BASIS FOR FUNDING PURPOSES

Actuarial Funding Method:

Cost Method: Entry Age Normal Cost Method

Asset Valuation Method: Market Value.

Actuarial Assumptions

Interest: 7.5% compounded annually.

Mortality: 1994 Uninsured Pensioner Table for males and females for active and retired except disabled; disabled mortality is the same with ages set forward five years. (Table on next page).

50% of deaths of service retirees and 75% of deaths of disability retirees are assumed to be service related.

Turnover: Not Applicable. There are not any more active members in the Old Fund.

Salary Increases: Not Applicable. There are not any active members in the Old Fund.

Retirement: Not Applicable. There are not any active members in the Old Fund.

Disability Incidence: Not Applicable. There are not any active members in the Old Fund.

Marriage Statistics: 80% of members are assumed to be married.

Cost of Living Benefits: Only cost of living increases previously granted by the Board have been included in the valuation and it has not been assumed that there will be any future increases. Any such increases will be included in the valuation if, as and when granted by the Board.

APPENDIX

EXHIBIT III

ACTIVE AND INACTIVE PARTICIPANT PROFILES

FIREFIGHTERS' PENSION AND RELIEF FUND FOR THE CITY OF NEW ORLEANS
 1/1/2020 INACTIVE PARTICIPANT PROFILE
 JANUARY 1, 2020 ACTUARIAL VALUATION
 OLD FUND

AGE	ORDINARY RETIREMENT										TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL			
70-74	0	0	2	7	7	5	7	0	0	0	28	1,416,261.60	50,580.77
75-79	0	0	2	6	15	12	37	7	0	0	79	3,753,319.08	47,510.37
80-84	0	0	0	2	2	6	22	10	2	2	44	2,166,558.24	49,239.96
85-89	0	0	0	0	0	0	6	4	5	15	15	576,038.04	38,402.54
90+	0	0	0	0	0	0	3	0	10	13	13	448,581.48	34,506.27
	0	0	4	15	24	23	75	21	17	179	179	8,360,758.44	46,708.15

FIREFIGHTERS' PENSION AND RELIEF FUND FOR THE CITY OF NEW ORLEANS
 1/1/2020 INACTIVE PARTICIPANT PROFILE
 JANUARY 1, 2020 ACTUARIAL VALUATION
 OLD FUND

AGE	DISABILITY RETIREMENT										TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL			
70-74	0	0	0	0	0	0	1	4	2	7	164,069.16	23,438.45	
75-79	0	0	0	0	0	0	0	8	9	17	386,711.52	22,747.74	
80-84	0	0	0	0	0	1	3	2	6	155,533.92	25,922.32		
85-89	0	0	0	0	0	0	1	4	5	99,957.96	19,991.59		
90+	0	0	0	0	0	0	0	2	2	43,059.84	21,529.92		
	0	0	0	0	0	2	16	19	37	849,332.40	22,954.93		

FIREFIGHTERS' PENSION AND RELIEF FUND FOR THE CITY OF NEW ORLEANS
 1/1/2020 INACTIVE PARTICIPANT PROFILE
 JANUARY 1, 2020 ACTUARIAL VALUATION
 OLD FUND

----- SURVIVORS AND BENEFICIARIES -----

AGE	0-4	5-9	10-14	YEARS SINCE RETIREMENT					40+	TOTAL	TOTAL ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
				15-19	20-24	25-29	30-34	35-39				
0-19	2	0	0	0	0	0	0	0	0	2	3,600.00	1,800.00
45-49	1	0	0	0	0	0	0	0	0	1	3,600.00	3,600.00
50-54	2	0	0	0	0	0	0	0	0	2	18,000.00	9,000.00
55-59	1	1	0	0	1	0	0	0	0	3	23,433.72	7,811.24
60-64	2	2	3	1	0	0	1	0	0	9	163,772.04	18,196.89
65-69	1	2	1	0	1	1	1	0	0	7	117,480.84	16,782.98
70-74	13	6	8	4	3	1	0	1	2	38	757,830.36	19,942.90
75-79	20	12	8	3	2	4	1	1	1	52	1,120,267.80	21,543.61
80-84	4	10	10	2	4	1	4	1	1	37	757,747.44	20,479.66
85-89	4	8	9	4	3	2	0	3	1	34	614,620.68	18,077.08
90+	2	2	2	2	4	3	7	2	4	28	538,616.28	19,236.30
	52	43	41	16	18	12	14	8	9	213	4,118,969.16	19,069.30

CERTIFICATION

The foregoing report presents fairly the actuarial position of the Firefighters' Pension and Relief Fund for the City of New Orleans [Old Fund] as of January 1, 2020 in accordance with generally accepted actuarial principles, applied on a basis consistent with that of the preceding valuation, except where noted. In our opinion, each assumption used in preparing the liabilities and estimated costs is reasonably related to the experience of the plan and to reasonable expectations and represents our best estimate of anticipated experience under the plan.

CONEFRY & COMPANY, L.L.C.



Michael A. Conefry, FCA, ASA, MAAA, EA

Belle Chasse, Louisiana
June, 2020

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