LUTHER SPEIGHT & COMPANY
Certified Public Accountants and Consultants

EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS

FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/ (504)561-8600
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EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

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LUTHER SPEIGHT & COMPANY
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council of the City of New Orleans

We have audited the accompanying financial statements of the Employees' Retirement System of the City of New Orleans (the System), a component unit of the City of New Orleans, which comprise the statements of fiduciary net position as of December 31, 2015, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System'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.

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Continued,

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Employees' Retirement System of the City of New Orleans' net position as of December 31, 2015, and changes therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 financialreporting for placing the basic financial statements in an appropriate operational, economic, orhistorical 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 theinformation 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 City of New Orleans Employees' Retirement System 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 supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basicfinancial 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Continued,

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 June 13, 2016 on our consideration of the City of New Orleans Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Luther Speight & Co

Luther Speight & Company CPAs

New Orleans, Louisiana

June 13, 2016

THE EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF NEW ORLEANS

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

The following is management's discussion and analysis of the financial performance of the Employees' Retirement System of the City of New Orleans. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the year ended December 31, 2015.

Financial Highlights

- The System's net position for the current year totaled $339 million as compared to the prior year of $370 million. This difference represents a $31 million or 8% decrease.

- Net depreciation in fair value reflected a balance of ($18.1) million for the current year. This balance represents a decrease of $30.6 million as compared to the previous year net appreciation in fair value of $12.5 million.

- Total investments decreased from a 2014 level of $369 million to the reported level of $340 million for the year 2015.

- Total contributions to the System were recorded at $30.5 million for the year which reflected an increase of $2.4 million as compared to the prior year contributions of $28.1 million.

Overview of the Financial Statements
An explanation of the financial statements and schedules that present the financial status of the Plan is as follows:

- Statement of Fiduciary Net Position – This statement reports the System's assets, liabilities, and resulting net positon restricted for pension benefits as of December 31, 2015.

- Statement of Changes in Fiduciary Net Position – This statement reports the results of System's activities during the calendar year 2015, categorically disclosing the additions to and deduction from System's net position. The net decrease to System net positon on this statement supports the change in net position on the Statement of Fiduciary Net Position between the years ended December 31, 2014 and 2015.

Continued,

- Notes to the Financial Statements – The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements.

- Required Supplementary Information (RSI) – During the 2015 year, the System implemented Governmental Accounting Standards Board (GASB) Statements 68. The System implemented GASB Statement 67 during the 2014 year. The RSI is presented in accordance with those Statement requirements. Substantial actuarial information included within the RSI is provided by System's Actuary with an actuarial valuation date of January 1, 2016.

A comparative analysis of the investments is as follows:

INVESTMENTS	2015	2014	Variance
Market Prices Quoted in Active Markets:			
Investment Manager's Cash	$ 69,228.0	$ 511,759.0	$ (442,531.0)
Cash & Cash Equivalents	12,003,772	16,345,110	(4,341,338)
Cash Reserves	2,376,509	3,544,524	(1,168,015)
Subtotal	14,449,509	20,401,393	(5,951,884)
Equities:			-
Domestic	126,648,339	159,038,385	(32,390,046)
International	45,726,675	50,144,251	(4,417,576)
Subtotal	172,375,014	209,182,636	(36,807,622)
Fixed Incomes:			-
Domestic	78,345,693	76,900,402	1,445,291
Foreign	16,372,213	17,340,703	(968,490)
Subtotal	94,717,906	94,241,105	476,801
Market Prices Determined by Other Methods:			-
Hedge Funds	19,857,741	25,604,827	(5,747,086)
Private Equities	12,795,239	11,036,000	1,759,239
Middle Market Debt	7,095,530	4,885,980	2,209,550
Real Estate	18,788,756	3,650,645	15,138,111
Subtotal	58,537,266	45,177,452	13,359,814
TOTAL INVESTMENTS	$340,079,695	$369,002,586	$(28,922,891)

Additions to Plan Net Assets

Additions to the System's Net position were derived primarily from contributions from employees and employers in addition to investment income. Net investment income decreased by $29million compared to prior year. The balance for 2015 reflected a loss in net investment of ($14) million while the year 2014 was stated at $15 million. The decrease in net investment income was a reflection of the System's investment portfolio overall performance as compared to the prior year.

Contributions to the System reflected a level of $30 million for the year 2015. This balance reflects an increase of $2 million as compared to the prior year balance of $28 million. The System's contributions are comprised primarily of employer and employee contributions. As indicated below, the employer contributions reflected an increase of $2.1 million while the employee contributions reflected an increase totaling $296,519. Contributions from other agencies remained relatively constant at a level of $1.5 million for both current and prior years.

	2015	2014	Variance
Contributions:			
Employer - City of New Orleans	$ 22,447,281	$ 20,306,887	$ 2,140,394
Employer - Other Agencies	1,563,743	1,510,614	53,129
Employee	6,490,092	6,193,573	296,519
Transfers from Other Systems	58,915	167,237	(108,322)
Total Contributions	$ 30,560,031	$ 28,178,311	$ 2,381,720

Deductions From System Net Assets

Deductions from System net assets include retirement, disability, death, and survivor benefits. These deductions reflected an increase of $3.1million or 7% as compared to the prior year. The 2015 System deductions were recorded at $48,166,703 while the 2014 deductions reflected a total of $45,038,930. A summary of System additions and deductions are as follows:

	2015	2014
Total Additions	$ 16,515,283	$43,333,386
Total Deductions	(48,166,703)	(45,038,930)
Net Increase/(Decrease) in System Net Assets	($31,651,420)	$(1,705,544)

Requests for Information

This management's discussion and analysis is designed to provide a general overview of the finances of the Employees' Retirement System of the City of New Orleans for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the System Administrator, City of New Orleans and the Employees Retirement System, 1300 Perdido Street, New Orleans, LA 70131

BASIC FINANCIAL STATEMENTS

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

ASSETS	
Cash	$ 1,262,824
Receivables	
Contributions	291,621
Accrued Interest & Dividends	187,066
Due From Broker for Securities Sold	35,290
Total Receivables	513,977
INVESTMENTS	
Market Prices Quoted in Active Markets:	
Investment Manager's Cash	69,228
Cash & Cash Equivalents	12,003,772
Cash Reserves	2,376,509
Subtotal	14,449,509
Equities:	
Domestic	126,648,339
International	45,726,675
Subtotal	172,375,014
Fixed Incomes:	
Domestic	78,345,693
Foreign	16,372,213
Subtotal	94,717,906
Market Prices Determined by Other Methods:	
Hedge Funds	19,857,741
Private Equities	12,795,239
Middle Market Debt	7,095,530
Real Estate	18,788,756
Subtotal	58,537,266
TOTAL INVESTMENTS	340,079,695
TOTAL ASSETS	341,856,496
LIABILITIES	
Due to Terminated employees	1,313,655
Escrow	85,918
Accounts Payable	-
Due to Broker for Securities Purchased	1,281,601
Accrued Management and Custodial Fees	76,672
Total Liabilities	2,757,846
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 339,098,650

The accompanying footnotes are an integral part of this financial statement.

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

ADDITIONS:	
Contributions:	
Employer - City of New Orleans	$ 22,447,281
Employer - Other Agencies	1,563,743
Employee	6,490,092
Transfers from Other Systems	58,915
Total Contributions	$ 30,560,031
Investment Income:	
Net Appreciation/(Depreciation) in Fair Value of Investments	(18,141,174)
Interest and Dividends	5,167,186
Commission Recapture	12,004
Securities Litigation	27,957
Securities Lending	28,386
Total Investment Income	(12,905,641)
Less: Investment expense	(1,139,107)
Net investment income	(14,044,748)
Total Additions	16,515,283
DEDUCTIONS	
Retirement Allowances	17,591,223
Ordinary Disability Retirements	1,547,378
Accidental Disability Retirement	482,114
Separation Retirements	1,281,534
Refunds to Members	1,726,847
Retirement Allowance Option II, III, IV	13,766,315
Transfers to the State Retirement System	206,222
Transfers to the Sewerage and Water Board	957,605
Lump Sum Benefits Due to Death of Members	236,052
Cost of Living Benefits	2,053,895
Drop Withdrawal	2,705,255
Drop Annuity	212,117
Policy 4 Withdrawals & Policy Annuities	5,308,413
Operating Expenses	3,350
Administrative Expenses	88,383
Total Deductions	48,166,703
Net Increase/(Decrease)	(31,651,420)
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of Year	370,750,070
End of Year	$ 339,098,650

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

I. DESCRIPTION OF THE SYSTEM

A. PLAN DESCRIPTION

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS (the Plan) is a Defined Benefit Pension Plan established under the laws of the State of Louisiana. The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of the Board of Trustees, and also for changes in the Retirement System by council action, subject to certain limitations for the purpose of providing retirement allowances, death, and disability benefits to all officers and employees of the parish, except those officers and employees who are already or may hereafter be included in the benefits of any other pension or retirement system of the city, the state or any political subdivision of the state.

The EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS became operative on July 1, 1947. It is supported by joint contributions of the City and employee members and income from investments. The City makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The general administration and the responsibility for the proper operation of the Retirement System and for making effective the provisions of the Retirement Ordinance are vested in the Board of Trustees of the Retirement System.

<u>Creditable Service:</u>
Prior service plus membership service for which credit is allowable. Also, one month service credit given for every twenty-one days accumulated sick and/or annual leave. Credit for prior military service may be purchased (maximum 4 years) by active contributing member who reaches age 65 or who has at least 10 years of service; lump sum payment required based on 4% of excess over first $100 monthly average for each month claimed plus 4% compound interest. After March 1, 1980, military service available only to those who will not receive a benefit from another public pension plan (except Social Security).

<u>Earnable Compensation:</u>
Annual compensation paid to an employee; includes tenure pay and excludes overtime pay.

Continued,

Average Compensation
Average annual earned compensation of a member for highest thirty-six successive months (forty-eight effective January 1, 2014 and sixty months effective January 1, 2015) of service as a member, minus $1,200. Effective June 1, 2002, $1,200 removed. After April 29, 1979, earned compensation based on pay for regular required work and excludes State supplemental pay.

Employee Contributions
4% of earnable compensation over $1,200 per year. Effective June 1, 2002, $1,200 removed. Effective January 1, 2012 the rate is 5% and effective January 1, 2013 the rate is 6%.

Employer Contributions
Certain percentage of earnable compensation of each member, known as "normal contributions," determined on the basis of regular interest and mortality tables adopted by the Board, and additional percentage of earnable compensation, known as "Accrued Liability contributions," determined by actuary on basis of the amortization period adopted by the Board from time to time.

As the actuarial valuation date of January 1, 2016, EMPLOYEES' RETIREMENT SYSTEM membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,024
Terminated employees entitled to benefits but not yet receiving them	65
Total	2,089
Active Participants	
Fully Vested	1,227
Not Vested	1,335
Total Active Participants	2,562
Total Participants	4,651

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

The City of New Orleans requires membership in the EMPLOYEES' RETIREMENT SYSTEM for all City of New Orleans' regularly employed persons. Membership and eligibility information is summarized below:

Membership

1. Employees hired on July 1, 1947 and after, who become members as a condition of employment, except for those over 65, unless 10 years prior service.

2. Employees hired before July 1, 1947 became members, unless they elected not to join.

3. For officials elected or appointed for fixed terms, membership is optional.

4. All officers and employees of various judicial and parochial offices of the parish, except those covered by another system and those for whom no contributions are made by respective officers, are eligible.

5. For employees of the French Market Corporation, membership is optional; eligibility is contingent on not having attained age 55.

6. Effective November 1, 1993, membership includes the full-time employees of the Coroner's Office.

7. Effective April, 1, 1997, membership includes the full-time employees of the District Attorney's Office.

Retirement

Under the System, employees with 30 years of service, or who attain age 60 with 10 years of service, or age 65 and 5 years of service are entitled to a retirement allowance. Effective January 1, 2002, any member whose age and service total 80 may retire with no age reduction. The benefits to retirees consist of the following:

1. An annuity, which is the actuarial equivalent of the employee's accumulated contribution; plus

Continued,

2. Effective for members retiring on or after January 1, 2002, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2.5% of average compensation times first 25 years, plus 4% of average compensation times creditable service over 25 years.

3. Effective for members retiring before 2002, but on or after January 1, 1983, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2 1/2% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years.

4. Effective January 1, 1983, additional pension equal to 2% of $1,200 times first 10 years, plus 2 1/2% of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times service over 30 years. Ceases at 62 or at eligibility for Social Security, whichever comes first. Effective January 1, 2002, the $1,200 exclusion will not apply.

5. Additional pension for member who reaches age 65 with 20 or more years and the retirement allowance under (1) and (2) above is less than $1,200 per year; to produce total retirement allowance of $1,200 per year.

6. Effective January 1, 1982, for service retirement prior to age 62 with less than 30 years of Service, (3) and (4) above are reduced by 3% for each year below 62. However, effective January 1, 1996, this reduction is not made if employee has at least 30 years of service. Effective January 1, 2002 no reduction if age and service total at least 80.

7. Maximum Benefit
   Benefit not to be greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 1978.

8. Minimum Benefit
   Effective June 1, 1999, benefit of $300 per month for retirees with 10 years of service at retirement.

Continued,

9. Form of Benefit
   Modified cash refund annuity - If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity payments, then the lump sum balance of his contributions is paid to beneficiary.

10. Cost-of-Living
    Board of Trustees retains excess over average 3 1/2% interest earnings to provide Cost-of-Living increases in benefits to retirees (past or future) not to exceed 3% of original benefit per each year of retirement. Effective January 1, 2001, additional one-time increase of 1% times member's or beneficiary's current monthly benefit times whole calendar years from date benefit commenced.

Death Benefit

Members that expire during active service are eligible for death benefits. The benefits represent the members accumulated plan contributions and are paid to the member's beneficiary. Additional information is as follows:

1. If a member has three years creditable service, additional lump sum benefit equal to 1/4 of earnable compensation for year preceding death, plus 5% of such earnable compensation for each additional year of creditable service (benefit not to exceed compensation made before death).

2. If, at date of death, member was eligible for retirement and leaves Surviving Spouse, Surviving Spouse shall be eligible to elect either Option number 2 or Lump Sum refund of employee's contributions.

3. Offset by Worker's Compensation benefits.

4. If, at date of death, member was ineligible for retirement, but was at least 55 years of age and had 10 or more years of creditable service or was under age 55 and had at least 20 years of creditable service, then surviving spouse may elect to receive benefit equal to an actuarially reduced amount based upon the members' age and years of creditable service. Benefit to cease when surviving spouse reaches age of eligibility for Social Security.

Continued,

Separation Benefits

1. Effective January 1, 2002, a member who separates with 5 years of Creditable Service may allow his accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 65.

2. Prior to January 1, 2002, withdrawal with 10 years of Creditable Service prior to separation, member may allow accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 60 (subject to reduction if retirement is elected before age 62). If death occurs before retirement, return of accumulated contributions with interest.

3. Upon withdrawal without 5 years Creditable Service, Employee is entitled to return of his accumulated contributions with interest or may allow contributions to remain on deposit for maximum of five years. (In case of employee's death, then accumulated contribution plus interest are paid to beneficiary.)

4. If employee re-enters after receipt of refund and continues service thereafter for at least six months, he may repay amount of refund plus the amount of employer contributions, with compound interest, to receive prior creditable service again.

Optional Forms of Benefits

1. If a member dies before receiving, in annuity payments, the value of his annuity at the time of his retirement, then balance is payable to his beneficiary.
2. 100% survivor's benefits – reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.
3. 50% survivor's benefits – 50% of reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.
4. Other benefits of equal actuarial value may be available upon approval of Board.

Continued,

Disability

Any amounts which may be paid or payable under the provisions of any Workmen's Compensation Statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the Retirement system on account of the same accidental disability or on account of death.

Ordinary Disability Retirement
Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if a physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired.

Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance, which will consist of:

a. An annuity which is the actuarial equivalent of the employee's accumulated contributions; and

b. An annual pension, which, together with (a), equals 75% of service allowance that would have been payable at age 65, had member continued in service to age 65, computed on the average compensation, however, that the (minimum benefit - $300 per year).

Accidental Disability Retirement

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated as result of an accident sustained in service as a member and occurring while in performance of his duty may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is mentally or physically totally incapacitated and that the member should be retired. Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible, otherwise he will receive an accidental disability retirement allowance, consisting of:

a. An annuity which is the actuarial equivalent of his accumulated contributions; and

b. An annual pension equal to the difference between his annuity and 65% of earnable compensation for year preceding Date of Accident.

Continued,

Medical examinations required every three years for those disability retirees under 60. Accidental disability benefits are offset by Workmen's Compensation payments, if any.

Reciprocity
Effective July 16, 1974, provisions made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of New Orleans, in the event an employee transfers from one employer to the other; service credits were transferred from sending system to receiving system provided all employee contributions plus earned interest and all employer contributions, plus agreed-upon interest, are transferred; Effective September 23, 1993 retroactive for transfers on and after October 17, 1988, agreement was amended to provide for a transfer from the sending system to the receiving system equal to the GASB No.5 liability of the sending system at 7% interest, 5% salary scale, the remaining GASB No. 5 actuarial assumptions and the salary and benefit structure in effect for the sending system at time of transfer.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions and contribution requirements.

Early Retirement Window
From January 1, 1987 through April 30, 1987 an early retirement window was available. Any member who had at least 15 years of service and whose age plus service totaled at least 70, could retire during the window with no reduction for early retirement. Member must have converted all sick leave into service credits.

DROP Account
Effective January 1, 1994, any member who is eligible for a service retirement under Section 114-201(a) may participate in the DROP program. A member can participate for up to five years. When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit begins being paid into his DROP account.

1. Interest is earned on the DROP account at an annual rate set by the Board. Members of the DROP receive cost-of –living increases, as if they would have received such raises as a retiree.

2. Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out. After his DROP period ends and upon continued or re-employment, the member may resume contributions and earn a supplemental benefit based on current covered compensation.

Continued,

3. If at the end of a members' period of DROP participation he does not terminate employment, payments into DROP shall cease and no further interest shall be earned or credited to the account. Payments shall not be made until employment is terminated.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with the standards established by the Government Accounting Standards Board (GASB). The following are the significant accounting policies followed by the plan:

Basis of Accounting – The accompanying financial statements are prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Contributions are recognized as revenue in the period in which employee services are performed. Interest income is recognized in the period earned and dividends are recognized in the period declared.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

During the prior year ended December 31, 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans.* GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

Method Used to Value Investments –

Quoted market prices are used to value investments, if available. Short-term investments are valued at cost which approximates market. The investment securities that have no quoted market price are recorded at estimated fair value. More information regarding these alternative investments is presented at Note G. Investment income is recognized as earned gains and losses on sales and exchanges of fixed income securities and recognized on the transaction date.

Continued,

C. NET PENSION OBLIGATION OF EMPLOYERS

The components of the liability of the System's employers to plan members for benefits provided through the pension plan was as follows as of December 31, 2015:

Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
$ 562,686,405	$ 339,098,650	$ 223,587,755	60.26%

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 December 31, 2015 audit were based on the results of an actuarial valuation report as of January 1, 2016. The required Schedule of Changes in Employers' Net Pension Liability located in the required supplementary information following the *Notes to the Financial Statements* presents the financial activity affecting whether the System's fiduciary net position is increasing or decreasing over time relative to the total pension liability. Significant actuarial assumptions used in the latest valuation are as follows:

- Life Expectancy of Participants –RP2000 Group Annuity Mortality Table.
- Retirement Age Assumptions - Based on the results of the 2006 - 2010 periodic actuarial experience study.
- Asset Valuation Method – Adjusted Market Value using seven year smoothing
- Investment Return – 7.5%
- Cost Method – Entry Age Normal Cost Method
- Projected Salary Increases –5% compounded annually.

Continued,

Historical Analysis

The following tables are presented to provide a comparative historical analysis of the pension benefit obligation (PBO) and the annual required contribution (ARC) for the years 2015 and 2014 as provided for in GASB Statement Number 25. This Statement has been replaced GASB Statement Number 67. The pension liability data consistent with GASB 67 is included in the required supplementary information section of this report.

Pension Benefit Obligation Comparison

	2015	2014
Inactive Plan Participants	$ 368,289,847	$ 371,245,139
Active Plan Participants	139,232,478	119,540,358
Total	$ 507,522,325	$ 490,785,497

Employer Contribution Comparative Analysis:

The following schedule presents a comparison of the Annual Required Contribution (ARC) determined by the actuary compared to the employer contributions made by the City for the corresponding year that the applicable rate was implemented as described above:

ARC Report Date	ARC Amount	Employer Contribution Year	Employer Contribution Amount	Over/(Under) Contribution Variance
1/1/2007	$3,660,755	2008	$5,458,558	$1,797,803
1/1/2008	9,429,697	2009	13,690,309	4,260,612
1/1/2009	17,066,286	2010	14,639,863	(2,426,423)
1/1/2010	21,281,681	2011	21,604,654	322,973
1/1/2011	20,850,943	2012	20,479,808	(371,135)
1/1/2012	18,828,419	2013	18,544,682	283,737
1/1/2013	20,228,129	2014	21,926,439	1,698,310
1/1/2014	20,871,424	2015	22,447,281	1,575,857

Additional information regarding the funded progress of the System is presented in the Required Supplementary Information section of this report and the accompanying notes.

Long-term Expected Rate of Return

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 expenses 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. Best estimates of arithmetic real rates of return for each major asset class included in the System's target allocation as of December 31, 2015 were determined by the System's investment advisors and are summarized as follows:

Asset Class	Target Asset Allocation	Long-term expected portfolio real rate of return
Domestic Equity	49.1%	3.69%
International Equity	15.7%	1.33%
Domestic Bonds	24.6%	0.61%
International Bonds	5.6%	0.20%
Real Estate	5.0%	0.23%
Total	100.0%	6.06%
Inflation		2.50%
Expected Arithmetic Nominal Return		8.56%

The projected long-term real rate of return for the System, net of investment expenses is 6.06%. The real return was projected using the long-term nominal building block data, less the long-term inflation assumption of 2.5%. The real rate of return table above reflects the long-term real returns for each asset class in conjunction with the System's target policy. The asset allocations include a factor for the System's 10% Alternative Asset Allocation and a 2% Cash target. The resulting expected arithmetic nominal rate of return is 8.56%.

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from System 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 System's board taking into consideration the recommendation of the System's actuary. Based on those assumptions, the system fiduciary net positon 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.

Continued,

In accordance with GASB 67, regarding the disclosure of sensitivity of net pension liability to changes in discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.5% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Total pension liability	$ 619,303,657	$ 562,686,405	$ 515,298,184
Fiduciary net position	339,098,650	339,098,650	339,098,650
Net position liability	$ 280,205,007	$ 223,587,755	$ 176,199,534

D. DESCRIPTION OF ACTUARIAL COST METHOD

Under the Entry Age Normal Cost Method, the normal cost of the System is designed to be a level percentage of payroll, calculated on an aggregate basis, spread over the entire working lifetime of the participants. The future working lifetime is determined from each participant's hypothetical entry age into the System assuming the System had always been in existence, to his expected retirement date. The actuarial accrued liability is the amount of total liability not covered by future entry age normal costs. This amount is composed of the actuarial value of benefits already funded (assets) and those not yet funded (unfunded actuarial liability).

The System's funding cost for the year is the sum of the Entry Age Normal Cost and the amount necessary to amortize the remaining unfunded actuarial liability as of the valuation date over the adopted amortization period. Effective with the January 1, 2016 actuarial valuation, the investment return is set at 7.5% annually.

The basis used to amortize the unfunded actuarial liability can be "open" (that is, a constant number of years) or "closed" (that is, with the remaining period reducing by one each year). The basis may also be either a level dollar amortization method (more conservative) or a method based on increasing valuation payroll (less conservative). Beginning with the January 1, 2011 actuarial valuation, the actuarial cost method was changed from the Frozen Initial Liability Method to the Entry Age Normal Cost Method. The former amortization basis used through the January 1, 2009 actuarial valuations consisted of a level dollar amortization for a ten (10) year "closed" amortization period from January 1, 2008 through December 31, 2017.

Continued,

Effective January 1, 2011 this was replaced by a level dollar amortization for an "open" ten (10) year amortization period effective on each valuation date. Beginning with the January 1, 2012 actuarial valuation the open ten (10) year amortization amount was changed to an open fifteen (15) year amortization.

E. CASH

As of December 31, 2015, the Employees' Retirement System had the following cash accounts and related FDIC insurance and/or other types of collateral to secure the plans cash accounts:

Deposits (bank balance)	$ 1,262,824

The System's bank account balances were entirely collateralized by pledged government securities of the depository institution held in the name of the System in addition to federal depository insurance. Cash equivalents were entirely comprised of money market funds on deposit by the custodian bank. These balances represent un-invested cash on hand with each respective investment manager. The balances are swept daily to the custodian account where they are invested in money funds.

F. INVESTMENTS

Investments of the System are reported at fair market value, where published values are available in actively traded markets. Estimated values are reported where published values are not available. Total reported value of investments at December 31, 2015 were $340,079,695.

The following table presents the reported values of investments that represent 5% or more of the Plan's net position.

SECURITY DESCRIPTION	FAIR VALUE
Ashmore Funds Emerging Markets Total Return	$ 16,372,213
TCW Funds Inc. Total Return Bond I	37,466,583
Vanguard Index FDS EXTD MKT Portfolio IN	27,472,185
Vanguard Growth- Large Cap Growth	24,020,869
Vanguard 500 Index	16,156,304
Cornerstone-Large Cap Core	23,011,948
WEDGE-Large Cap Value	17,355,785
Southeastern-All Cap Value	26,211,712
Delaware Diversified Trust	35,020,472
First Eagle International Value Fund, LP	16,670,919
	$ 239,758,990

The System's overall investment policy sets forth an investment time horizon of greater than ten years for the aggregate fund however no specific limitations are placed upon the maturities for fixed income securities.

Net Appreciation/(Depreciation)

During 2015, the System's investments (including gains and losses on investments bought and sold, as well as held during the year depreciated in value by $18 million. The details are as follows:

Investment Category	Net Appreciation / (Depreciation) by Asset Type
Domestic Fixed Income	(822,900)
Foreign Obligations	(2,174,435)
Domestic Equity	(12,607,346)
Foreign Equity	(5,117,612)
Alternative Investments	2,581,121
	$ (18,141,173)

The System's board sets forth an investment policy that establishes asset allocations by asset class that includes both target percentages and ranges. The details of the System's asset allocation is as follows:

Asset Category	Target Allocation	Actual Allocation
Domestic Equity	44%	40%
International Equity	14%	14%
Core Plus Fixed Income	20%	21%
Foreign Fixed Income	5%	5%
Real Estate	5%	6%
Hedge Funds	5%	7%
Private Equity	5%	6%
Cash Reserves	2%	2%
	100%	100%

G. ALTERNATIVE INVESTMENTS

In recognition of the increasing opportunities available in today's dynamic investment universe to seek returns that may be less correlated to traditional broad equity and fixed income markets, the Board may allocate up to 20% of the Aggregate Fund to alternative investments.

The Board recognized that alternative investments may contain a high level of risk due to, but not limited to, such factors as potential liquidity constraints, restrictions on the ability to withdraw invested capital, concentrated positions, short positions, leverage, high volatility and the marketability of such investments. These investments include, but are not limited to real estate, private equity, options and derivatives. As of December 31, 2015, alternative investments were $58,537,266 or 17% of the total investments.

Quoted market prices are generally not available for these alternative investments. Accordingly, the recorded amounts represent estimated fair values. The System engages independent investment managers to advise and execute trades regarding alternative investments. These firms monitor the estimated valuations based upon receipt and review relevant financial data and periodic independent audits. The estimated market values are forwarded to the System's custodian financial institution on a monthly or quarterly basis. These market values are updated by the System's custodian. These updated values are included within these financial statements.

H. INVESTMENT CREDIT QUALITY

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. Based upon the System's investment objectives, time horizon, risk tolerances and performance expectation of selected asset classes, the asset allocation guidelines for the fund includes maximum limits on positions held within each asset class.

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

At December 31, 2015, the System was not exposed to custodial credit risk since the investments are held in the name of the System. The Fund has no investment policy regarding custodial credit risk.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following are the credit ratings of the System's investments in publicly traded securities as of December 31, 2015:

Asset Category	Rating	Market Value	% of Portfolio Value
COMMERCIAL MORTGAGE BACKED SECURITIES	AAA	256,115	0.92%
COMMERCIAL MORTGAGE BACKED SECURITIES	AA+	642,755	2.30%
CORPORATE BONDS	NR	-	0.00%
GOVERNMENT BONDS	AA+	9,271,275	33.24%
MORTGAGE BACKED SECURITIES	AA+	3,651,873	13.09%
STIF		12,003,772	43.04%
TREASURY BILLS	A-1+	2,064,613	7.40%
		$ 27,890,403	

The System has no investment policy regarding credit risk on fixed income mutual funds. Obligations guaranteed or explicitly guaranteed by the U.S. Government are not considered to have credit risk. The System's investment policy provides that fixed income securities may include U.S. Treasury obligations, obligations of government sponsored enterprises, federal agency obligations, corporate bonds, debentures, asset backed securities, convertible securities, preferred stock commercial paper, and commercial bank certificates of deposit. All investments in interest-bearing nonconvertible obligations of corporations must be rated within the six highest ratings of a major rating service at the time of purchase (minimum B or higher).

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 December 31, 2015, the System had the following investments in long-term debt securities.

GASB40 Category	Market Value	Effective Life Less Than 1 Year	Effective Life 1-5 Years	Effective Life 6-10 Years	Effective Life Over 10 Years
COMMERCIAL MORTGAGE BACKED SECURITIES	$ 898,870	$ 286,971	$ -	$ 176,882	$ 435,017
CORPORATE BONDS	-	-	-	-	-
GOVERNMENT BONDS	9,271,275	3,219,875	4,713,780	1,078,402	259,217
MORTGAGE BACKED SECURITIES	3,651,873	-	397,653	82,084	3,172,136
TREASURY BILLS	2,064,613	2,064,613	-	-	-
	$ 15,886,631	$ 5,571,459	$ 5,111,433	$ 1,337,368	$ 3,866,370

I. TREND INFORMATION

Trend information, which gives an indication of the progress made in accumulating sufficient assets to pay pension benefits when due, are presented in the following required supplementary information section of this report.

J. COST-OF-LIVING BENEFITS

Historically, the Board of Trustees had adopted the policy of maintaining a "Cost of Living Account" representing a "reserve" to provide for cost of living payments to retirees and beneficiaries from excess realized investment earnings. In the January 1, 1996 and prior actuarial valuations, this reserve was used as an offset to assets in developing the actuarial value of assets. Beginning with the January 1, 1997 and in subsequent actuarial valuations, this reserve was included with other actuarial liabilities presented in the plan actuary's report. Effective with the January 1, 2007 actuarial valuation, the Board eliminated the inclusion of this "reserve" in the system actuarial liabilities in favor of the direct demonstration of the amount available for cost of living payments as described below. The "reserve" was intended to represent the amount available for such cost of living payments pursuant to Section 114-204 (7) of the New Orleans Code governing System benefits.

The Board has adopted a revised policy of determining the amount available pursuant to the foregoing section as follows. The Board has made the interpretation that "interest earnings" represents cumulative market-to-market investment performance of the fund and that "in excess of an average 3.5 percent" means cumulative investment performance in excess of 3.5% compounded annually.

The plan's actuary's report reflects cumulative investment performance of 3.5% compounded annually would have resulted in total system assets of $25,945,403 as of December 31, 2015 based on the assumption that there had not been any "one time" cost of living payments during the 25 year period considered. Actual fund performance during the 25 year period considered resulted in a market value of $339,098,650 after recognition of the cost of living payments actually made.

K. COSTS OF PLAN ADMINISTRATION

The City of New Orleans absorbs significant costs of the System's administration. Those costs include salaries, fixed assets, office supplies etc. for the department managing System operations. However, there are administrative expenses paid by the Plan that are associated with travel, conferences for Board members, attorney fees, investment consultants and actuary fees.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

THE CITY OF NEW ORLEANS EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2015

Total Pension Liability	2015	2014
Service Cost	$ 8,164,544	$ 7,231,227
Interest Cost at 7.50%	40,513,176	40,840,178
Changes of benefit terms	-	
Difference between expected and actual experience	20,288,669	(11,566,812)
Changes of Assumptions	-	-
Benefit Payments and net transfers	(46,455,662)	(40,864,625)
Net change in total pension liability:	22,510,727	(4,360,032)
Total Pension Liability - beginning	540,175,678	544,535,710
Total Pension Liability - ending	$ 562,686,405	$ 540,175,678
Plan fiduciary net position		
Contributions - employer	$ 22,447,281	$ 20,306,887
Contributions - member	6,490,092	6,193,573
Net investment income	(14,044,748)	12,930,693
Benefit payments and net transers	(46,455,662)	(40,864,625)
Administrative expense	(88,383)	(272,072)
Net change in plan fiduciary net position:	(31,651,420)	(1,705,544)
Plan fiduciary net position - beginning	370,750,070	372,455,614
Plan fiduciary net position - ending	$ 339,098,650	370,750,070
Net pension liability - ending:	$ 223,587,755	169,425,608
Plan fiduciary net position as a percentage of the total pension liability:	60.26%	68.64%
Covered-employee payroll year ending 12/31/2014	105,691,915	97,243,871
Net pension liability as a percentage of covered-employee payroll:	211.55%	174.23%

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

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
SCHEDULE OF SYSTEM'S CONTRIBUTIONS
DECEMBER 31, 2015

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution (Deficiency) /Excess	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2005	11,840,850	6,396,358	(5,444,492)	63,621,521	10%
2006	4,126,492	4,534,052	407,560	52,985,316	9%
2007	3,660,755	4,894,439	1,233,684	63,456,911	8%
2008	9,429,697	4,991,193	(4,438,504)	78,846,321	6%
2009	17,066,353	12,614,236	(4,452,117)	89,366,260	14%
2010	21,281,308	13,031,810	(8,249,498)	85,926,577	15%
2011	20,850,837	21,604,654	753,817	93,636,301	23%
2012	18,828,387	20,479,808	1,651,421	92,881,497	22%
2013	20,228,129	19,938,298	(289,831)	92,440,354	22%
2014	20,871,424	21,926,439	1,055,015	97,243,872	23%
2015	22,713,296	24,011,024	1,297,728	105,691,915	23%

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS
December 31, 2015

Year	Annual Money-Weighted Rate of Return
2014	4.17%
2015	-3.88%

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

THE EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System.

2. SCHEDULE OF EMPLOYERS' NET POSITION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the System's employer 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 System. Covered employee payroll is the payroll of all employees that are provided with benefits through the plan.

3. SCHEDULE OF CONTRIBUTIONS - EMPLOYER 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.

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 in an accrual basis.

5. ACTUARIAL ASSUMPTIONS:

The information presented in the required supplementary schedules was used on 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 System's 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.

SCHEDULE OF FINDINGS AND RESPONSES

LUTHER SPEIGHT & COMPANY
Certified Public Accountants and Consultants

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*

To the Honorable Mayor and City Council
City of New Orleans, 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 Employees' Retirement System (the System) of the City of New Orleans, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated June 13, 2016

Internal Control over Financial Reporting

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

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

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

Continued,

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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.

Luther Speight & Co

Luther Speight & Company CPAs

New Orleans, Louisiana
June 13, 2016

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF NEW ORLEANS

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

DECEMBER 31, 2015

Agency Head Name: Jesse Evans, Jr.

Purpose	**Amount**
Salary	$86,177
Benefits-insurance	0
Benefits-retirement	0
Benefits-<list any other here>	707.69
Car allowance	0
Vehicle provided by government	0
Per diem	336
Reimbursements	126
Travel	3,199.43
Registration fees	800
Conference travel	0
Continuing professional education fees	245
Housing	0
Unvouchered expenses*	0
Special meals	0

Served as Director of City of New Orleans Employees' Retirement System from January 1, 2015 through December 31, 2015.