

**Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana
June 30, 2016**

Table of Contents

Independent Auditor’s Report	Page	3
Management’s Discussion and Analysis	Page	5
Financial Statements		
Statement of Fiduciary Net Position	Page	9
Statement of Changes in Fiduciary Net Position	Page	10
Notes to Financial Statements	Page	11
Required Supplementary Information		
Schedule of Changes in Net Pension Liability - Plan A	Page	30
Schedule of Changes in Net Pension Liability - Plan B	Page	31
Schedules of Employers’ Net Pension Liability, Employer Contributions, and Investment Returns – Plan A	Page	32
Employer Contributions, and Investment Returns – Plan B	Page	33
Notes to Required Supplementary Information	Page	34
Other Supplementary Information		
Individual Funds’ Statement of Fiduciary Net Position	Page	37
Individual Funds’ Statement of Changes in Fiduciary Net Position	Page	38
Schedule of Per Diem to Board Members	Page	39
Schedule of Administrative Expenses	Page	40
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	Page	41
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 <i>Government Auditing Standards</i>	Page	42
Schedule of Current Year Audit Findings	Page	44
Schedule of Prior Year Audit Findings	Page	45

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

Independent Auditor's Report

Members of the Board of Trustees
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Municipal Employees' Retirement System of Louisiana ("the System"), which comprise the statements of fiduciary net position as of June 30, 2016, and 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

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Municipal Employees' Retirement System of Louisiana as of June 30, 2016, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, the System's total pension liability for Plan A and Plan B was \$1,081,747,268 and \$226,092,430, respectively, as of June 30, 2016. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2016, could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability, schedule of employers' net pension liability, schedule of employer contributions, and schedule of investment returns 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 as a whole. The individual funds' statement of fiduciary net position, individual funds' statement of changes in fiduciary net position, schedule of per diem to board members, schedule of administrative expenses, and schedule of compensation benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 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 January 11, 2017 on our consideration of Municipal Employees' Retirement System of Louisiana'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 Municipal Employees' Retirement System of Louisiana's internal control over financial reporting and compliance.



January 11, 2017

**Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2016**

Financial Highlights

The Municipal Employees' Retirement System's fiduciary net position restricted for pension benefits exceeded its liabilities at the close of fiscal year 2016 by \$815,077,796 which represents a decrease from last year. The net position restricted for pension benefits decreased by \$33,175,565 or 3.91%. The decrease was primarily due to weaker financial markets.

Contributions to the System by members and employers totaled \$62,365,587, an increase of \$2,785,673 or 4.68% from the prior year. Contributions from ad valorem taxes and revenue sharing totaled \$8,521,514, an increase of \$180,653 or 2.17% from the prior year.

Pension benefits paid to retirees and beneficiaries increased by \$1,620,900 or 2.27% from the prior year. This increase is due to an increase in the number of retirees and their benefit amounts.

Administrative expenses of the System totaled \$1,613,357, a decrease of \$306,300 or 15.96% from the prior year.

Investment losses of the System totaled \$24,756,843 for fiscal year 2016, compared to losses of \$27,713,499 for fiscal year 2015, an improvement of \$2,956,656.

Overview of the Financial Statements

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

1. Statement of fiduciary net position
2. Statement of changes in fiduciary net position, and
3. Notes to the financial statements.

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

The statement of fiduciary net position reports the System's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the System as of June 30, 2016.

The statement of changes in fiduciary net position reports the results of the System's operations during the year disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's net position value on the statement of fiduciary net position.

Financial Analysis of the System

Municipal Employees' Retirement System provides benefits to employees of all incorporated villages, towns, and cities within the State of Louisiana which do not have their own retirement system and which elect to become members of the System. Member contributions, employer contributions, and earnings on investments fund these benefits.

**Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2016**

Financial Analysis of the System (Continued)

Condensed Statements of Fiduciary Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Cash	\$ 35,475,599	\$ 9,386,693
Receivables	63,687,377	7,071,043
Investments	714,331,938	831,629,147
Property and equipment	<u>2,084,924</u>	<u>1,180,458</u>
Total assets	815,579,838	849,267,341
Total Liabilities	<u>502,042</u>	<u>1,013,980</u>
Net position restricted for pension benefits	<u>\$ 815,077,796</u>	<u>\$ 848,253,361</u>

The net position restricted for pension benefits decreased by \$33,175,565 or 3.91%. The decrease was primarily due to weaker financial markets.

Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions:		
Contributions and ad valorem taxes	\$ 70,887,101	\$ 67,920,775
Investment income (loss)	(24,756,843)	(27,713,499)
Other	<u>1,286,454</u>	<u>1,036,763</u>
Total additions	47,416,712	41,244,039
Total deductions	<u>80,592,277</u>	<u>79,722,617</u>
Net decrease	<u>\$ (33,175,565)</u>	<u>\$ (38,478,578)</u>

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from member and employer contributions, ad valorem taxes, state revenue sharing funds and investment income loss. Employer contributions increased \$1,755,514 or 4.29% primarily due to an increase in salaries and contribution rate. The System experienced net investment loss of \$24,756,843 as compared to a net investment loss of \$27,713,499 in the previous year.

**Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2016**

Financial Analysis of the System (Continued)

Additions to Fiduciary Net Position (Continued)

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) Percentage</u>
Member contributions	\$ 19,648,625	\$ 18,618,466	5.53%
Employer contributions	42,716,962	40,961,448	4.29%
Ad valorem and state revenue sharing	8,521,514	8,340,861	2.17%
Transfer from operating fund	-	498,196	(100.00%)
Net investment income (loss)	(24,756,843)	(27,713,499)	(10.67%)
Other	<u>1,286,454</u>	<u>538,567</u>	138.87%
 Total additions	 <u>\$ 47,416,712</u>	 <u>\$ 41,244,039</u>	

Deductions from Fiduciary Net Position

Deductions from fiduciary net position include mainly retirement, death, and survivor benefits, DROP withdrawals, administrative expenses and transfers to other systems. Deductions from fiduciary net position totaled \$80,592,277 in fiscal year 2016. The increase of \$869,660 from the previous year is primarily due to an increase in retirement benefits, DROP withdrawals and transfer to other systems but was offset by a slight decrease in refunds of contributions.

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) Percentage</u>
Retirement benefits	\$73,156,872	\$71,535,972	2.27%
Refunds of contributions	4,715,641	4,721,783	(0.13%)
Administrative expenses	1,520,796	1,867,890	(18.58%)
Depreciation	92,309	51,586	78.94%
Loss on disposal of assets	252	181	39.23%
Transfer to other systems	<u>1,106,407</u>	<u>1,545,205</u>	(28.40%)
 Total deductions	 <u>\$80,592,277</u>	 <u>\$79,722,617</u>	

**Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2016**

Financial Analysis of the System (Continued)

Investments

Municipal Employees' Retirement System of Louisiana is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total market value of investments at June 30, 2016 was \$714,331,938 as compared to \$831,629,147 at June 30, 2015, which is a decrease of \$117,297,209. The major contributing factor to this decrease was due to weaker financial markets. The System's investments in various asset classes at the end of the 2016 and 2015 fiscal years are indicated in the following table:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Cash equivalents	\$ 36,735,218	\$ 42,808,437	(14.19%)
Domestic equities	198,531,978	188,106,149	5.54%
International equities	161,920,567	208,486,201	(22.34%)
Fixed income investments	118,831,629	70,225,889	69.21%
Hedge fund investments	30,185,890	139,409,381	(78.35%)
Real estate investments	88,326,790	112,642,241	(21.60%)
Private equity investments	<u>79,799,866</u>	<u>69,950,849</u>	<u>14.08%</u>
Total	<u>\$ 714,331,938</u>	<u>\$ 831,629,147</u>	<u>(14.10%)</u>

In the fourth quarter of 2016 MERS redeemed five hedge funds totaling \$74,932,204. Of this amount \$55,467,986 is classified as a receivable. If the total amount redeemed was classified as an investment, the percent change would be (5.09%) rather than (14.10%).

Requests for Information

Questions concerning any of the information provided or requests for additional financial information should be addressed to Warren Ponder, Executive Director, Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809.

Municipal Employees' Retirement System of Louisiana
Statement of Fiduciary Net Position
June 30, 2016

Assets	
Cash	<u>\$ 35,475,599</u>
Receivables:	
Member/employer contributions	5,213,671
Interest and dividends	1,936,974
Investment receivable	56,534,715
Other receivables	<u>2,017</u>
Total receivables	<u>63,687,377</u>
Investments, at fair value:	
Cash equivalents	36,735,218
Domestic equities	198,531,978
International equities	161,920,567
Fixed income investments	118,831,629
Hedge fund investments	30,185,890
Real estate investments	88,326,790
Private debt and equity investments	<u>79,799,866</u>
Total investments	<u>714,331,938</u>
Property plant, and equipment (net of depreciation)	<u>2,084,924</u>
Total assets	<u>815,579,838</u>
Liabilities	
Accounts payable	99,180
Refunds payable	336,517
Other payables	<u>66,345</u>
Total liabilities	<u>502,042</u>
Net Position Restricted For Pension Benefits	<u><u>\$ 815,077,796</u></u>

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

**Municipal Employees' Retirement System of Louisiana
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016**

Additions

Contributions:	
Members'	\$19,648,625
Employers'	42,716,962
Ad valorem taxes and revenue sharing	8,521,514
Total contributions	<u>70,887,101</u>
Investment income:	
Interest and dividend income	1,748,484
Net appreciation (depreciation) in fair value of investments	<u>(23,101,349)</u>
	(21,352,865)
Less investment expenses	<u>(3,403,978)</u>
Net investment income (loss)	<u>(24,756,843)</u>

Other Additions

Assets transferred from other retirement systems	<u>1,286,454</u>
Total additions	<u>47,416,712</u>

Deductions

Benefits	66,261,754
DROP withdrawals	6,895,118
Refund of contributions	4,715,641
Administrative expenses	1,613,357
Assets transferred to other retirement systems	<u>1,106,407</u>
Total deductions	<u>80,592,277</u>

Net Decrease

(33,175,565)

Net Position Restricted For Pension Benefits

Beginning of Year	<u>848,253,361</u>
End of Year	<u>\$815,077,796</u>

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

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 1-Plan Description

The Municipal Employees' Retirement System of Louisiana (System) was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns, and cities within the state, which did not have their own retirement system and which elected to become members of the System.

The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are elected to office in accordance with the Louisiana Election Code, three of whom shall be active and contributing members of the System with at least ten years creditable service and who are not elected officials; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana; the commissioner of administration, who shall be a nonvoting member; and the State Treasurer, who shall be a nonvoting member.

The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was established and provided for by R.S.11:1731 of the Louisiana Revised Statutes (LRS).

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System of Louisiana, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B." Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

Plan Membership

The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2016, there were 85 contributing municipalities in Plan A and 68 in Plan B. At June 30, 2016, statewide retirement membership consists of the following:

	<u>Plan A</u>	<u>Plan B</u>	<u>Total</u>
Inactive plan members or beneficiaries receiving benefits	3,345	975	4,320
Inactive plan members entitled to but not yet receiving benefits	3,012	1,329	4,341
Active plan members	<u>4,912</u>	<u>2,142</u>	<u>7,054</u>
Total participants as of the valuation date	<u>11,269</u>	<u>4,446</u>	<u>15,715</u>

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 1-Plan Description (Continued)

Plan eligibility and benefits are as follows:

A. Eligibility Requirements

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the System as a condition of employment.

B. Retirement Benefits

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) or more years creditable service with legal spouse at least last 12 months before death - 40% at age 60 or minimum of 20% immediately (actuarially calculated).
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal. See Plan Booklet for further details.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 1-Plan Description (Continued)

B. Retirement Benefits (Continued)

Any member of Plan A Tier 2 can retire providing he meets one of the following requirements.

1. Age 67 with seven years of creditable service.
2. Age 62 with ten years of creditable service.
3. Age 55 with thirty years of creditable service.
4. Any age with twenty five years of creditable service with an actuarially reduced early benefit
5. Survivor's benefits require five or more years of creditable service with legal spouse at least last 12 months before death - 40% at age 60 or minimum of 20% immediately (actuarially calculated).

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan booklet for further details.

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Seven years or more of service, at age sixty-seven or thereafter.
2. Ten years or more of service, at age sixty-two, or thereafter.
3. Thirty years or more of service, at age fifty-five or thereafter.
4. Twenty-five years of service credit at any age, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 1-Plan Description (Continued)

C. Survivor Benefits

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Any member of Plan A who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is not eligible for social security survivorship or retirement benefits, married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

D. DROP Benefits

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 1-Plan Description (Continued)

D. DROP Benefits (Continued)

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

E. Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

F. Cost of Living Increases

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

G. Deferred Benefits

Both Plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 2-Summary of Significant Accounting and Financial Reporting Policies

A. Basis of Accounting and Presentation

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America 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 each Plan. Interest income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year collected by the tax collector.

The System has no component units as defined under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61).

In 2015, investments in certain funds were presented on a consolidated basis. In accordance with GASB 67, *Financial Reporting for Pension Plans*, the value of the funds was presented on a fair value basis rather than consolidated in 2016. The change in presentation had no effect on net position restricted for pension benefits.

B. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices 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 limited partnerships (which include private equities and hedge funds) is calculated as the System's percentage of ownership of the partner's capital reported by the partnership. Fair value of real estate investment trusts is calculated based on the System's share of income and expenses as reported by the trust. Investments that do not have an established market value are reported at estimated fair value using valuation techniques such as present value of estimated future cash flows, matrix pricing, and fundamental analysis.

C. Property, Plant and Equipment

Property, plant and equipment is recorded at cost, and depreciated over its estimated useful life. Depreciation is computed using the straight line method and is allocated between the two Plans based on each Plan's member earnings.

D. New Accounting Pronouncements

During the year ended June 30, 2016, the System adopted GASB statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It requires measurements of certain assets and liabilities at fair value using a consistent and detailed definition of fair value and accepted valuation techniques. It also enhances disclosure about fair value measurements, the level of fair value hierarchy, and valuation techniques.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 2-Summary of Significant Accounting and Financial Reporting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, and the reported amounts of additions to and deductions from plan net position during the reporting period. Actual results could differ from those estimates. The System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

Note 3-Contributions, Funding Status and Reserves

A. Contributions

Contributions for all members are established by statute. Member contributions are at 9.50% of earnable compensation for Plan A and 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2016, the employer contribution rate was 19.75% of member's earnings for Plan A. For the year ended June 30, 2016, the employer contribution rate was 9.50% of member's earnings for Plan B.

According to state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employee's Retirement System and the Employee's Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Administrative costs of the System are financed through employer contributions.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 3-Contributions, Funding Status and Reserves (Continued)

B. Reserves

Use of the term "reserve" by the retirement system 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:

Annuity Savings

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The Annuity Savings as of June 30, 2016 is \$115,302,740 for Plan A and \$26,392,082 for Plan B.

Pension Accumulation Reserve

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation Reserve (Deficit) as of June 30, 2016 is \$(27,738,274) for Plan A and \$15,939,207 for Plan B.

Annuity Reserve

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account. The Annuity Reserve as of June 30, 2016 is \$546,113,494 for Plan A and \$91,161,269 for Plan B.

Deferred Retirement Option Account

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years, and upon termination may receive his benefits in a lump sum payment or by a true annuity. The Deferred Retirement Option Account as of June 30, 2016 is \$29,777,015 for Plan A and \$6,475,303 for Plan B.

Funding Deposit Account

The Funding Deposit Account consists of excess contributions collected by the System. 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 due to the System freezing the employer rate at a higher rate than actuarially required. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability, (2) reduce the present value of future normal, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account was established as of January 1, 2009 and has a balance as of June 30, 2016 of \$8,421,235 for Plan A and \$3,233,725 for Plan B.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status

The components of the net pension liability of the System's employers for Plan A determined in accordance with GASB No. 67 as of June 30, 2016 are as follows:

	Plan A <u>June 30, 2016</u>
Total pension liability	\$1,081,747,268
Plan fiduciary net position	<u>671,876,210</u>
Employer's net pension liability	<u>\$ 409,871,058</u>
 Plan fiduciary net position as a % of the total pension liability	 62.11%

The components of the net pension liability of the System's employers for Plan B determined in accordance with GASB No. 67 as of June 30, 2016 are as follows:

	Plan B <u>June 30, 2016</u>
Total pension liability	\$226,092,430
Plan fiduciary net position	<u>143,201,586</u>
Employer's net pension liability	<u>\$ 82,890,844</u>
 Plan fiduciary net position as a % of the total pension liability	 63.34%

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

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

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

Information on the actuarial valuation and assumptions is as follows:

	<u>June 30, 2016</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years-Plan A and 4 years-Plan B
Investment rate of return	7.500%
Inflation rate	2.875%
Salary increases, including inflation and merit increases	5.000%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disabled lives mortality	For disabled Annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimated 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 of 2.40% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return were 8.30% for the year ended June 30, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	<u>15%</u>	<u>0.8%</u>
Totals	<u>100%</u>	<u>5.2%</u>
Inflation		2.5%
Expected Arithmetic Nominal Return		7.6%

The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016. 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, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

Changes in discount for years ending June 30, 2016 for Plan A are as follows:

	Plan A		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$521,022,417	\$ 409,871,058	\$315,024,895

Changes in discount for years ending June 30, 2016 for Plan B are as follows:

	Plan B		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$107,230,134	\$ 82,890,844	\$62,124,559

Note 4-Deposits, Cash Equivalents and Investments

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2016:

	2016
Cash	\$ 35,475,599
Cash equivalents	36,735,218
Investments	677,596,720
Total	\$ 749,807,537

A. Funding Status

The System's bank deposits were fully covered by federal depository insurance and pledged securities. The pledged securities are held in joint custody with the System's bank.

B. Cash Equivalents

For the years ended June 30, 2016, cash equivalents in the amount of \$36,735,218 consist of government backed pooled funds which are held by a sub-custodian, managed by a separate money manager, and are in the name of the Retirement System's custodian's trust department. At June 30, 2016, these cash equivalents were unrated.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 4-Deposits, Cash Equivalents and Investments (Continued)

C. Investments

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with 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.

D. Fair Value Measurements

The System categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The valuation technique uses a three level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These qualifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk, but are based upon the pricing transparency of the investment. In determining the appropriate levels, the System performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 4-Deposits, Cash Equivalents and Investments (Continued)

D. Fair Value Measurements (Continued)

The following table sets forth by level, the investment reported at fair value as of June 30, 2016:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Debt Securities				
U.S. Government and agency obligations	\$ 198,860	\$ -	\$ 198,860	\$ -
Corporate bonds	3,507,715	-	-	3,507,715
Mutual funds	115,125,054	-	115,125,054	-
Total debt securities	118,831,629	-	115,323,914	3,507,715
Equity Securities				
Domestic stock	36,437,115	36,437,115	-	-
Domestic equity	162,094,863	-	157,094,863	5,000,000
Foreign equity	161,920,567	-	161,920,567	-
Total equity securities	360,452,545	36,437,115	319,015,430	5,000,000
Cash equivalents	36,735,218	-	36,735,218	-
Total investments at Fair Value Level	516,019,392	\$ 36,437,115	\$ 471,074,562	\$ 8,507,715
Investments measured at the Net Asset Value (NAV)				
Hedge funds	30,185,890			
Private debt	18,000,000			
Private equity	61,799,866			
Real estate	88,326,790			
Total investments at NAV	198,312,546			
Total Investments at Fair Value	\$ 714,331,938			

E. Valuation Technique

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 and market-corroborate pricing and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quote prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 4-Deposits, Cash Equivalents and Investments (Continued)

F. Private Equity

This type includes private equity funds that invest diversely across private equity sub-categories including venture capital, growth equity, private credit, buyout and special situations. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital or other means. These are illiquid investments with a typical length of investment or holding period, of 10-15 years.

G. Private Debt

This type includes private equity funds that invested in senior debt, second lien, mezzanine or structured credit. Investments are made in the United States and Europe. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital or other means. These are illiquid investments with a typical length of investment or holding period, of 10-15 years.

H. Real Estate

This type includes real estate funds and direct ownership of real estate that invest primarily in major property types including office, residential, retail, industrial, hotel, and self-storage properties. The fair values of the investments in real estate funds have been determined using the NAV per share of the Plan's ownership interest in partners' capital while the fair value of the direct ownership in real estate is determined using independent appraisals or other means. These are illiquid investments with a length of investment often over 10 years. Returns are generated by capital appreciation and income from lease agreements.

The type includes partnerships that invest in a diversified group of energy, infrastructure, natural resources, and hard asset funds in the United States. The fair values of the investments in this type have been determined using the NAV per share of the Plan's ownership interest in partners' capital or other means. This is an illiquid investment with a length of investment often over 10 years.

I. Hedge Funds

This type includes partnerships that invest directly in publicly traded equities, equity futures, options, currencies, derivatives, commodities, fixed income instruments and index futures. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital. These funds can typically be liquidated within one year (except for any side pocket assets).

J. 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 or market exposure. As stipulated in Louisiana RS 11:263, no more than 65% of the total portfolio shall be invested in equities. Should equities comprise more than 55% of the System's assets, at least 10% of the total must be invested passively. The System's investment policy in effect through March 31, 2016 specifies that 35% to 65% of the investment portfolio can be invested in public equities, 5% to 25% of the investment portfolio can be invested in public fixed income and 20% to 50% of the investment portfolio can be invested in alternatives. The System's investment policy subsequent to March 31, 2016 specified that 50% of the investment portfolio can be invested in public equities, 35% of the investment portfolio can be invested in public fixed income and 15% of the investment portfolio can be invested in alternatives.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 4-Deposits, Cash Equivalents and Investments (Continued)

J. Concentration of Credit Risk (Continued)

Prior to March 31, 2016, the components of the System's investment portfolio fell within the allowable ranges. Beginning April 1, 2016 the System began the process of moving toward the newly established target asset allocation.

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 System's investments in long-term debt securities as of June 30, 2016.

	Federal Home Loan Mortgage Corporation	Federal National Mortgage	Government National Mortgage	Corporate Bonds	Total Bonds
AA+	\$ 5,280	\$ 137,655	\$ 55,925	\$ -	\$ 198,860
Not Rated	-	-	-	3,507,715	3,507,715
	<u>\$ 5,280</u>	<u>\$ 137,655</u>	<u>\$ 55,925</u>	<u>\$ 3,507,715</u>	<u>\$ 3,706,575</u>

The System has no formal investment policy regarding credit risk.

At June 30, 2016, the System was invested in three fixed income mutual funds in the amount of \$115,125,054. The weighted average credit rating of holdings in the funds are as follows: Brandywine Global Opportunistic Fixed Income Fund in the amount of \$34,246,179, has a credit rating ranging from AAA to CCC or lower with the majority of holdings rated from AAA to BBB; Loomis Sayles in the amount of \$35,152,891, has a credit rating ranging from AAA to CAA and lower with the majority of holdings rated from Aaa to Baa; and NT Collective Aggregate Bond Index Fund in the amount of \$45,725,984, has a credit rating ranging from AAA to BBB.

K. Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System has no formal investment policy regarding custodial credit risk. At June 30, 2016, the System was not exposed to custodial credit risk.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 4-Deposits, Cash Equivalents and Investments (Continued)

L. 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. As of June 30, 2016, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Corporate Bonds	\$3,507,715	\$ –	\$ –	\$ –	\$ 3,507,715
Federal Home Loan Mortgage Corporation	5,280	68	30	5,182	–
Federal National Mortgage Association	137,655	–	27,727	73,549	36,379
Government National Mortgage Association	55,925	502	33,730	21,693	–
	<u>\$3,706,575</u>	<u>\$ 570</u>	<u>\$ 61,487</u>	<u>\$ 100,424</u>	<u>\$ 3,544,094</u>

The System has no formal investment policy regarding interest rate risk.

M. Foreign Currency Risk

The System does not have any foreign currency risk due to all investments being denominated in U.S. dollars. The System has no formal investment policy regarding foreign currency risk.

N. Unfunded Commitments

At June 30, 2016, the System has committed to invest an additional \$38,200,000 in various investments.

O. Money-Weighted Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (3.1%) for Plan A and (2.2%) for Plan B. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Municipal Employees' Retirement System of Louisiana
Notes to Financial Statements
June 30, 2016

Note 5-Property, Plant, and Equipment

Changes in property, plant and equipment as of June 30, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 389,547	\$ -	\$ -	\$ 389,547
Construction in progress	405,434		(405,434)	-
Building	791,968	1,252,582	-	2,044,550
Furnishings and equipment	321,235	149,879	(1,450)	469,664
Accumulated depreciation	<u>(727,726)</u>	<u>(92,309)</u>	<u>1,198</u>	<u>(818,837)</u>
	<u>\$1,180,458</u>	<u>\$1,310,152</u>	<u>\$(405,686)</u>	<u>\$2,084,924</u>

The cost of property, plant and equipment is being depreciated over its useful life using the straight-line method. Depreciation expense for the year ended June 30, 2016 was \$92,309 and is included in administrative expenses on statement of changes in fiduciary net position.

Note 6-Tax Qualifications

The System is a tax qualified plan under IRS Code Section 401(a)

Note 7-Vacation and Sick Leave

The employees of the Municipal Employees' Retirement System accumulate limited amounts of vacation and unlimited amounts of sick leave. For the year ended June 30, 2016, upon resignation or retirement, unused vacation leave up to 300 hours is payable to employees (who were employed by the System on December 31, 2004) at the employees' rate of pay as of December 31, 2004. Effective January 1, 2005, unused vacation and sick leave will accumulate but will not be paid upon termination. Upon retirement, unused vacation leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours, payable at June 30, 2016 is estimated to be \$64,515, which is included in "other payables" on the statement of fiduciary net position.

Note 8-Other Postemployment Benefits (OPEB)

All employees are eligible for postemployment health care benefits when they reach normal retirement age while working for the System. At June 30, 2016, four retirees were receiving post-employment benefits. The amount of the Net OPEB obligation at June 30, 2016 was \$18,578, which was not material to the financial statements.

Note 9-Subsequent Events

The System evaluated all subsequent events through January 11, 2017, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Required Supplementary Information

**Municipal Employees' Retirement System of Louisiana
Schedule of Changes in Net Pension Liability - Plan A
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:			
Service cost	\$ 23,781,922	\$ 23,096,097	\$ 23,140,535
Interest	78,661,214	75,893,993	74,566,028
Differences between expected and actual experience	(13,416,767)	(12,035,176)	(20,239,083)
Changes of assumptions	-	44,760,830	-
Benefit payments	(62,293,294)	(58,350,147)	(55,232,429)
Refunds of member contributions	(3,691,857)	(3,607,850)	(3,894,171)
Other	<u>2,506,020</u>	<u>(274,719)</u>	<u>712,070</u>
Net change in total pension liability	<u>25,547,238</u>	<u>69,483,028</u>	<u>19,052,950</u>
Total pension liability - beginning	<u>1,056,200,030</u>	<u>986,717,002</u>	<u>967,664,052</u>
Total pension liability - ending (a)	<u>\$1,081,747,268</u>	<u>\$1,056,200,030</u>	<u>\$ 986,717,002</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 16,147,447	\$ 15,293,103	\$ 14,768,535
Contributions - member	35,737,280	34,062,068	31,501,412
Contributions - nonemployer contributing entities	6,059,222	5,937,609	5,741,515
Net investment income (loss)	(20,424,673)	(22,780,531)	80,430,073
Benefit payments	(62,293,294)	(58,350,147)	(55,232,429)
Refunds of member contributions	(3,691,857)	(3,607,850)	(3,894,171)
Administrative expenses	(1,148,300)	(1,367,711)	(1,677,654)
Other	<u>2,506,020</u>	<u>(274,719)</u>	<u>712,070</u>
Net change in plan fiduciary net position	(27,108,155)	(31,088,178)	72,349,351
Total fiduciary net position - beginning	<u>698,984,365</u>	<u>730,072,543</u>	<u>657,723,192</u>
Total fiduciary net position - ending (b)	<u>\$ 671,876,210</u>	<u>\$ 698,984,365</u>	<u>\$ 730,072,543</u>
Net pension liability (asset) - ending (a) - (b)	409,871,058	357,215,665	256,644,459
Plan fiduciary net position as a percentage of the total pension liability	62.11%	66.18%	73.99%
Covered-employee payroll	\$ 180,948,253	\$ 172,466,167	\$ 168,007,531
Net pension liability (asset) as a percentage of covered-employee payroll	226.51%	207.12%	152.76%

**Municipal Employees' Retirement System of Louisiana
Schedule of Changes in Net Pension Liability - Plan B
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:			
Service cost	\$ 5,950,157	\$ 5,703,335	\$ 5,558,785
Interest	16,215,425	15,681,899	15,153,572
Changes of benefit terms	-	-	-
Differences between expected and actual experience	906,476	(1,826,199)	(1,138,351)
Changes of assumptions	-	8,261,069	-
Benefit payments	(10,863,578)	(13,185,825)	(9,846,376)
Refunds of member contributions	(1,023,784)	(1,113,933)	(864,399)
Other	<u>(2,325,973)</u>	<u>104,328</u>	<u>(944,055)</u>
Net change in total pension liability	<u>\$ 8,858,723</u>	<u>\$ 13,624,674</u>	<u>\$ 7,919,176</u>
Total pension liability - beginning	<u>217,233,707</u>	<u>203,609,033</u>	<u>195,689,857</u>
Total pension liability - ending (a)	<u>\$ 226,092,430</u>	<u>\$ 217,233,707</u>	<u>\$ 203,609,033</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 3,501,178	\$ 3,296,735	\$ 3,223,747
Contributions - member	6,979,682	6,589,957	5,950,944
Contributions - nonemployer contributing entities	2,462,292	2,403,252	2,260,931
Net investment income (loss)	(4,332,169)	(4,932,969)	16,488,707
Benefit payments	(10,863,578)	(13,185,825)	(9,846,376)
Refunds of member contributions	(1,023,784)	(1,113,933)	(864,399)
Administrative expenses	(465,057)	(551,946)	(354,166)
Other	<u>(2,325,973)</u>	<u>104,328</u>	<u>(944,055)</u>
Net change in plan fiduciary net position	(6,067,409)	(7,390,401)	15,915,333
Total fiduciary net position - beginning	<u>149,268,995</u>	<u>156,659,396</u>	<u>140,744,063</u>
Total fiduciary net position - ending (b)	<u>\$ 143,201,586</u>	<u>\$ 149,268,995</u>	<u>\$ 156,659,396</u>
Net pension liability (asset) - ending (a) - (b)	82,890,844	67,964,712	46,949,637
Plan fiduciary net position as a percentage of the total pension liability	63.34%	68.71%	76.94%
Covered-employee payroll	\$ 73,470,337	\$ 69,367,968	\$ 68,010,789
Net pension liability (asset) as a percentage of covered-employee payroll	112.82%	97.98%	69.03%

**Municipal Employees' Retirement System of Louisiana
Schedule of Employers' Net Pension Liability - Plan A
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Total pension liability	\$ 1,081,747,268	\$ 1,056,200,030	\$986,717,002
Plan fiduciary net position	<u>671,876,210</u>	<u>698,984,365</u>	<u>730,072,543</u>
Net pension liability (asset)	<u>\$ 409,871,058</u>	<u>\$ 357,215,665</u>	<u>\$256,644,459</u>
Plan fiduciary net position as a percentage of the total pension liability	62.11%	66.18%	73.99%
Covered-employee payroll	\$ 180,948,253	\$ 172,466,167	\$168,007,531
Net pension liability (asset) as a percentage of covered-employee payroll	226.51%	207.12%	152.76%

**Schedule of Employer Contributions - Plan A
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Actuarially determined contribution (determined as of the prior fiscal year) ¹	\$ 41,221,565	\$ 41,843,813	\$ 37,302,561
Contributions in relation to the actuarially determined contribution ¹	<u>41,796,502</u>	<u>39,999,677</u>	<u>37,242,927</u>
Contribution deficiency (excess)	<u>\$ (574,937)</u>	<u>\$ 1,844,136</u>	<u>\$ 59,634</u>
Covered-employee payroll	\$ 180,948,253	\$ 172,466,167	\$ 168,007,531
Contributions as a percentage of covered employee payroll	23.10%	23.19%	22.17%

**Schedule of Investment Returns - Plan A
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Annual money-weighted rate of return, net of investment expense	-3.1%	-2.80%	13.00%

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

¹ Includes contributions from employers and nonemployer contributing entities as well as funds allocated to the Funding Deposit Account. Does not include funds withdrawn from the Funding Deposit Account.

**Municipal Employees' Retirement System of Louisiana
Schedule of Employers' Net Pension Liability - Plan B
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Total pension liability	\$ 226,092,430	\$ 217,233,707	\$203,609,033
Plan fiduciary net position	<u>143,201,586</u>	<u>149,268,995</u>	<u>156,659,396</u>
Net pension liability (asset)	<u>\$ 82,890,844</u>	<u>\$ 67,964,712</u>	<u>\$ 46,949,637</u>
Plan fiduciary net position as a percentage of the total pension liability	63.34%	68.71%	76.94%
Covered-employee payroll	\$ 73,470,337	\$ 69,367,968	\$ 68,010,789
Net pension liability (asset) as a percentage of covered-employee payroll	112.82%	97.98%	69.03%

**Schedule of Employer Contributions - Plan B
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Actuarially determined contribution (determined as of the prior fiscal year) ¹	\$ 9,593,456	\$ 9,309,715	\$ 8,235,689
Contributions in relation to the actuarially determined contribution ¹	<u>9,441,974</u>	<u>8,993,209</u>	<u>8,211,875</u>
Contribution deficiency (excess)	<u>\$ 151,482</u>	<u>\$ 316,506</u>	<u>\$ 23,494</u>
Covered-employee payroll	\$ 73,470,337	\$ 69,367,968	\$ 68,010,789
Contributions as a percentage of covered employee payroll	12.85%	12.96%	12.07%

**Schedule of Investment Returns - Plan B
For the Three Years Ended June 30, 2016, 2015, and 2014**

	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Annual money-weighted rate of return, net of investment expense	-2.2%	-1.50%	13.00%

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

¹ Includes contributions from employers and nonemployer contributing entities as well as funds allocated to the Funding Deposit Account. Does not include funds withdrawn from the Funding Deposit Account.

**Municipal Employees' Retirement System of Louisiana
Notes to Required Supplementary Information
For the Year Ended June 30, 2016**

A. Schedule of Changes in Employers' Net Pension Liability

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

B. Schedule of Employers' Net Pension Liability

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

C. Schedule of Contributions-Employers and Non-Employer Contributing Entities

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

D. 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 on daily inputs with expenses measured on an accrual basis.

E. 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 disclosed in the note 3 to the financial statements; Contributions, Funding Status, and Revenues.

	<u>June 30, 2016</u>
Valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.500%
Inflation rate	2.875%

(Continued)

Municipal Employees Retirement System
Notes to Required Supplementary Information (Continued)
For the Year Ended June 30, 2016

June 30, 2016

(Continued)

Salary increases including inflation and merit increases	5.00%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Tables set forward two years for males and set forward one year for females projected to 2028 using Scale AA
Employee mortality	RP-2000 Employee Sex Distinct Table set back two years for both males and females.
Disabled Lives Mortality	RP-2000 Disabled Lives Mortality Table set back five years for males And set back three years for females

Other Supplementary Information

**Municipal Employees' Retirement System of Louisiana
Supplementary Information
Individual Funds Statement
of Fiduciary Net Position
June 30, 2016**

	<u>Plan "A"</u>	<u>Plan "B"</u>	<u>Total</u>
Assets			
Cash	\$ 27,484,356	\$ 7,991,243	\$ 35,475,599
Receivables			
Member/employer contributions	4,306,784	906,887	5,213,671
Interest and dividends	1,587,679	349,295	1,936,974
Investment receivable	46,328,071	10,206,644	56,534,715
Miscellaneous receivables	1,434	583	2,017
Due to (from) other funds	4,192,330	(4,192,330)	-
Total receivables	<u>56,416,298</u>	<u>7,271,079</u>	<u>63,687,377</u>
Investments, at fair value			
Cash equivalents	27,836,555	8,898,663	36,735,218
Domestic equities	163,788,882	34,743,096	198,531,978
International equities	133,584,468	28,336,099	161,920,567
Fixed income investments	98,036,094	20,795,535	118,831,629
Hedge fund investments	24,903,359	5,282,531	30,185,890
Real estate investments	72,869,602	15,457,188	88,326,790
Private equity investments	65,834,889	13,964,977	79,799,866
Total investments	<u>586,853,849</u>	<u>127,478,089</u>	<u>714,331,938</u>
Property plant, and equipment (net of depreciation)	<u>1,511,682</u>	<u>573,242</u>	<u>2,084,924</u>
Total assets	<u>672,266,185</u>	<u>143,313,653</u>	<u>815,579,838</u>
Liabilities			
Accounts payable	107,553	(8,373)	99,180
Refunds payable	234,518	101,999	336,517
Other payables	47,904	18,441	66,345
Total liabilities	<u>389,975</u>	<u>112,067</u>	<u>502,042</u>
Net Position Restricted For Pension Benefits	<u>\$ 671,856,210</u>	<u>\$143,201,586</u>	<u>\$815,077,796</u>

Municipal Employees' Retirement System of Louisiana
Supplementary Information
Individual Funds Statement
of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	<u>Plan "A"</u>	<u>Plan "B"</u>	<u>Total</u>
Additions			
Contributions			
Members'	\$ 16,147,447	\$ 3,501,178	\$ 19,648,625
Employers'	35,737,280	6,979,682	42,716,962
Ad valorem taxes	6,059,222	2,462,292	8,521,514
Total contributions	<u>57,943,949</u>	<u>12,943,152</u>	<u>70,887,101</u>
Investment Income			
Interest and dividend income	1,442,222	306,262	1,748,484
Net appreciation (depreciation) in fair value of investments	<u>(19,058,613)</u>	<u>(4,042,736)</u>	<u>(23,101,349)</u>
	(17,616,391)	(3,736,474)	(21,352,865)
Less investment expenses	<u>(2,808,282)</u>	<u>(595,696)</u>	<u>(3,403,978)</u>
Net investment income (loss)	<u>(20,424,673)</u>	<u>(4,332,170)</u>	<u>(24,756,843)</u>
Other Additions			
Assets transferred from other retirement systems	<u>931,913</u>	<u>354,541</u>	<u>1,286,454</u>
Total additions	<u>38,451,189</u>	<u>8,965,523</u>	<u>47,416,712</u>
Deductions			
Benefits	56,308,909	9,952,845	66,261,754
DROP withdrawals	5,984,385	910,733	6,895,118
Refund of contributions	3,691,857	1,023,784	4,715,641
Administrative expenses	1,148,300	465,057	1,613,357
Assets transferred to other retirement systems	1,106,407	-	1,106,407
Transfers to/from plans	<u>(2,680,514)</u>	<u>2,680,514</u>	<u>-</u>
Total deductions	<u>65,559,344</u>	<u>15,032,933</u>	<u>80,592,277</u>
Net Decrease	(27,108,155)	(6,067,410)	(33,175,565)
Net Position Restricted For Pension Benefits			
Beginning of Year	<u>698,984,365</u>	<u>149,268,996</u>	<u>848,253,361</u>
End of Year	<u>\$671,856,210</u>	<u>\$143,201,586</u>	<u>\$815,077,796</u>

**Municipal Employees' Retirement System of Louisiana
Supplementary Information
Schedule of Per Diem to Board Members
Year Ended June 30, 2016**

The per diem paid to the trustees is an administrative expense. For fiscal year ended June 30, 2016, the trustees received per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attended. Per diem paid to the trustees for the year ended June 30, 2016 was as follows:

Vern Breland	\$ 75
Donald Villere	225
Carroll Breaux	825
Clarence Fields	825
Ronnie Harris	1,125
Andrea Mahfouz	975
Michael Sands	1,200
Claire Sarradet	975
Mary Vice	<u>975</u>
 Total per diem	 <u>\$ 7,200</u>

**Municipal Employees' Retirement System of Louisiana
 Supplementary Information
 Schedule of Administrative Expenses
 Year Ended June 30, 2016**

Salaries and payroll taxes	\$ 699,274
Professional Fees	208,071
Professional/legal fees-special	139,473
Retirement-employer portion	123,275
Office equipment maintenance	97,129
Depreciation	92,309
Insurance	60,338
Hospitalization	54,272
Office supplies	36,464
Utilities	26,466
Travel	24,699
Building and yard maintenance	23,161
Postage	15,360
Board member - per diem	7,200
Education	2,679
Printing	1,833
Miscellaneous	1,102
Loss on disposal of assets	<u>252</u>
 Total administrative expenses	 <u>\$1,613,357</u>

**Municipal Employees' Retirement System of Louisiana
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended June 30, 2016**

Agency Head Name: Warren D. Ponder

Purpose	Amount
Salary	\$137,714
Benefits - insurance	4,647
Benefits - retirement	27,198
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	5,104
Travel	1,987
Registration fees	0
Conference travel	2,036
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



LOUIS C. MCKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

**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***

Members of the Board of Trustees
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

Members of the Board:

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 Municipal Employees' Retirement System of Louisiana, which comprise the statement of fiduciary net position as of June 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Municipal Employees' Retirement System of Louisiana'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Employees' Retirement System of Louisiana'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Employees' Retirement System of Louisiana'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 Municipal Employees' Retirement System of Louisiana'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 Municipal Employees' Retirement System of Louisiana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


January 11, 2017

**Municipal Employees' Retirement System of Louisiana
Schedule of Current Year Audit Findings
Year Ended June 30, 2016**

Findings - Financial Statement Audit

None.

Municipal Employees' Retirement System of Louisiana
Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

Findings - Financial Statement Audit

2015-001

During testing of the travel and conference expenses, it was noted that alcohol was purchased by the System during the 2014 conference. The System should not purchase alcohol for any event. We recommend that the System not purchase alcohol for any event and include this restriction in their credit card usage and employee reimbursement policy. It is our understanding that the System has since developed a credit card usage and employee reimbursement policy in which the alcohol restriction is included.

Status:

This finding has been resolved.

2015-002

During testing of travel and conference expenses, it was noted that detailed receipts were not provided for meals paid by the System. The System should require detailed receipts for all expenses to support amounts being reported on the general ledger. In addition, the receipts for meals should include the purpose of the business meal, and attendees. Not obtaining detailed receipts for meals purchased could result in the misuse of funds. We recommend that the System obtain detailed receipts for business meals in addition to requiring documentation of the business purpose of the meal and a list of attendees. It is our understanding that the System has since developed a policy requiring detailed receipts for business meals and documenting the purpose including those in attendance.

Status:

This finding has been resolved.

2015-003

During the audit it was discovered that the general ledger was out of balance and had been since the close out of the prior year. It was determined that during the prior year close out the net income was not closed to the respective equity accounts which resulted in the general ledger being out of balance. In addition, journal entries were made to adjust equity accounts which resulted in the general ledger being out of balance. In addition, journal entries were made to adjust equity accounts due to the program error; however the general ledger remained out of balance. Lastly, when an account was established it was coded as an income type account when it was an asset type account, as such when the general ledger closing occurred this account reported a zero balance when it had a balance. The general ledger should balance at all times and accounts should be set up based on their attributed. In addition, there should be a review of the general ledger to ensure all accounts are reported correctly and the general ledger is balanced. Not performing this review could result in a misstatement of the general ledger. We recommend the System develop procedures to review the general ledger on a monthly basis to ensure amounts are recorded correctly and any errors are discovered and corrected timely.

Status:

This finding has been resolved.