

REPORT
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA
JUNE 30, 2015 AND 2014

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

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JUNE 30, 2015 AND 2014

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December 14, 2015

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

We have audited the accompanying financial statements of the Municipal Employees' Retirement System of Louisiana (the System) as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements which collectively comprise the System's basic financial statements as listed in the index to report.

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 the 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Employees' Retirement System of Louisiana as of June 30, 2015 and 2014 and the respective changes in financial 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 4 to the financial statements, the total pension liability for Municipal Employees' Retirement System for Plan A and Plan B was \$1,056,200,030 and \$217,233,707, respectively at June 30, 2015 and \$986,717,002 and \$203,609,032, respectively at June 30, 2014. 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, 2015 and 2014 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 and the required supplementary information, as listed in the index to report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipal Employees' Retirement System of Louisiana's basic financial statements. The supplementary information as listed in the index to report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The Management's Discussion and Analysis of the Municipal Employees' Retirement System of Louisiana presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2015. This document focuses on the past year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Municipal Employees' Retirement System of Louisiana's financial statements, which begins on page 9.

FINANCIAL HIGHLIGHTS

- The Municipal Employees' Retirement System's fiduciary net position restricted for pension benefits exceeded its liabilities at the close of fiscal year 2015 by \$848,253,361 which represents a decrease from last year. The net position restricted for pension benefits decreased by \$38,478,578 or 4.39%. The decrease was primarily due to weaker financial markets.
- Contributions to the System by members and employers totaled \$59,579,914, an increase of \$3,808,138 or 6.83%. Contributions from ad valorem taxes and revenue sharing totaled \$8,340,861, an increase of \$338,415 or 4.23%.
- Pension benefits paid to retirees and beneficiaries increased by \$3,624,510 or 6.14%. This increase is due to an increase in the number of retirees and their benefit amounts.
- Administrative expenses of the System totaled \$1,867,890, an increase of \$18,072 or 0.98%. The increase is due to increases in salaries and travel expenses offset by a decrease in legal fees.
- Investment losses of the System totaled \$27,713,499, a decrease of \$124,633,066 or 128.59%. The decrease was primarily due to weaker financial markets.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

The consolidated 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, 2015.

The consolidated 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.

Consolidated Statements of Fiduciary Net Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash	\$ 15,015,173	\$ 17,417,653
Receivables	9,097,735	11,586,185
Investments	836,551,689	871,863,559
Other assets	201,984	183,126
Property and equipment	1,180,458	819,865
Total assets	862,047,039	901,870,388
Total Liabilities	4,850,328	4,983,126
Total net position	857,196,711	896,887,262
Noncontrolling interest	(8,943,350)	(9,657,128)
Net pension restricted for pension benefits	\$ 848,253,361	\$ 887,230,134

The net position restricted for pension benefits decreased by \$38,478,578 or 4.39%. The decrease was primarily due to weaker financial markets.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Consolidated Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Additions:		
Contributions	\$ 67,920,775	\$ 63,774,222
Investment income (loss)	(27,713,499)	96,919,567
Other	1,036,763	602,036
Total additions	41,244,039	161,295,825
Total deductions	79,722,617	72,900,433
Net increase (decrease)	\$ (38,478,578)	\$ 88,395,392

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. Employer contributions increased \$3,217,563 or 8.52% primarily due to an increase in salaries and contribution rate. The System experienced net investment loss of \$27,713,499 as compared to a net investment income of \$96,919,567 in the previous year. The decrease in investment return over prior year was due to weaker financial markets.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease) Percentage</u>
Member contributions	\$ 18,618,466	\$ 18,027,891	3.28 %
Employer contributions	40,961,448	37,743,885	8.52
Ad valorem and state revenue sharing	8,340,861	8,002,446	4.23
Transfer from operating fund	498,196	-	100.00
Net investment income (loss)	(27,713,499)	96,919,567	(128.59)
Other	538,567	602,036	(10.54)
	\$ 41,244,039	\$ 161,295,825	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 \$79,722,617 in fiscal year 2015. The increase of \$6,822,184 from the previous year is primarily due to an increase in retirement benefits, DROP withdrawals and transfers to other systems but was offset by a slight decrease in refunds of contributions.

	<u>2015</u>	<u>2014</u>	Increase (Decrease) <u>Percentage</u>
Retirement benefits	\$ 71,535,972	\$ 65,078,805	9.92 %
Refunds of contributions	4,721,783	4,758,571	(0.77)
Administrative expenses	1,867,890	1,849,818	0.98
Depreciation	51,586	52,080	(0.95)
Loss on disposal of assets	181	-	100.00
Transfer to other systems	1,545,205	1,161,159	33.07
Total	<u>\$ 79,722,617</u>	<u>\$ 72,900,433</u>	

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 less non-controlling interests at June 30, 2015 was \$827,608,339 as compared to \$862,206,431 at June 30, 2014, which is a decrease of \$34,598,092. 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 2015 and 2014 fiscal years are indicated in the following table:

	<u>2015</u>	<u>2014</u>	Increase (Decrease) <u>Percentage</u>
Cash equivalents	\$ 42,808,437	\$ 53,984,407	(20.70) %
Domestic equities	188,106,149	152,518,348	23.33
International equities	208,486,201	207,809,693	0.33
Fixed income investments	70,225,889	81,533,686	(13.87)
Hedge fund investments	139,409,381	128,078,149	8.85
Real estate investments	117,564,783	135,597,010	(13.30)
Private equity investments	69,950,849	112,342,266	(37.73)
Total	<u>\$ 836,551,689</u>	<u>\$ 871,863,559</u>	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Requests for Information

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS:		
Cash	\$ 15,015,173	\$ 17,417,653
Receivables:		
Member/Employer contributions	4,291,703	3,928,143
Interest and dividend	1,414,945	6,823,178
Investment receivable	2,879,951	425,550
Miscellaneous receivable	511,136	409,314
Total	<u>9,097,735</u>	<u>11,586,185</u>
Investments:		
Cash equivalents	42,808,437	53,984,407
Domestic equities	188,106,149	152,518,348
International equities	208,486,201	207,809,693
Fixed income investments	70,225,889	81,533,686
Hedge fund investments	139,409,381	128,078,149
Real estate investments	117,564,783	135,597,010
Private equity investments	69,950,849	112,342,266
Total investments	<u>836,551,689</u>	<u>871,863,559</u>
Other Assets	<u>201,984</u>	<u>183,126</u>
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant, and equipment (net of depreciation)	775,024	819,865
Construction in progress	405,434	-
Total property, plant and equipment	<u>1,180,458</u>	<u>819,865</u>
Total assets	<u>862,047,039</u>	<u>901,870,388</u>
LIABILITIES:		
Accounts payable	436,299	1,280,114
Refunds payable	495,273	512,774
Other payables	2,545,864	1,984,602
Investment payable	239,990	97,491
Long-term maintenance mitigation liability	1,132,902	1,108,145
Total liabilities	<u>4,850,328</u>	<u>4,983,126</u>
TOTAL NET POSITION	857,196,711	896,887,262
NONCONTROLLING INTERESTS	<u>(8,943,350)</u>	<u>(9,657,128)</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$848,253,361</u>	<u>\$887,230,134</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ADDITIONS:		
Contributions:		
Members'	\$ 18,618,466	\$ 18,027,891
Employers'	40,961,448	37,743,885
Ad valorem taxes and state revenue sharing funds	8,340,861	8,002,446
Total contributions	<u>67,920,775</u>	<u>63,774,222</u>
Investment income:		
Interest income	1,073,091	1,107,865
Dividend income	713,479	1,058,630
Miscellaneous investment income	144,911	245,960
Alternative investment income	3,115,982	14,533,318
Net appreciation (depreciation) in fair value of investments	(27,813,564)	85,783,752
	<u>(22,766,101)</u>	<u>102,729,525</u>
Less investment expense:		
Investment advisory fees	3,434,951	5,163,555
Miscellaneous investment expense	578,231	1,374,359
	<u>4,013,182</u>	<u>6,537,914</u>
Net investment income (loss)	(26,779,283)	96,191,611
Net investment loss attributable to noncontrolling interest	(934,216)	727,956
Net investment income (loss) attributable to the Pension Fund	<u>(27,713,499)</u>	<u>96,919,567</u>
Other additions:		
Transfers from other retirement systems	538,567	602,036
Transfer from operating fund	498,196	-
	<u>1,036,763</u>	<u>602,036</u>
Total additions	<u>41,244,039</u>	<u>161,295,825</u>
DEDUCTIONS:		
Benefits	62,624,453	58,999,943
DROP withdrawals	8,911,519	6,078,862
Refund of contributions	4,721,783	4,758,571
Administrative expenses	1,867,890	1,849,818
Depreciation	51,586	52,080
Loss on disposal of assets	181	-
Transfers to other retirement systems	1,545,205	1,161,159
Total deductions	<u>79,722,617</u>	<u>72,900,433</u>
NET INCREASE (DECREASE)	(38,478,578)	88,395,392
NET POSITION RESTRICTED FOR PENSION BENEFITS		
Beginning of year	886,731,939	798,834,742
END OF YEAR	<u>\$848,253,361</u>	<u>\$ 887,230,134</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 the 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information.

During the year ended June 30, 2014, the System adopted the provisions of GASB Statement Number 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures 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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting:

The System's financial statements are prepared using the accrual basis of accounting.

Employer and employee contributions are recognized in the period in which the employee is compensated for services performed.

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

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 price at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in 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 MERS' 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 estimated future cash flows, matrix pricing, and fundamental analysis. Investments in mitigation banks is reported at fair value which is reflected as the present value of projected cash flows from the sale of mitigation credits less related project cost. Capitalized project cost related to the mitigation banks include costs related to the acquisition, formation engineering and reforestation and maintenance of the mitigation banks. Land related to the mitigation banks is reported at estimated recreational value.

Consolidation:

The consolidated financial statements include the accounts of Municipal Employees' Retirement System, a variable interest entity with a 30% ownership in four mitigation banks, 62% ownership in a limited liability company which owns investment property, and an 80% ownership in a limited liability company land development. The System is allocated 70% of the income, gain and net cash flows of the mitigation banks until they have received their capital contributions to the banks. The System is allocated their ownership percentage of the income, gain and net cash flows on all other consolidated entities. All significant intercompany balances have been eliminated in the consolidation.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property, Plant and Equipment:

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

2. PLAN DESCRIPTION:

The Municipal Employees' Retirement System of Louisiana 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).

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, 2015, there were 85 contributing municipalities in Plan A and 68 in Plan B. For the year ended June 30, 2014, there were 85 contributing municipalities in Plan A and 69 in Plan B. At June 30, 2015 and 2014 statewide retirement membership consists of the following:

	2015			2014		
	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>	<u>PLAN A</u>	<u>PLAN B</u>	<u>TOTAL</u>
Inactive plan members or beneficiaries receiving benefits	3,262	959	4,221	3,177	916	4,093
Inactive plan members entitled to but not yet receiving benefits	2,913	1,289	4,202	2,851	1,244	4,095
Active plan members	<u>4,926</u>	<u>2,200</u>	<u>7,126</u>	<u>4,894</u>	<u>2,168</u>	<u>7,062</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u><u>11,101</u></u>	<u><u>4,448</u></u>	<u><u>15,549</u></u>	<u><u>10,922</u></u>	<u><u>4,328</u></u>	<u><u>15,250</u></u>

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements: (Continued)

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 of the System as a condition of employment.

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 B Tier 2 of the System as a condition of employment.

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 and 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. Under age 60 with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
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. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

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)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

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. For any city marshal or deputy city marshal receive an additional regular retirement benefit. 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. Under age 60 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. 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 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.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

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.

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

DROP Benefits: (Continued)

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.

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.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. PLAN DESCRIPTION: (Continued)

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 an additional cost of living increase 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.

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.

3. CONTRIBUTIONS AND RESERVES:

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 years ended June 30, 2015 and 2014, employer contribution rates were 19.75% and 18.75%, respectively, of member's earnings for Plan A. For the years ended June 30, 2015 and 2014, employer contribution rates were 9.50% and 8.75%, respectively, of member's earnings for Plan B.

According to state statute, the System also receives 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 Employees' Retirement System and the Employees' 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, 2015 AND 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

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:

A) 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, 2015 and 2014 is \$112,950,508 and \$111,201,868 for Plan A and \$25,589,252 and \$25,139,576 for Plan B, respectively.

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 as of June 30, 2015 and 2014 is \$25,768,953 and \$108,036,016 for Plan A and \$25,166,837 and \$43,384,670 for Plan B, respectively.

C) 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, 2015 and 2014 is \$523,060,935 and \$472,147,098 for Plan A and \$89,571,960 and \$78,454,447 for Plan B, respectively.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

D) 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, 2015 and 2014 is \$29,370,262 and \$29,757,422 for Plan A and \$5,932,831 and \$6,554,182 for Plan B, respectively.

E) Funding Deposit Account:

The Funding Deposit Account consists of excess contribution 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, 2015 and 2014 of \$7,833,707 and \$8,930,139 for Plan A and \$3,008,116 and \$3,126,521 for Plan B, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

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, 2015 and 2014 are as follows:

	<u>PLAN A</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability	\$ 1,056,200,030	\$ 986,717,002
Plan Fiduciary Net Position	<u>698,984,365</u>	<u>730,072,543</u>
Employers' Net Pension Liability	357,215,665	256,644,459
Plan Fiduciary Net Position as a % of the Total Pension Liability	66.18%	73.99%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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, 2015 and 2014 are as follows:

	<u>PLAN B</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability	\$ 217,233,707	\$ 203,609,032
Plan Fiduciary Net Position	<u>149,268,996</u>	<u>156,659,396</u>
Employers' Net Pension Liability	67,964,711	46,949,636
Plan Fiduciary Net Position as a % of the Total Pension Liability	68.71%	76.94%

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, 2015 valuation was based on the results of an experience study, for the period July 1, 2009 through June 30, 2014. The actuarial assumptions used in the June 30, 2014 valuation was based on the results of an experience study, for the period July 1, 2006 through June 30, 2010. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to 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, 2015 and 2014 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2015	June 30, 2014
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Investment rate of return	7.500%	7.750%
Inflation rate	2.875%	3.000%
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) For employees, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females was selected for disabled annuitants	RP-2000 Healthy Annuitant Mortality Table RP-2000 Employee Mortality Table
Salary Increases	5.000%	5.750%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 years ended June 30, 2015 and 2014.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	Target Asset <u>Allocation</u>	Long-Term Expected Portfolio Real Rate <u>of Return</u>
Public equity	50%	2.95%
Public fixed income	15%	0.89%
Alternatives	<u>35%</u>	<u>2.06%</u>
Totals	100%	5.90%
Inflation		<u>2.40%</u>
Expected Arithmetic Nominal Return		<u>8.30%</u>

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, 2014 are summarized in the following table:

<u>Asset Class</u>	Target Asset <u>Allocation</u>	Long-Term Expected Portfolio Real Rate <u>of Return</u>
Public equity	50%	2.75%
Public fixed income	15%	0.83%
Alternatives	<u>35%</u>	<u>1.92%</u>
Totals	100%	5.50%
Inflation		<u>2.80%</u>
Expected Arithmetic Nominal Return		<u>8.30%</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

The discount rate used to measure the total pension liability was 7.75% for the years ended June 30, 2015 and 2014, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. 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, 2015 and 2014 using the discount rate of 7.50% and 7.75%, respectively, 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% and 6.75%, respectively) or one percentage point higher (8.50% and 8.75%, respectively) than the current rate.

Changes in discount for years ending June 30, 2015 and 2014 for Plan A are as follows:

	PLAN A		
	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability - June 30, 2015	\$ 467,486,403	\$ 357,215,665	\$ 263,263,419
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net Pension Liability - June 30, 2014	356,341,875	256,644,459	171,337,044

Changes in discount for years ending June 30, 2015 and 2014 for Plan B are as follows:

	PLAN B		
	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net Pension Liability - June 30, 2015	\$ 91,689,863	\$ 67,964,711	\$ 47,756,587
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Net Pension Liability - June 30, 2014	68,675,080	46,949,636	28,397,103

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Deposits (bank balance)	\$ 15,805,781	\$ 19,205,957
Cash equivalents	42,808,437	53,984,407
Investments	<u>793,743,252</u>	<u>817,879,152</u>
 Total	 <u>\$ 852,357,470</u>	 <u>\$ 891,069,516</u>

Deposits:

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.

The System's consolidating entities maintain cash balances at various banks. Cash accounts are insured by the FDIC for up to \$250,000. For the years ended June 30, 2015 and 2014, bank balances in excess of insured limits were \$5,085,940 and \$7,621,656, respectively.

Cash Equivalents:

For the years ended June 30, 2015 and 2014, cash equivalents in the amount of \$18,358,671 and \$31,013,827, respectively, 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, 2015 and 2014, these cash equivalents were unrated.

For the years ended June 30, 2015 and 2014, cash equivalents in the amount of \$24,449,766 and \$22,970,580, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP), held by a custodial bank and are in the name of the Retirement System.

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

Cash Equivalents: (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

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 the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

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. The System's investment policy 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. At June 30, 2015 and 2014, the components of the System's investment portfolio fell within the allowable ranges.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of June 30, 2015 and 2014.

	<u>Federal Home Loan Mortgage Corporation</u>	<u>Federal National Mortgage</u>	<u>Government National Mortgage</u>	<u>Corporate Bonds</u>	<u>Total Bonds</u>
<u>2015</u>					
AA+	\$ 7,490	\$ 171,305	\$ 112,691	\$ -	\$ 291,486
Not Rated	-	-	-	2,444,105	2,444,105
	<u>\$ 7,490</u>	<u>\$ 171,305</u>	<u>\$ 112,691</u>	<u>\$ 2,444,105</u>	<u>\$ 2,735,591</u>
	<u>Federal Home Loan Mortgage Corporation</u>	<u>Federal National Mortgage</u>	<u>Government National Mortgage</u>	<u>Corporate Bonds</u>	<u>Total Bonds</u>
<u>2014</u>					
AA+	\$ 11,117	\$ 211,246	\$ 154,693	\$ -	\$ 377,056
Not Rated	-	-	-	2,444,105	2,444,105
	<u>\$ 11,117</u>	<u>\$ 211,246</u>	<u>\$ 154,693</u>	<u>\$ 2,444,105</u>	<u>\$ 2,821,161</u>

The System has no formal investment policy regarding credit risk.

At June 30, 2015 and 2014, the System was invested in two fixed income mutual funds in the amount of \$67,490,298 and \$69,152,734, respectively. The weighted average credit rating of holdings in the funds are as follows: Brandywine Global Opportunistic Fixed Income Fund in the amount of \$32,638,489 and \$34,590,766, respectively, has a credit rating ranging from AAA to CCC or lower with the majority of holdings rated from AAA to BBB and Loomis Sayles in the amount of \$34,851,809 and \$34,561,968, respectively, has a credit rating ranging from Aaa to Caa and lower with the majority of holdings rated from Aaa to Baa.

At June 30, 2014, the System was invested in an emerging market corporate high yield fund in the amount of \$9,559,791. The weighted average credit rating of holdings in the fund were either below investment grade or were not rated. During the year ended June 30, 2015, the System sold their share of this fund.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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, 2015 and 2014, the System was not exposed to custodial credit risk.

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, 2015, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
Corporate Bonds	\$ 2,444,105	\$ -	\$ -	\$ -	\$ 2,444,105
Federal Home Loan Mortgage Corporation	7,490	-	860	6,630	-
Federal National Mortgage Association	171,305	-	21,940	102,971	46,394
Government National Mortgage Association	112,691	2,658	58,735	47,562	3,736
	<u>\$ 2,735,591</u>	<u>\$ 2,658</u>	<u>\$ 81,535</u>	<u>\$ 157,163</u>	<u>\$ 2,494,235</u>

As of June 30, 2014, the System had the following investments in long-term debt securities and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
Corporate Bonds	\$ 2,444,105	\$ -	\$ -	\$ -	\$ 2,444,105
Federal Home Loan Mortgage Corporation	11,117	-	2,833	8,284	-
Federal National Mortgage Association	211,246	-	-	70,615	140,631
Government National Mortgage Association	154,693	-	95,208	34,609	24,876
	<u>\$ 2,821,161</u>	<u>\$ -</u>	<u>\$ 98,041</u>	<u>\$ 113,508</u>	<u>\$ 2,609,612</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

Interest Rate Risk: (Continued)

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

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2015 and 2014, the System invested in the international funds with the following currency risk:

<u>Foreign Currency</u>	<u>2015</u>	<u>2014</u>
Brazil Real	\$ 4,491,263	\$ 6,029,923
Chilean Peso	338,567	325,858
Chinese Yuan	5,509,716	4,839,839
Colombian Peso	63,481	46,551
Czech Krona	63,481	46,551
Greek Euro	21,160	46,551
Hong Kong Dollar	1,571,291	2,348,513
Hungarian Forint	105,802	93,102
India Rupee	8,764,993	8,374,661
Indonesian Rupee	1,764,883	1,554,005
South Korean Wan	4,041,298	4,011,674
Malaysian Ringgit	1,501,040	2,065,962
Mexican New Peso	3,120,062	4,257,631
Pakistan Rupee	174,869	-
Philippine Peso	275,085	256,031
Polish Zloty	465,529	442,235
Pound Sterling	2,483,653	3,218,722
Russian Ruble	536,491	1,305,735
Singapore Dollar	362,411	238,521
South African Rand	3,108,004	2,825,248
Taiwan New Dollar	4,275,098	3,773,153
Thailans Baht	2,103,081	1,907,226
Turkish Lira	402,048	535,337

The System has no formal investment policy regarding foreign currency risk.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

Unfunded Commitments:

At June 30, 2015 and 2014, the System has committed to invest an additional \$18,526,775 and \$43,942,324, respectively, in various investments.

Money-Weighted Rate of Return:

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.8)% for Plan A and (1.5)% for Plan B. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.00%. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

6. REAL ESTATE INVESTMENTS:

Investment in Mitigation Banks:

At June 30, 2015 and 2014, the System held investments in a variable interest entity which consists of four mitigation banking entities ("the Banks"). The investment is reported as a real estate investment. The Banks acquire land in the state of Louisiana, restore original wetland features and protect the land in perpetuity. As a result of the land restoration and protection, the Banks are granted land mitigation credits by the U.S. Army Corps of Engineers. These credits are sold to developers and landowners in need of habitat to substitute for those being lost to development. The System has a 30% ownership in each Bank. However, the System is allocated 70% of the income, gain and net cash flows until they have received their capital contributions to the Banks. According to the investment agreement, the System shall not commit nor contribute more than \$25,000,000 in the aggregate across the four banks. The System has invested \$24,205,942 in the Banks as of June 30, 2015 and 2014, respectively.

The Banks' net assets have been consolidated with the net assets of the System and is reported as an investment on the statement of net assets. The System's share of the market value of the net assets of the mitigation banks as of June 30, 2015 and 2014 is \$40,949,008 and \$41,843,050, respectively.

The Bank's creditors lack recourse against the System as the Banks were set up as limited liability companies.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. REAL ESTATE INVESTMENTS: (Continued)

Investment in Notes Receivable:

The System made various loans to PMAT Cocowalk Holdings, LLC during the period 2008 through 2010 totaling \$7,029,899. The loan bears interest at 6% plus the prime rate. The loan is not collateralized but the System is senior to their original capital investment. The loan is due at the sale or refinance date of the property. The balance of the loan at June 30, 2014 was \$7,029,899 and is reported as an investment in real estate. For the year ended June 30, 2014, the System earned interest of \$650,266 which is recorded in investment income. During the year ended June 30, 2015, the System sold the PMAT loans and applied any proceeds to the accrued interest balance.

During the years ended June 30, 2015 and 2014, Bedico Creek Preserve, LLC (80% owned by the System) had various notes receivable for the sale of lots. The notes range from \$40,000 to \$922,000 and bear interest at a rate of 0% to 8%. The notes are due between 1.5-10 years. The balance of the notes receivable at June 30, 2015 and 2014 is \$1,598,572 and \$1,063,798, respectively. The notes receivables are reported as investment receivables on the statement of fiduciary net position.

7. PRIVATE EQUITY INVESTMENTS:

Investment in Line of Credit:

On August 15, 2006, the System agreed to loan funds to LEM Investors, LP under a line of credit up to the principal amount of \$10,000,000. The term of the line of credit shall be from the date of the agreement through December 31, 2020, unless terminated earlier according to its terms because an event of default occurs. Interest on the outstanding principal balance of the line of credit shall accrue and be payable at the fixed, per annum rate of 10.5% (or during the continuance of an event of default, 13.5%) computed on the basis of a 365-day year and the actual number of days elapsed.

The balance of the line of credit at June 30, 2015 and 2014 is \$2,264,024 and \$4,210,959, respectively, and is reported as an investment in real estate. For the years ended June 30, 2015 and 2014, the System earned interest of \$411,794 and \$447,086, respectively, which is recorded in investment income. During the year ended June 30, 2015 the System recorded an allowance on the interest receivable in the amount of \$1,582,134.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

7. PRIVATE EQUITY INVESTMENTS: (Continued)

Investment in Notes Receivable:

On December 22, 2010, the System agreed to loan funds to Republic Business Credit, LLC under a line of credit up to the principal amount of \$15,000,000. During the year ended June 30, 2013, the System increased the loan amount to Republic Business Credit LLC to \$20,000,000. All outstanding principal and accrued and unpaid interest under the note shall be due on the first business day that is five years from the date of the note; provided that, by mutual written consent of the System and Republic Business Credit, LLC, the maturity date of the note may be extended for successive one-year periods. Interest shall accrue on the outstanding principal balance of the line of credit at the fixed rate of 8% per annum, calculated on the number of days elapsed in a 360-day year. The first payment of accrued and outstanding interest under this note shall be due on January 30, 2012, with subsequent interest payments due 30 days after the end of each calendar quarter thereafter. The line of credit is secured. Republic Business Credit, LLC pledges, assigns, and grants a continuing security interest in favor of the System in all of its right, title, and interest in and to any accounts, inventory, equipment, investment property, and general intangibles. The balance of the line of credit at June 30, 2015 and 2014 is \$21,000,000 and \$18,000,000, respectively, and is reported as an investment in private equity. For the years ended June 30, 2015 and 2014, the System earned interest of \$1,350,667 and \$1,400,333, respectively, which is recorded in investment income.

On August 17, 2011, the System loaned \$3,000,000 to SNTech, Inc. The loan bears interest at 8% per annum. Interest on the note shall be computed on the basis of a 365-day year and the actual number of days elapsed. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the company. During the year ended June 30, 2014, an amendment to the original note agreement (the amendment) was executed. The amendment capitalized \$330,083 of existing accrued interest and modified the loan's interest payment terms and maturity date. Interest is payable on a quarterly basis. The loan principal balance and any unpaid accrued interest are due and payable 30 days after demand is made. The balance of the loan was \$3,330,083 at June 30, 2014 and was reported as an investment in private equity. For the year ended June 30, 2014, the System earned interest of \$524,048 which was recorded in investment income. During the year ended June 30, 2015, the outstanding balance of the loan and accrued interest were written off as uncollectible.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

8. 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, 2015, 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 employee's 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 is credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours, payable at both June 30, 2015 and 2014 is estimated to be \$15,723. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

9. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2015, 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	-	-	791,968
Furnishings and equipment	323,229	6,926	(8,920)	321,235
Accumulated depreciation	(684,879)	(51,586)	8,739	(727,726)
	<u>\$ 819,865</u>	<u>\$ 360,774</u>	<u>\$ (181)</u>	<u>\$ 1,180,458</u>

Changes in property, plant and equipment as of June 30, 2014, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 389,547	\$ -	\$ -	\$ 389,547
Building	784,330	7,638	-	791,968
Furnishings and equipment	326,899	2,103	(5,773)	323,229
Accumulated depreciation	(638,572)	(52,080)	5,773	(684,879)
	<u>\$ 862,204</u>	<u>\$ (42,339)</u>	<u>\$ -</u>	<u>\$ 819,865</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

9. PROPERTY, PLANT AND EQUIPMENT: (Continued)

The cost of the property, plant and equipment is being depreciated over its useful life using the straight-line method. Depreciation expense for the years ended June 30, 2015 and 2014 was \$51,586 and \$52,080, respectively.

10. TAX QUALIFICATION:

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

11. USE OF ESTIMATES:

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

12. 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, 2015 and 2014, four retirees were receiving post-employment benefits. At June 30, 2015 and 2014, information regarding the Actuarial Accrued Liability and Net OPEB Obligation was not available.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY - PLAN A
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 23,096,097	\$ 23,140,535
Interest	75,893,993	74,566,028
Changes of benefit terms	-	-
Differences between expected and actual experience	(12,035,176)	(20,239,083)
Changes of assumptions	44,760,830	-
Benefit payments	(58,350,147)	(55,232,429)
Refunds of member contributions	(3,607,850)	(3,894,171)
Other	(274,719)	712,070
Net change in total pension liability	<u>\$ 69,483,028</u>	<u>\$ 19,052,950</u>
Total pension liability - beginning	<u>986,717,002</u>	<u>967,664,052</u>
Total pension liability - ending (a)	<u><u>\$1,056,200,030</u></u>	<u><u>\$ 986,717,002</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 34,062,068	\$ 31,501,412
Regular contributions - member	15,293,103	14,768,535
Contributions - non employer contributing entities	5,937,609	5,741,515
Net investment income/(loss)	(22,780,531)	80,430,073
Benefit payments	(58,350,147)	(55,232,429)
Refunds of member contributions	(3,607,850)	(3,894,171)
Administrative expenses	(1,367,711)	(1,677,654)
Other	(274,719)	712,070
Net change in plan fiduciary net position	<u>\$ (31,088,178)</u>	<u>\$ 72,349,351</u>
Plan fiduciary net position - beginning	<u>730,072,543</u>	<u>657,723,192</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 698,984,365</u></u>	<u><u>\$ 730,072,543</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 357,215,665</u></u>	<u><u>\$ 256,644,459</u></u>
Plan fiduciary net position as a percentage of total pension liability	66.18%	73.99%
Covered employee payroll	\$ 172,466,167	\$ 168,007,531
Net pension liability as a percentage of covered employee payroll	207.12%	152.76%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY - PLAN B
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 5,703,335	\$ 5,558,785
Interest	15,681,899	15,153,571
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,826,199)	(1,138,350)
Changes of assumptions	8,261,069	-
Benefit payments	(13,185,825)	(9,846,376)
Refunds of members contributions	(1,113,933)	(864,399)
Other	104,328	(944,055)
Net change in total pension liability	<u>\$ 13,624,674</u>	<u>\$ 7,919,176</u>
Total pension liability - beginning	<u>203,609,033</u>	<u>195,689,857</u>
Total pension liability - ending (a)	<u><u>\$ 217,233,707</u></u>	<u><u>\$ 203,609,033</u></u>
Plan Fiduciary Net Position		
Regular contributions - employer	\$ 6,589,957	\$ 5,950,944
Regular contributions - member	3,296,735	3,223,747
Contributions - non employer contributing entities	2,403,252	2,260,931
Net investment income/(loss)	(4,932,968)	16,488,707
Benefit payments	(13,185,825)	(9,846,376)
Refunds of member contributions	(1,113,933)	(864,400)
Administrative expenses	(551,946)	(354,165)
Other	104,328	(944,055)
Net change in plan fiduciary net position	<u>\$ (7,390,400)</u>	<u>\$ 15,915,333</u>
Plan fiduciary net position - beginning	<u>156,659,396</u>	<u>140,744,063</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 149,268,996</u></u>	<u><u>\$ 156,659,396</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 67,964,711</u></u>	<u><u>\$ 46,949,637</u></u>
Plan fiduciary net position as a percentage of total pension liability	68.71%	76.94%
Covered employee payroll	\$ 69,367,968	\$ 68,010,789
Net pension liability as a percentage of covered employee payroll	97.98%	69.03%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY - PLAN A
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Fiscal Year End	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2015	\$1,056,200,030	\$ 698,984,365	\$ 357,215,665	66.18%	\$172,466,167	207.12%
2014	986,717,002	730,072,543	256,644,459	73.99%	168,007,531	152.76%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY - PLAN B
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Fiscal Year End	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2015	\$ 217,233,707	\$ 149,268,996	\$ 67,964,711	68.71%	\$69,367,968	97.98%
2014	203,609,032	156,659,396	46,949,636	76.94%	68,010,789	69.03%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS - PLAN A
 EMPLOYER AND NON EMPLOYER CONTRIBUTING ENTITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Fiscal Year <u>End</u>	Actuarially Determined <u>Contribution</u>	Contributions in Relation to the Actuarially Determined <u>Liability</u>	Contribution Deficiency <u>(Excess)</u>	Covered Employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
2015	\$41,843,813	\$ 39,999,677	\$ 1,844,136	\$ 172,466,167	23.19%
2014	37,302,561	37,242,927	59,634	168,007,531	22.17%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS - PLAN B
 EMPLOYER AND NON EMPLOYER CONTRIBUTING ENTITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Fiscal Year <u>End</u>	Actuarially Determined <u>Contribution</u>	Contributions in Relation to the Actuarially Determined <u>Liability</u>	Contribution Deficiency <u>(Excess)</u>	Covered Employee <u>Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
2015	\$9,309,715	\$ 8,993,209	\$ 316,506	\$ 69,367,968	12.96%
2014	8,235,369	8,211,875	23,494	68,010,789	12.07%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENT RETURNS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Fiscal <u>Year End</u>	Annual Money-Weighted <u>Rate of Return*</u>	
	<u>Plan A</u>	<u>Plan B</u>
2015	(2.80)%	(1.50)%
2014	13.00%	13.00%

* Annual money-weighted rates of return are presented net of investment expense

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015 AND 2014

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

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

2. 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.

3. 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 is support from a non-employer contributing entities.

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

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 notes to the financial statements footnote 4, Net Pension Liability of Employers.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015 AND 2014

6. CHANGES IN ACTUARIAL ASSUMPTIONS:

During the year ended June 30, 2015 due to an actuarial experience study and expectations of future experience, mortality, inflation and salaries increases were adjusted as follows:

Valuation Date	June 30, 2015	June 30, 2014
Inflation Rate	2.875%	3.000%
Investment Rate of Return	7.500%	7.750%
Salary Increases	5.000%	5.750%
Mortality Rate	Based on the results of an actuarial study for the period July 1, 2009 - June 30, 2014. RP-2000 Sex Distinct Mortality Table RP-2000 Disabled Lives Mortality Table	Based on the results of an actuarial study for the period July 1, 2006 - June 30, 2010. RP-2000 Healthy Annuitant Mortality Table RP-2000 Employee Mortality Table

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT
OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>TOTAL</u>
ASSETS:			
Cash	\$ 10,978,113	\$ 4,037,060	\$ 15,015,173
Receivables:			
Member/Employer contributions	3,506,712	784,991	4,291,703
Interest and dividend	1,157,579	257,366	1,414,945
Investment receivable	2,390,376	489,575	2,879,951
Miscellaneous receivable	410,304	100,832	511,136
Due to (from) other funds	(698,207)	698,207	-
Total	<u>6,766,764</u>	<u>2,330,971</u>	<u>9,097,735</u>
Investments:			
Cash and cash equivalents	35,187,722	7,620,715	42,808,437
Domestic equities	155,800,086	32,306,063	188,106,149
International equities	172,475,419	36,010,782	208,486,201
Fixed income investments	58,124,426	12,101,463	70,225,889
Hedge fund investments	115,272,571	24,136,810	139,409,381
Real estate investments	96,821,302	20,743,481	117,564,783
Private equity investments	57,875,554	12,075,295	69,950,849
Total investments	<u>691,557,080</u>	<u>144,994,609</u>	<u>836,551,689</u>
Other assets	<u>165,118</u>	<u>36,866</u>	<u>201,984</u>
Property, plant, and equipment (net of depreciation)	581,068	193,956	775,024
Construction in Progress	<u>288,615</u>	<u>116,819</u>	<u>405,434</u>
Total Property, plant and equipment	<u>869,683</u>	<u>310,775</u>	<u>1,180,458</u>
Total assets	<u>710,336,758</u>	<u>151,710,281</u>	<u>862,047,039</u>
LIABILITIES:			
Accounts payable	375,858	60,441	436,299
Refunds payable	411,828	83,445	495,273
Other payables	2,081,869	463,995	2,545,864
Investment payable	196,096	43,894	239,990
Long-term maintenance mitigation liability	<u>925,694</u>	<u>207,208</u>	<u>1,132,902</u>
Total liabilities	<u>3,991,345</u>	<u>858,983</u>	<u>4,850,328</u>
TOTAL NET POSITION	706,345,413	150,851,298	857,196,711
NONCONTROLLING INTERESTS	<u>(7,361,048)</u>	<u>(1,582,302)</u>	<u>(8,943,350)</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$698,984,365</u>	<u>\$149,268,996</u>	<u>\$848,253,361</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT
OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS:	<u>PLAN "A"</u>	<u>PLAN "B"</u>	<u>TOTAL</u>
Contributions:			
Members'	\$ 15,304,783	\$ 3,313,683	\$ 18,618,466
Employers'	34,312,047	6,649,401	40,961,448
Ad valorem taxes and state revenue sharing funds	5,937,609	2,403,252	8,340,861
Total contributions	<u>55,554,439</u>	<u>12,366,336</u>	<u>67,920,775</u>
Investment income:			
Interest income	884,144	188,947	1,073,091
Dividend income	590,476	123,003	713,479
Miscellaneous investment income	120,274	24,637	144,911
Alternative investment income	2,178,779	937,203	3,115,982
Net appreciation in fair value of investments	(22,486,593)	(5,326,971)	(27,813,564)
	<u>(18,712,920)</u>	<u>(4,053,181)</u>	<u>(22,766,101)</u>
Less investment expense:			
Investment advisory fees and custodian fees	2,852,540	582,411	3,434,951
Miscellaneous investment expense	451,152	127,079	578,231
	<u>3,303,692</u>	<u>709,490</u>	<u>4,013,182</u>
Net investment income	(22,016,612)	(4,762,671)	(26,779,283)
Plus: Net investment loss attributable to noncontrolling interest	<u>(763,919)</u>	<u>(170,297)</u>	<u>(934,216)</u>
Net investment loss attributable to the Pension Fund	<u>(22,780,531)</u>	<u>(4,932,968)</u>	<u>(27,713,499)</u>
Other additions:			
Transfers from other retirement systems	477,370	61,197	538,567
Transfers from expense fund	354,650	143,546	498,196
Total other additions	<u>832,020</u>	<u>204,743</u>	<u>1,036,763</u>
TOTAL ADDITIONS	<u>33,605,928</u>	<u>7,638,111</u>	<u>41,244,039</u>
DEDUCTIONS:			
Benefits	53,049,604	9,574,849	62,624,453
DROP withdrawals	7,030,869	1,880,650	8,911,519
Refund of contributions	3,607,850	1,113,933	4,721,783
Administrative expenses	1,329,691	538,199	1,867,890
Depreciation	37,891	13,695	51,586
Loss on disposal of assets	129	52	181
Transfers to other retirement systems	1,208,474	336,731	1,545,205
Transfers to/from Plans	(1,570,402)	1,570,402	-
TOTAL DEDUCTIONS	<u>64,694,106</u>	<u>15,028,511</u>	<u>79,722,617</u>
NET DECREASE	(31,088,178)	(7,390,400)	(38,478,578)
NET POSITION RESTRICTED FOR PENSION BENEFITS			
Beginning of year	<u>730,072,543</u>	<u>156,659,396</u>	<u>886,731,939</u>
END OF YEAR	<u>\$ 698,984,365</u>	<u>\$ 149,268,996</u>	<u>\$ 848,253,361</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Funding Deposit Account</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCES, JULY 1, 2014	\$472,147,098	\$111,201,868	\$ 29,757,422	\$ 8,930,139	\$108,036,016	\$730,072,543
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	15,304,783	-	-	-	15,304,783
Employers	-	-	-	-	34,312,047	34,312,047
Ad valorem taxes and state revenue sharing funds	-	-	-	-	5,937,609	5,937,609
Net income/(loss) from investments and other sources	-	-	-	-	(22,780,531)	(22,780,531)
Transfer from annuity savings	9,839,246	-	-	-	-	9,839,246
Pensions transferred from annuity reserve	-	-	6,643,709	-	-	6,643,709
Transfers from other systems	-	134,683	-	-	342,687	477,370
Transfers to/from Plans	-	-	-	-	1,570,402	1,570,402
Transfers from expense fund	-	-	-	-	354,650	354,650
Actuarial transfer - employer contributions	-	-	-	-	1,096,432	1,096,432
Actuarial transfer	100,767,904	-	-	-	-	100,767,904
Total revenues	<u>110,607,150</u>	<u>15,439,466</u>	<u>6,643,709</u>	<u>-</u>	<u>20,833,296</u>	<u>153,523,621</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	53,049,604	-	7,030,869	-	-	60,080,473
Refunds to members	-	3,607,850	-	-	-	3,607,850
Transfers to annuity reserve	-	9,839,246	-	-	-	9,839,246
Pensions transferred to DROP	6,643,709	-	-	-	-	6,643,709
Transfers to other systems	-	243,730	-	-	964,744	1,208,474
Administrative expenses	-	-	-	-	1,329,820	1,329,820
Depreciation	-	-	-	-	37,891	37,891
Actuarial transfer	-	-	-	-	100,767,904	100,767,904
Actuarial transfer - employer contributions	-	-	-	1,096,432	-	1,096,432
Total expenditures	<u>59,693,313</u>	<u>13,690,826</u>	<u>7,030,869</u>	<u>1,096,432</u>	<u>103,100,359</u>	<u>184,611,799</u>
NET INCREASE/(DECREASE)	<u>50,913,837</u>	<u>1,748,640</u>	<u>(387,160)</u>	<u>(1,096,432)</u>	<u>(82,267,063)</u>	<u>(31,088,178)</u>
BALANCES, JUNE 30, 2015	<u>\$523,060,935</u>	<u>\$112,950,508</u>	<u>\$ 29,370,262</u>	<u>\$ 7,833,707</u>	<u>\$ 25,768,953</u>	<u>\$698,984,365</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Funding Deposit Account</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCES, JULY 1, 2013	\$447,685,487	\$110,114,111	\$ 27,307,028	\$ 8,287,832	\$ 64,328,734	\$657,723,192
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	14,782,508	-	-	-	14,782,508
Employers	-	-	-	-	31,584,090	31,584,090
Ad valorem taxes and state revenue sharing funds	-	-	-	-	5,741,515	5,741,515
Net income/(loss) from investments and other sources	-	-	-	642,307	79,787,766	80,430,073
Transfer from annuity savings	9,635,699	-	-	-	-	9,635,699
Pensions transferred from annuity reserve	-	-	7,627,689	-	-	7,627,689
Transfers from other systems	-	130,653	-	-	272,732	403,385
Transfers to/from Plans	-	-	-	-	1,337,585	1,337,585
Actuarial transfer	72,508,735	-	-	-	-	72,508,735
Total revenues	<u>82,144,434</u>	<u>14,913,161</u>	<u>7,627,689</u>	<u>642,307</u>	<u>118,723,688</u>	<u>224,051,279</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	50,055,134	-	5,177,295	-	-	55,232,429
Refunds to members	-	3,894,171	-	-	-	3,894,171
Transfers to annuity reserve	-	9,635,699	-	-	-	9,635,699
Pensions transferred to DROP	7,627,689	-	-	-	-	7,627,689
Transfers to other systems	-	295,534	-	-	830,017	1,125,551
Transfer to expense fund	-	-	-	-	1,648,520	1,648,520
Depreciation	-	-	-	-	29,134	29,134
Actuarial transfer	-	-	-	-	72,508,735	72,508,735
Total expenditures	<u>57,682,823</u>	<u>13,825,404</u>	<u>5,177,295</u>	<u>-</u>	<u>75,016,406</u>	<u>151,701,928</u>
NET INCREASE	<u>24,461,611</u>	<u>1,087,757</u>	<u>2,450,394</u>	<u>642,307</u>	<u>43,707,282</u>	<u>72,349,351</u>
BALANCES, JUNE 30, 2014	<u>\$472,147,098</u>	<u>\$111,201,868</u>	<u>\$ 29,757,422</u>	<u>\$ 8,930,139</u>	<u>\$108,036,016</u>	<u>\$730,072,543</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2015

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Total
BALANCES, JULY 1, 2014	\$ 78,454,447	\$ 25,139,576	\$ 6,554,182	\$ 3,126,521	\$ 43,384,670	\$ 156,659,396
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	3,313,683	-	-	-	3,313,683
Employers	-	-	-	-	6,649,401	6,649,401
Ad valorem taxes and state revenue sharing funds	-	-	-	-	2,403,252	2,403,252
Net income from investments and other sources	-	-	-	-	(4,932,968)	(4,932,968)
Transfer from annuity savings	1,727,541	-	-	-	-	1,727,541
Pensions transferred from annuity reserve	-	-	1,259,299	-	-	1,259,299
Transfers from other systems	-	33,311	-	-	27,886	61,197
Transfers from expense fund	-	-	-	-	143,546	143,546
Actuarial transfer - employer contributions	-	-	-	-	118,405	118,405
Actuarial transfer	20,224,120	-	-	-	-	20,224,120
Total revenues	<u>21,951,661</u>	<u>3,346,994</u>	<u>1,259,299</u>	<u>-</u>	<u>4,409,522</u>	<u>30,967,476</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	9,574,849	-	1,880,650	-	-	11,455,499
Refunds to members	-	1,113,933	-	-	-	1,113,933
Transfers to annuity reserve	-	1,727,541	-	-	-	1,727,541
Pensions transferred to DROP	1,259,299	-	-	-	-	1,259,299
Transfers to other systems	-	55,844	-	-	280,887	336,731
Transfers to /from Plan	-	-	-	-	1,570,402	1,570,402
Administrative expenses	-	-	-	-	538,251	538,251
Depreciation	-	-	-	-	13,695	13,695
Actuarial transfer - employer contributions	-	-	-	118,405	-	118,405
Actuarial transfer	-	-	-	-	20,224,120	20,224,120
Total expenditures	<u>10,834,148</u>	<u>2,897,318</u>	<u>1,880,650</u>	<u>118,405</u>	<u>22,627,355</u>	<u>38,357,876</u>
NET INCREASE/(DECREASE)	<u>11,117,513</u>	<u>449,676</u>	<u>(621,351)</u>	<u>(118,405)</u>	<u>(18,217,833)</u>	<u>(7,390,400)</u>
BALANCES, JUNE 30, 2015	<u>\$ 89,571,960</u>	<u>\$ 25,589,252</u>	<u>\$ 5,932,831</u>	<u>\$ 3,008,116</u>	<u>\$ 25,166,837</u>	<u>\$ 149,268,996</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Annuity Reserve</u>	<u>Annuity Savings</u>	<u>DROP</u>	<u>Funding Deposit Account</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCES, JULY 1, 2013	\$ 75,886,303	\$ 23,990,641	\$ 6,137,212	\$ 2,901,644	\$ 31,828,263	\$ 140,744,063
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	3,245,383	-	-	-	3,245,383
Employers	-	-	-	-	6,159,795	6,159,795
Ad valorem taxes and state revenue sharing funds	-	-	-	-	2,260,931	2,260,931
Net income from investments and other sources	-	-	-	224,877	16,263,830	16,488,707
Transfer from annuity savings	1,265,236	-	-	-	-	1,265,236
Pensions transferred from annuity reserve	-	-	1,318,537	-	-	1,318,537
Transfers from other systems	-	39,688	-	-	158,963	198,651
Actuarial transfer	11,566,254	-	-	-	-	11,566,254
Total revenues	<u>12,831,490</u>	<u>3,285,071</u>	<u>1,318,537</u>	<u>224,877</u>	<u>24,843,519</u>	<u>42,503,494</u>
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	8,944,809	-	901,567	-	-	9,846,376
Refunds to members	-	864,400	-	-	-	864,400
Transfers to annuity reserve	-	1,265,236	-	-	-	1,265,236
Pensions transferred to DROP	1,318,537	-	-	-	-	1,318,537
Transfers to other systems	-	6,500	-	-	29,108	35,608
Transfer to expense fund	-	-	-	-	343,842	343,842
Transfer to from Plans	-	-	-	-	1,337,585	1,337,585
Depreciation	-	-	-	-	10,323	10,323
Actuarial transfer	-	-	-	-	11,566,254	11,566,254
Total expenditures	<u>10,263,346</u>	<u>2,136,136</u>	<u>901,567</u>	<u>-</u>	<u>13,287,112</u>	<u>26,588,161</u>
NET INCREASE	<u>2,568,144</u>	<u>1,148,935</u>	<u>416,970</u>	<u>224,877</u>	<u>11,556,407</u>	<u>15,915,333</u>
BALANCES, JUNE 30, 2014	<u>\$ 78,454,447</u>	<u>\$ 25,139,576</u>	<u>\$ 6,554,182</u>	<u>\$ 3,126,521</u>	<u>\$ 43,384,670</u>	<u>\$ 156,659,396</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Building and yard maintenance	\$ 31,857	\$ 22,726
Hospitalization	75,679	88,813
Insurance	59,489	86,847
Miscellaneous	201	1,731
Education	309	-
Office equipment maintenance	61,032	73,571
Office supplies	28,645	24,463
Travel	132,873	68,538
Board member - per diem	6,750	5,850
Postage	18,128	17,732
Printing	2,052	4,037
Professional fees	203,113	155,933
Professional/legal fees-special	263,899	361,190
Retirement - employer portion	154,164	143,586
Salaries	811,094	777,169
Telephone	5,120	5,561
Utilities	13,485	12,021
	<hr/>	<hr/>
Total	<u>\$ 1,867,890</u>	<u>\$ 1,849,768</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM TO BOARD MEMBERS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

The per diem paid to the trustees is an administrative expense. For fiscal years ended June 30, 2015 and 2014, 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 years ended June 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Vern Breland	\$ 900	\$ 750
David Camardelle	75	-
Hilda Curry	-	75
Clarence Fields	975	675
Ronnie Harris	900	900
Andrea Mahfouz	975	825
Michael Sands	975	825
Claire Sarradet	900	900
Mary Vice	<u>1,050</u>	<u>900</u>
TOTAL	<u>\$ 6,750</u>	<u>\$ 5,850</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2015

Agency Head: Robert L. Rust

Salary	\$ 208,155
Benefits-insurance	28,955
Benefits - retirement	41,111
Benefits - lump sum leave	18,646
Car allowance	2,300
Reimbursements	565
Travel	2,775
Conference travel	2,012
Total	<u>\$ 304,519</u>



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

December 14, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Employees' Retirement System of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipal Employees' Retirement System of Louisiana's basic financial statements, and have issued our report thereon dated December 14, 2015.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Employees' Retirement System of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Employees' Retirement System's internal control.

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

We noted other weaknesses in internal control that we have reported to management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of findings.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Employees' Retirement System of Louisiana for the year ended June 30, 2015 was unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE WITH LAWS, REGULATIONS AND OTHER MATTERS:

2. Internal Control:

Significant deficiency:	None noted
Material weaknesses:	None noted

3. Compliance and Other Matters:

2015-01:

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.

2015-02:

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

MANAGEMENT COMMENTS:

2015-03:

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 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 attributes. 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.

LEGISLATIVE AUDITOR REPORT:

The Louisiana Legislative Auditor's Office issued a report dated December 2, 2015 on their audit of certain transactions of the System. The audit included the following findings:

Misused System Funds:

From January 2010 to December 2014 the System's former director planned and attended out-of-state conferences and in-state meetings and conferences for the System's Board of Trustees and employees at a cost of \$317,379 in System funds. The System paid a cancellation fee of \$42,698 to cancel an out-of-state conference in June 2015. It appears the Board of Trustees had knowledge of, and/or approved, each of these meetings and conferences as well as the 2015 conference cancellation. It further appears that a portion of the funds spent did not benefit the Systems or its members.

Cell Phone Usage:

From January 2010 through June 2015, the System paid the former director's cell phone bill which included an additional cell phone for one of the former director's sons. In some instances the former director reimbursed the System for his son's portion of the cell phone bill and in some instances the former director did not reimburse the System. In some instances the former director did not reimburse the System until thirteen months after the System paid the bill.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

STATUS OF PRIOR YEAR COMMENTS:

None noted