

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES

JULY 19 & 20, 2017

The Board of Trustees of the Municipal Employees' Retirement System of Louisiana met in regular session on Wednesday, July 19, 2017 at 1:00 P.M. and Thursday, July 20, 2017 at 9:00 A.M. at the Municipal Employees' Retirement System, 7937 Office Park Boulevard, Baton Rouge, Louisiana.

PRESENT:

Ms. Andrea Mahfouz, Chairman
Mayor Donald Villere, Vice Chairman
Mr. Mike Sands, Trustee
Mayor Raymond Harris, Trustee
Mayor Greg Jones, Trustee
Representative J. Kevin Pearson, Chairman,
House Retirement Committee
Senator Barrow Peacock, Chairman,
Senate Retirement Committee
Ms. Amy Mathews, State Treasurer's Office
Ms. Marsha Guedry, Commissioner of Administration's Office

UNABLE TO ATTEND:

Ms. Mary O. Vice, Trustee

IN ATTENDANCE:

Warren Ponder, Executive Director
Susita Suire, Retirement Benefits Administrator
Nancy LaGarde, Chief Financial Officer
Christopher Saik, Chief Investment Officer
Aaron Lally, Investment Consultant
Gustavo Bikkesbakker, Investment Consultant
Margaret Corley, Senate Retirement Committee
Annie Smith, House Retirement Committee

The Chairman called the meeting to order.

The Chairman asked Ms. Guedry to open the meeting with a prayer and the Chairman led everyone in the pledge of allegiance.

The Chairman asked Ms. Suire to call roll. A quorum was present.

Mr. Sands transferred the gavel to the new Chairman, Ms. Andrea Mahfouz and also recognized Mayor Villere as the new Vice Chairman.

Mr. Ponder thanked Mr. Sands for his outstanding leadership and the contributions made during this past year.

MINUTES
JULY 19 & 20, 2017
PAGE TWO

Aaron Lally and Gustavo Bikkesbakker gave the Board a brief review of Dimensional Fund Advisors

Kristen Jackson and Horacio Carlas gave an update on the Dimensional Fund Advisors' fund with education to the Board.

Aaron Lally and Gustavo Bikkesbakker gave the Board a brief review of Brandywine Global Investment Management.

Gregory Zavoyna and Jack McIntyre gave an update on the Brandywine Global Investment Management fund with education to the Board.

Aaron Lally and Gustavo Bikkesbakker gave the Board a brief review of Republic Business Credit.

Stewart Chesters and Robert Meyers gave an update on the Republic Business Credit investment with education to the Board.

Aaron Lally and Gustavo Bikkesbakker had a wrap-up session with the Board and answered all questions concerning the presentations given.

The Chairmen recessed until 9:00 a.m. tomorrow.

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Mr. Mike Sands, Trustee
Mayor Raymond Harris, Trustee
Mayor Greg Jones, Trustee
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Warren Ponder, Executive Director
Susita Suire, Retirement Benefits Administrator
Nancy LaGarde, Chief Financial Officer
Christopher Saik, Chief Investment Officer
Aaron Lally, Investment Consultant
Gustavo Bikkesbakker, Investment Consultant
Greg Curran, G.S. Curran Actuary
Margaret Corley, Senate Retirement Committee
Annie Smith, House Retirement Committee

MINUTES
JULY 19 & 20, 2017
PAGE THREE

The Chairman asked for approval of the minutes of the meeting held on June 29, 2017.

Mayor Jones moved that the minutes of the meeting held on June 29, 2017 be approved; the motion was seconded by Ms. Mathews. The motion carried without objection or opposition. A copy of these minutes are attached and made a part of these minutes.

The Chairman asked for approval of the Plan A and Plan B retirements (a list was provided to the Board Members).

Ms. Mathews moved that the Plan A and Plan B retirements be approved; the motion was seconded by Mayor Jones. The motion carried without objection or opposition.

Mayor Jones moved to enter executive session to discuss *Broyles v. Cantor Fitzgerald & Co., et al*, Suit No. 594,747, 19th Judicial District Court, Parish of East Baton Rouge, State of Louisiana, and all related matters; the motion was seconded by Ms. Guedry. The motion carried without objection or opposition.

Mayor Jones moved to enter regular session; the motion was seconded by Mr. Sands. The motion carried without objection or opposition.

Mayor Jones moved to accept the settlement agreement presented by Jim Swanson and negotiated with Stifel Financial Corporation in the *Broyles v. Cantor Fitzgerald & Co., et al*, Suit No. 594,747, 19th Judicial District Court, Parish of East Baton Rouge, State of Louisiana; seconded by Mr. Sands. The motion carried without objection or opposition.

David Joyce with Resource Environmental Solutions (RES) and Michelle Cunningham with Duplantier, Hrapmann, Hogan & Maher (DHHM) gave a presentation updating the Board on the RES investment.

Aaron Lally and Gustavo Bikkesbakker presented the Board with a copy of the Preliminary Performance Report for the month of June 30, 2017. The performance of the portfolio as of June 30, 2017, was up 0.3%. Domestic equities were up 1.1%, developed equities were down -0.4%, emerging market equity was up 0.6%, and U.S. core bonds were down -0.1%. Treasury inflation protected securities were down -0.9%, foreign bonds were up 1.7%, and high yield bonds were up 0.4%. Core real estate, natural resources, private debt, private equity, and non-core real estate remained flat, and hedge funds were down -1.3%. A copy of this report is attached and made part of these minutes.

Aaron Lally updated the Board that the original offer from Landmark to purchase Timbervest was withdrawn. Mayor Jones moved to accept the offer from North Sky to purchase Timbervest for approximately \$4.2MM; the motion was seconded by Mayor Harris. The motion carried without objection or opposition.

Christopher Saik gave the Board an update on the equity market.

Christopher Saik presented the investment cash flow report as of June 30, 2017.

The Chairman advised the Board that the following Resolution be adopted as part of the 2016-2017 fiscal year audit.

RESOLUTION

WHEREAS, as a part of the audit of the financial statements of the Municipal Employees' Retirement System of Louisiana as of June 30, 2017, and for the one-year period from July 1, 2016 through June 30, 2017, the Office of the Legislative Auditor requires that a system survey and compliance questionnaire be completed and presented to and adopted by the Board of Trustees of the Retirement System by means of a formal resolution at an open meeting, and

WHEREAS, the required system survey and compliance questionnaire has been completed,

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Municipal Employees' Retirement System of Louisiana that the said Board does hereby receive and adopt the aforementioned system survey and compliance questionnaire during an open meeting of the Board being held on the 20th day of July, 2017.

Mayor Jones moved to adopt the above Resolution; the motion was seconded by Mayor Harris. The motion carried without objection or opposition. A copy of this resolution is attached and made part of these minutes.

Ms. LaGarde presented a budget report through June 30, 2017 detailing the budgeted amount.

Ms. LaGarde presented the cash flow report as of June 30, 2017.

Ms. LaGarde updated the Board that Whalehaven will be written down to \$1.00 from \$5MM for the 6-30-17 fiscal year audit.

Ms. Suire updated the Board that as of today, two (2) candidate nominations have been received for the retiree seat on the Board, the former Mayor of Westlake, Dudley Dixon and the former Mayor of Brusly, Joey Normand. The deadline for nominations is Friday, June 28th at 4:30 p.m.

After requesting information from the other retirement systems, Ms. Suire updated the Board that nominations required for Trustee elections are as follows:

PERS – None	Clerks – None
LSERS – 10	LASERS – 25
FRS – 3	

Ms. Suire updated the Board that Nolan Rivers with the Sabine Parish Sales & Use Tax has contacted the retirement system requesting to become members of MERS effective January 1, 2018. Their entity is currently in PERS, but will not be eligible to stay as members on January 1, 2018 because they will no longer be a taxing district or a parish agency. Legislation must be passed to allow membership in MERS.

Ms. Suire updated the Board that Morehouse Tax Commission has been members of MERS for a number years, but there is no agreement on file. Ms. Suire will do further research and Legislation may need to be passed to make their membership legal.

Mr. Ponder requested to have the Trustee election finalized as to where the new Trustee will be sworn in during the September Board meeting instead of the May Board meeting due to mandated education required before by Legislation.

LAPERS will be held September 17 – 19. Ms. Suire will register everyone for the conference, but all Trustees must reserve their own hotel rooms.

Mr. Ponder updated the Board that the retirement system's website vendor, Bizzuka, would like to update our website with new software and additional changes requested by staff. The Board asked staff to request additional bids before presenting to the Board.

Mr. Ponder updated the Board that the Town of Lecompte are four (4) months behind in submitting contributions to the retirement system.

Mayor Jones moved to adjourn; the motion was seconded by Mayor Harris. The motion carried without objection or opposition.



APPROVED



ATTEST

Resource Environmental Solutions

History and Terms

- In 2007, the Retirement System agreed to participate in a wetland mitigation joint venture with Resource Environmental Solutions ("RES").
- In total the Retirement System invested \$24.2 million with RES.
- The investment is split across four different mitigation bank projects/locations.
- The terms of the joint venture are:
 - The Retirement System pays no investment management fee, but RES is entitled to 70% of all profits (after the Retirement System receives back its initial contribution).
 - All cash flows prior to the break-even point are split 30% to RES and 70% to MERS.
 - The cash flows split is based on a project-by-project basis.

Strategy

- The joint venture focuses on restoring wetlands, through mitigation banking, primarily within the southeast.
- By restoring wetlands, RES sells the “credits” to developers in need of purchasing such credits to conform to the Clean Water Act of 1972.
- The Clean Water Act of 1972 requires any construction project within a wetland to have a “net no loss effect.”
- Returns are generated through selling the credits and through disposition of the land after completion (when feasible).

Cash Flows

	Invested (\$ mm)	Distributed/Received (\$ mm)
Municipal Employees' Retirement System of Louisiana	\$24,200,000	\$20,200,000
Resource Environmental Solutions	\$1,000	\$10,800,000

- Based on the terms of the original agreement, MRES essentially served the role as capital provider and RES was the operator. MERS invested over twenty four million dollars while RES invested a nominal one thousand dollars.
- The Retirement System's investment in RES was valued at \$\$\$ as of the most recent fiscal year end-audit, according to Duplantier, Hrapmann, Hogan & Maher ("DHHM").
- As the Retirement System has sought to exit the investment in the secondary market, potentially interested parties have raised questions about the valuation. Concerns have been focused on the assumptions used to present value future expected cash flows and the calculation of the 70%/30% split.
- Staff and Meketa Investment Group have invited RES and the Retirement System's prior auditor (DHHM) to this Board Meeting to discuss the methodology, assumptions and challenges to valuing this investment. .

Appendix A

- The following table details MERS' cash flow activity on each individual mitigation bank.

Mitigation Bank	Invested (\$ mm)	Distributed (\$ mm)	DPI
First Louisiana Resource	\$8.7	\$3.7	0.43x
Second Louisiana Resource	\$5.2	\$6.2	1.19x
Third Louisiana Resource	\$5.4	\$4.6	0.85x
Coastal Louisiana Resource	\$4.9	\$5.5	1.12x
Total	\$24.2	\$20.2	0.83x

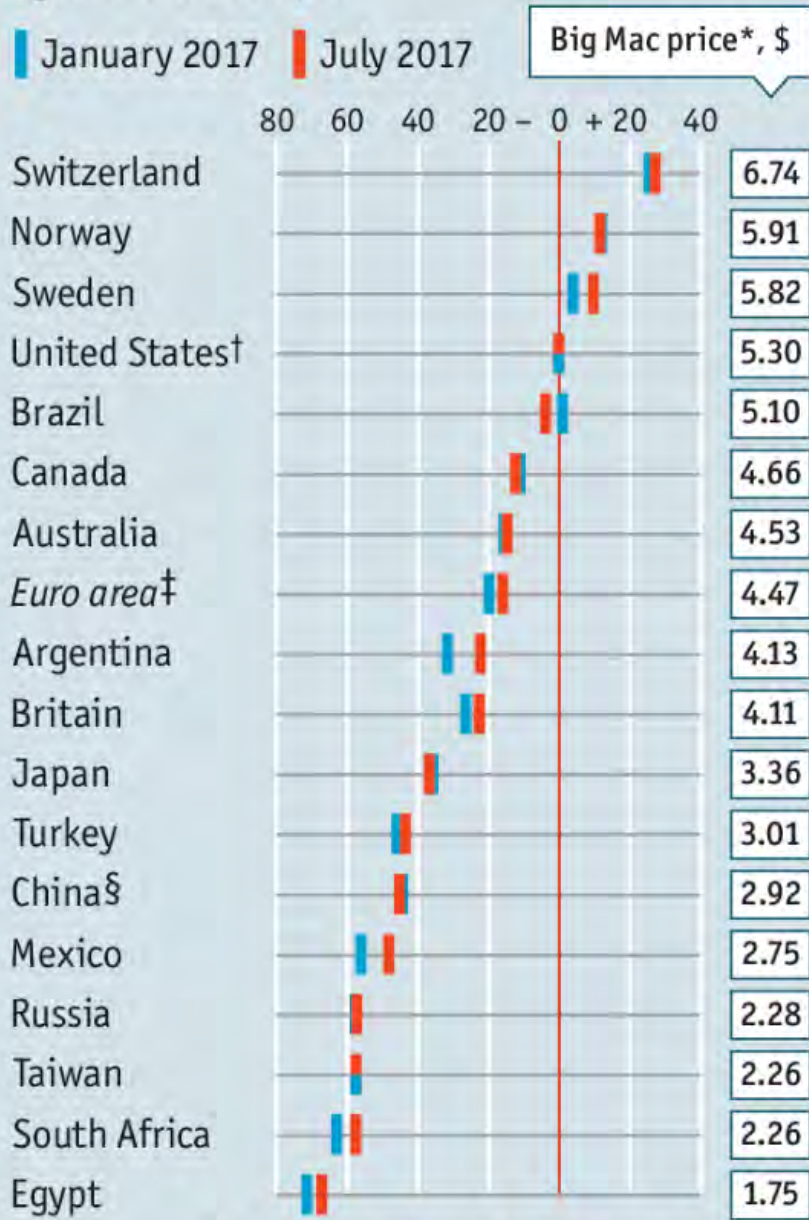
Appendix B

- The following table details the reported value at each respective prior fiscal year end according to data received from DHHM and the Retirement System's former investment consultant.

Date	Valuation According to Audit Report (\$ mm)
6/30/2009	\$27.8
6/30/2010	\$31.3
6/30/2011	\$29.7
6/30/2012	\$47.2
6/30/2013	\$46.9
6/30/2014	\$41.8
6/30/2015	\$41.2
6/30/2016	\$37.2

The Big Mac index

Local currency under(-)/over(+) valuation against the dollar, %



*At market exchange rates (July 12th 2017)
 †Average of four cities ‡Weighted average of member countries
 §Average of five cities

Sources: McDonald's; *The Economist*

Sent from my iPad

 This message, including any attachments, may contain information that is

MERS INVESTMENT CASH FLOWS

June 2017

CASH ACTIVITY

DESCRIPTION	AMOUNT
Northern Trust Beginning Cash Balance	569,635
INVESTMENT TRANSFERS IN	
Interest Income	3,682
NTAM S&P 500 Fund - Sell	5,700,000
NTAM Mid Cap Fund - Sell	3,800,000
NTAM TIPS Fund - Sell	16,000,000
SUBTOTAL TRANSFERS IN	25,503,682
INVESTMENT TRANSFERS OUT	
BlueBay Capital Call	(1,341,050)
NTAM Aggregate Bond Fund - Buy	(16,000,000)
Louisiana Fund II Capital Call	(200,000)
SUBTOTAL TRANSFERS OUT	(17,541,050)
OTHER INCOME/TRANSFERS IN	
Miscellaneous Investment Income	622
Securities Litigation Settlement	131
SUBTOTAL OTHER INCOME	753
OTHER EXPENSES/TRANSFERS OUT	
Northern Trust - Sweep Fee	(85)
Kean Miller Invoice - Kline Hill	(3,910)
Kean Miller Invoice - SNTech	(228)
Kean Miller Invoice - SNTech	(1,050)
Northern Trust - Custody Fee	(18,125)
SUBTOTAL OTHER EXPENSES	(23,398)
Northern Trust Ending Balance	8,509,622

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Quasi-Public Organizations)

Dear Chief Executive Officer:

Attached is the Louisiana Compliance Questionnaire that is to be completed by you or your staff. This questionnaire is a required part of a financial audit of Louisiana state and local government and quasi-public agencies. Upon completion, the questionnaire must be presented to and adopted by the governing body, if any, of your organization by means of a formal resolution in an open meeting. Independently elected officials should sign the document, in lieu of such a resolution.

The completed questionnaire and a copy of the adoption instrument, if appropriate, must be given to the auditor at the beginning of the audit. The auditor will, during the course of his regular audit, test the accuracy of the responses in the questionnaire. It is not necessary to return the questionnaire to my office.

Certain portions of the questionnaire may not be applicable to your organization, especially those related to federal financial assistance. In such cases, it is appropriate to mark the representation "not applicable." However, you must respond to each applicable representation. A 'yes' answer indicates that you have complied with the applicable law or regulation. A 'no' answer to any representation indicates a possible violation of law or regulation and, as such, should be fully explained. These matters will be reviewed by the auditor during the course of his examination. Please feel free to attach a further explanation of any representation.

Your cooperation in this matter will be greatly appreciated.

Sincerely,

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor

Enclosure

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements of Quasi-Public Agencies)

_____ (Date Transmitted)

HAWTHORN, WAYMOUTH, & CARROLL, LLP
CERTIFIED PUBLIC ACCOUNTANTS
8555 UNITED PLAZA BLVD., 70809

In connection with your audit of our financial statements as of 6/30/2017 and for 7/1/2016 to 6/30/2017 for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with accounting principles generally accepted in the United States of America, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of 7/14/2017.

PART I. AGENCY PROFILE

1. Name and address of the organization.

Municipal Employees' Retirement System of Louisiana
7937 Office Park Boulevard
Baton Rouge, LA 70809

2. List names, addresses, and telephone numbers of entity officials. Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

Warren D. Ponder, Executive Director
Nancy LaGarde, Chief Financial Officer
7937 Office Park Boulevard
Baton Rouge, La 70809
(225) 925-4810

***See attached for governing board members.**

3. Period of time covered by this questionnaire.

7/1/2016 to 6/30/2017

4. The entity has been organized under the following provisions of the Louisiana Revised Statute(s) (R.S.) and, if applicable, local resolutions/ordinances.

LSA – R.S. 11:1731-1884

5. Briefly describe the public services provided.

Retirement and related benefits for employers of participating municipalities in the State of Louisiana.

6. Expiration date of current elected/appointed officials' terms.

***See attached for governing board members terms.**

Part II. Federal, State, and Local Awards

7. We have detailed for you the amount of federal, state and local award expenditures for the fiscal year, by grant and grant year.

Not Applicable Yes [] No []

8. All transactions relating to federal grants have been properly recorded within our accounting records and reported to the appropriate federal grantor officials.

Not Applicable Yes [] No []

9. All transactions relating to state grants have been properly recorded within our accounting records and reported to the state grantor officials.

Not Applicable Yes [] No []

10. All transactions relating to local grants have been properly recorded within our accounting records and reported to the appropriate local grantor officials.

Not Applicable Yes [] No []

11. The reports filed with federal agencies are properly supported by books of original entry and supporting documentation.

Not Applicable Yes [] No []

12. The reports filed with state agencies are properly supported by books of original entry and supporting documentation.

Not Applicable Yes [] No []

13. The reports filed with local agencies are properly supported by books of original entry and supporting documentation.

Not Applicable Yes [] No []

14. We have complied with all applicable compliance requirements of all federal programs we administer,

Not Applicable Yes [] No []

15. We have complied with all applicable specific requirements of all state programs we administer, to include matters contained in the grant awards.

Not Applicable Yes [] No []

16. We have complied with all applicable specific requirements of all local programs we administer, to include matters contained in the grant awards.

Not Applicable Yes [] No []

17. We have provided you with all communications from grantors concerning noncompliance with or deficiencies in administering grant programs.

Not Applicable

Yes [] No []

Part III. Public Records

18. We are familiar with the Public Records Act and have made available to the public those records as required by R.S. 44:33.

Yes [X] No []

Part IV. Open Meetings

19. Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes [X] No []

Part V. Budget

20. For each federal grant, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration.

Not Applicable

Yes [] No []

21. For each grant received from the state, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose, duration, specific goals and objectives, and measures of performance.

Not Applicable

Yes [] No []

22. For each local grant, we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration.

Not Applicable

Yes [] No []

Part VI. Reporting

23. We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes [X] No []

The previous responses have been made to the best of our belief and knowledge.

_____	Secretary	_____	Date
_____	Treasurer	_____	Date
_____	President	_____	Date

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
BOARD OF TRUSTEES
2016-2017

<u>BOARD OF TRUSTEES</u>	<u>ADDRESS</u>		<u>TERM END DATE</u>
Mary O. Vice City Clerk	City of Vinton 1200 Horridge Street Vinton, LA 70668 337-589-7453 337-589-6127 - Fax		5/2018
Mike Sands Former Director of Civil Service City of Lafayette	105 Hermitage Avenue Lafayette, LA 70503	CHAIRMAN	5/2020
Ronnie Harris Director of LMA	LMA 700 North 10 th Street, Ste 300 Baton Rouge, LA 70802 225-344-5001 225-336-5287 - Fax	Resigned 10/16/2016	
Donald Villere Mayor	City of Mandeville 3101 E. Causeway Approach Mandeville, LA 70448 985-626-1082		5/2022
Andrea Mahfouz City Clerk	City of Westlake P.O. Box 700 Westlake, LA 70669 337-433-0691 337-433-9350 - Fax	VICE-CHAIRMAN	5/2019
Clarence R. Fields Mayor	City of Pineville 910 Main Street Pineville, LA 71361-3820 318-449-5650 318-484-3698 – Fax		5/2017
Greg Jones Mayor	City of Crowley P.O. Box 1463 Crowley, LA 70527-1463 337-788-4103 337-788-4144	LMA	7/2018
Barrow Peacock Senator	Senate Retirement Committee Post Office Box 94183 Baton Rouge, LA 70804 225-342-0656 225-376-5908		Ex-Officio
J. Kevin Pearson Representative	House Retirement Committee Post Office Box 44486 Baton Rouge, LA 70804 225-342-2445 225-342-8336		Ex-Officio

Ron Henson

State Treasurer
Post Office Box 44154
Baton Rouge, LA 70804
225-342-0010
225-342-0046 - Fax

Ex-Officio

Jay Dardenne

Commissioner of Administration
Post Office Box 94095
Baton Rouge, LA 70804-9095
225-342-7000
225-342-1057 - Fax

Ex-Officio

MERS CASH SUMMARY

ACCOUNT BALANCE SUMMARY

DATE	DESCRIPTION	AMOUNT
SYSTEM CASH		
7/12/2017	Northern Trust Cash Balance	\$14,145,474
7/11/2017	Capital One Operating Account Cash Balance	\$319,905
7/11/2017	Capital One Retirement Payroll Cash Balance - Plan A	\$5,827,978 ¹
7/11/2017	Capital One Retirement Payroll Cash Balance - Plan B	\$4,365,179 ¹
7/11/2017	Capital One Education Account Cash Balance	\$0 ²
SUBTOTAL SYSTEM CASH		\$24,658,535
DROP ACCOUNTS		
7/11/2017	Capital One Drop Balance -Plan A	\$20,220,244
7/11/2017	Capital One Drop Balance -Plan B	\$4,626,072
SUBTOTAL DROP ACCOUNTS		\$24,846,316

¹ Higher balance due to receipt of Ad Valorem and Revenue Sharing for Months of January through May.

As of 6/30/2017	
Ad Valorem (6400)	\$9,509,098
Revenue Sharing (6500)	\$179,517
	\$9,688,614

² As approved in prior Board meeting, Education Account closed and transferred to Operating Account.

MERS CONTRIBUTION SUMMARY

FYE 2017

CONTRIBUTION ACTIVITY

MONTH	EMPLOYER CONTRIBUTIONS	MEMBER CONTRIBUTIONS	NET TRANSFERS IN/OUT	REFUNDS	TOTAL ACTIVITY
PLAN A					
Jul-16	2,956,973	1,340,868	50,604	(257,712)	4,090,732
Aug-16	3,752,645	1,477,831	21,101	(458,909)	4,792,669
Sep-16	3,092,485	1,215,759	(115,793)	(272,234)	3,920,216
Oct-16	3,816,152	1,504,427	94,362	(399,224)	5,015,716
Nov-16	3,146,983	1,238,925	(28,483)	(353,337)	4,004,089
Dec-16	3,126,039	1,231,075	25,777	(257,223)	4,125,668
Jan-17	3,846,679	1,507,884	(580,285)	(275,976)	4,498,302
Feb-17	3,347,861	1,323,977	50,288	(273,086)	4,449,040
Mar-17	3,075,905	1,210,606	(2,029)	(190,344)	4,094,138
Apr-17	3,852,934	1,522,586	(82,686)	(207,176)	5,085,658
May-17	3,512,929	1,388,054	23,858	(141,799)	4,783,042
Jun-17	3,325,606	1,314,192	23,153	(266,538)	4,396,413
SUBTOTAL PLAN A	\$40,853,189	\$16,276,183	(\$520,132)	(\$3,353,557)	\$53,255,684
PLAN B					
Jul-16	596,247	294,882	(5,692)	(116,938)	768,499
Aug-16	696,631	300,530	0.00	(161,104)	836,057
Sep-16	622,348	267,841	(1,550)	(57,688)	830,951
Oct-16	758,887	326,718	0.00	(123,616)	961,990
Nov-16	579,871	247,612	0.00	(75,556)	751,928

Dec-16	719,359	311,039	0.00	(95,352)	935,047
Jan-17	741,424	319,863	0.00	(95,001)	966,287
Feb-17	594,488	255,039	(17,510)	(92,203)	739,814
Mar-17	695,678	298,511	0.00	(49,042)	945,147
Apr-17	687,056	295,379	276,313	(52,773)	1,205,975
May-17	700,898	302,473	(37,683)	(48,408)	917,280
Jun-17	679,975	293,896	0.00	(83,531)	890,340
SUBTOTAL PLAN B	\$8,072,863	\$3,513,784	\$213,877	(\$1,051,211)	\$10,749,313
TOTAL SYSTEM	\$48,926,053	\$19,789,967	(\$306,255)	(\$4,404,768)	\$64,004,997

MERS RETIREMENT BENEFITS SUMMARY

FYE 2017

RETIREMENT BENEFITS ACTIVITY

MONTH	RETIREMENT PAYROLL	DROP PAYROLL	TRANSFERS TO DROP	TOTAL ACTIVITY
PLAN A				
Jul-16	4,825,103	552,428	898,455	6,275,987
Aug-16	4,875,198	473,542	375,963	5,724,703
Sep-16	4,868,199	236,531	222,767	5,327,496
Oct-16	4,866,927	673,541	214,439	5,754,907
Nov-16	4,892,672	449,713	417,901	5,760,285
Dec-16	4,900,866	357,519	204,686	5,463,071
Jan-17	4,947,702	447,604	660,989	6,056,295
Feb-17	4,981,535	997,000	224,117	6,202,652
Mar-17	4,991,378	381,100	542,416	5,914,894
Apr-17	4,986,041	379,139	105,911	5,471,091
May-17	4,996,090	760,280	229,577	5,985,947
Jun-17	5,030,432	604,174	64,744	5,699,350
SUBTOTAL PLAN	\$59,162,142	\$6,312,571	\$4,161,965	\$69,636,677
PLAN B				
Jul-16	855,035	66,322	45,737	967,094
Aug-16	873,788	79,281	130,984	1,084,052
Sep-16	884,279	27,688	102,834	1,014,801
Oct-16	886,182	104,926	56,626	1,047,734
Nov-16	882,348	115,652	67,379	1,065,380
Dec-16	884,114	78,962	72,142	1,035,217

Jan-17	887,352	72,443	134,831	1,094,626
Feb-17	905,166	138,662	255,567	1,299,395
Mar-17	897,396	66,548	216,739	1,180,683
Apr-17	898,405	143,251	62,392	1,104,048
May-17	901,469	121,393	35,822	1,058,684
Jun-17	908,479	119,741	93,847	1,122,067
SUBTOTAL PLAN	\$10,664,013	\$1,134,868	\$1,274,900	\$13,073,780
TOTAL SYSTEM	\$69,826,154	\$7,447,439	\$5,436,865	\$82,710,458

Mitigation Bank Investments

Background

- In 2007 MERS began funding its investment in four mitigation banks:
 - First Louisiana Resource
 - Second Louisiana Resource
 - Third Louisiana Resource
 - Coastal Louisiana Resource
- Total capital contributed to the mitigation banks was approximately \$24.2M.
- As of December 31, 2016, total distributions received to date from the mitigation banks is approximately \$20.5M.

Operating Agreements

Key terms in operating agreements:

- Members shall participate in, and shall be allocated, profits, losses, and distributions of the Mitigation Banks as follows:
 - RES 70%
 - MERS 30%
- Until MERS has been allocated and has received net cash flow distributions in an amount equal to its total capital contributions; all income and gain and net cash flow from the Company shall be allocated to each entity's capital account as follows:
 - RES 30%
 - MERS 70%

Accounting Treatment

- GASB requires that pension plans report investments at fair market value.
- Within each mitigation bank the land and mitigation credits are marked to fair market value.
- Remaining assets/liabilities are reported at their respective carrying values.
- Land and mitigation credit values are adjusted annually based on estimated fair market value at the end of each reporting period.

Valuation Methodology

- Mitigation credits are adjusted to the fair market value at each reporting period using the income approach.
 - Estimates involve significant assumptions from management.
 - Under the income approach expected future cash inflows and outflows are estimated over the life of the entity and present valued back.
 - Significant assumptions to fair value calculation include:
 - Timing of credit sales and expenses to be incurred in the future
 - Amount of credit sales and expenses to be incurred in the future
 - Discount rate used in the PV calculation
 - Rate of inflation

Significant Assumptions to Valuation

- The most sensitive assumption to valuation of mitigation credits is the discount rate.
- The discount rates used in the present value calculation are:
 - 5.00% - Approved MBI, released mitigation credits (represents a risk-free interest rate).
 - 11.25% - Approved MBI, unreleased mitigation credits

Testing Over Valuation

- Ensure mathematical accuracy of PV calculations.
- Review assumptions inherent in calculation and determine that they are reasonable.
- Compare credit pricing used in the PV calculations against recent actual sales to determine reasonableness.
- Verify mitigation credit releases.
- Review expected income to be received and expenses remaining to be incurred.

Unaudited Balances - December 31, 2016

Mitigation Bank		Unaudited Balance
First Louisiana Resource	\$	7,382,936
Second Louisiana Resource		15,343,438
Third Louisiana Resource		9,373,178
Coastal Louisiana Resource		8,711,838
Resource Project Specific		<u>219,955</u>
Total Mitigation Banks	\$	<u>41,031,345</u>

S&P 500 Index: Forward P/E ratio



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-valued
P/E	Forward P/E	17.5x	16.0x	0.5
CAPE	Shiller's P/E	30.1	26.2	0.6
Div. Yield	Dividend yield	2.1%	2.0%	-0.2
P/B	Price to book	2.9	2.9	0.0
P/CF	Price to cash flow	12.2	10.6	0.8
EY Spread	EY minus Baa yield	1.3%	-0.3%	-0.8

S&P 500 Price Index



**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATIVE BUDGET
AS OF JUNE 30, 2017**

EXPENSES	ANNUAL BUDGET	YTD ACTUAL	YTD DIFFERENCE \$	YTD %	MTH OF MAY ACTUAL
Personnel Expenses					
Salaries	\$933,090.00	\$716,401.16	\$216,688.84	76.78%	\$61,720.86
Employer Retirement	\$211,693.00	\$162,088.34	\$49,604.66	76.57%	\$14,011.94
Health Insurance	\$69,500.00	\$66,557.57	\$2,942.43	95.77%	\$5,691.76
Subtotal Personnel Expenses	\$1,214,283.00	\$945,047.07	\$269,235.93	77.83%	\$81,424.56
Operating Expenses					
Building & Ground Maintenance	\$35,600.00	\$29,654.50	\$5,945.50	83.30%	\$2,169.30
Office Equipment & Maintenance	\$80,500.00	\$80,222.95	\$277.05	99.66%	\$4,981.90
Office Supplies Expense	\$107,182.00	\$83,574.61	\$23,607.39	77.97%	\$20,394.21 ¹
Telecommunications/Utilities	\$31,320.00	\$29,712.13	\$1,607.87	94.87%	\$2,297.29
Insurance	\$76,026.00	\$63,520.95	\$12,505.05	83.55%	\$0.00
Subtotal Operating Expenses	\$330,628.00	\$286,685.14	\$43,942.86	86.71%	\$29,842.70
Professional Services					
Audit	\$100,000.00	\$92,590.00	\$7,410.00	92.59%	\$0.00
Professional Services	\$52,650.00	\$45,302.05	\$7,347.95	86.04%	\$2,765.00
Actuarial	\$91,620.00	\$91,620.00	\$0.00	100.00%	\$7,635.00
Legal-Administrative	\$10,000.00	\$7,687.56	\$2,312.44	76.88%	\$0.00
Legal-Securities Litigation	\$406,000.00	\$390,164.21	\$15,835.79	96.10%	\$63,297.31 ²
Subtotal Professional Services	\$660,270.00	\$627,363.82	\$32,906.18	95.02%	\$73,697.31
Travel Expenses					
Travel - Board Meetings & Conventions	\$35,000.00	\$34,107.59	\$892.41	97.45%	\$3,594.48
Subtotal Travel Expenses	\$35,000.00	\$34,107.59	\$892.41	97.45%	\$3,594.48
TOTAL OPERATING EXPENSES	\$2,240,181.00	\$1,893,203.62	\$346,977.38	84.51%	
Capital Equipment & Services	\$89,770.75	\$89,370.75	\$400.00	99.55%	\$0.00
TOTAL ADMINISTRATIVE EXPENSES	\$2,329,951.75	\$1,982,574.37	\$347,377.38	85.09%	\$188,559.05



1 Underbudget - no election was held this year.

2 Preis Gordon - Fletcher (\$57,859.59).
Kean Miller - Kline Hill Sale (\$3,910.22) SNTech (\$1,277.50)
CMA - Fletcher (document discovery) \$250.00