

MEETING MATERIALS

Municipal Employees' Retirement System of Louisiana

March 31, 2016



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Manager Due Diligence Rotation Schedule

Suggested Schedule

- At the December 2015 Board Meeting, Meketa Investment Group recommended implementing a quarterly manager interview rotation schedule.
- Below is our suggested rotation schedule:

- **Wednesday, April 27, 2016**
 - Barrow Hanley – Domestic Equity
 - Brandywine – Foreign Bonds
 - AEW – Non-Core Real Estate
 - Compass Island – Private Equity

- **Wednesday, July 20, 2016**
 - First Eagle – International Developed Equity
 - Loomis Sayles– High Yield Bonds
 - Bedico Creek – Non-Core Real Estate
 - Whalehaven – Private Equity/PIPEs.

- **Wednesday, October 26, 2016**
 - Thornburg – Global Equity
 - Timbervest – Natural Resources
 - Sentinel – Core Real Estate
 - Louisiana Funds – Private Equity

- **Wednesday, December 7, 2016**
 - Resources Environmental Solutions – Natural Resources
 - JPMorgan India – Non-Core Real Estate
 - Greenspring – Private Equity
 - Gainesville Vision – Non-Core Real Estate

- **April 2017**
 - WCM – International Developed Equity
 - LEM – Private Debt
 - Crow – Non-Core Real Estate
 - Entropy – Private Equity

- **July 2017**
 - Dimensional Fund Advisors – Emerging Market Equity
 - Republic Business Credit– Private Debt
 - Americus – Non-Core Real Estate

- **October 2017**
 - Kleinwort Benson Investors – Global Equity
 - Capital Springs– Private Debt/Private Equity
 - Blue Bay – Private Debt
 - MEREC/Land Baron – Non-Core Real Estate

Vontobel Termination Recommendation



MEMORANDUM

To: Trustees, Municipal Employees' Retirement System of Louisiana

From: Aaron Lally, Gustavo Bikkesbakker, Brian Dana, Henry Jaung, Meketa Investment Group

Date: March 9, 2016

Re: Vontobel Portfolio Manager Departure

BACKGROUND

On March 7, 2016, Vontobel Asset Management notified Meketa Investment Group that Rajiv Jain, Chief Investment Officer, Co-Chief Executive Officer and Portfolio Manager of the Vontobel Emerging Markets Equity strategy resigned. Mr. Jain will stay at the firm through the end of May 2016 to transition his portfolio management responsibilities. As of January 31, 2016 the Retirement System had approximately \$24.1 million invested in the Vontobel Emerging Markets strategy.

DEPARTURE AND REPLACEMENT

Mr. Jain has served as the Lead Portfolio Manager on the Vontobel Emerging Markets Equity strategy since January 1997. Effective immediately, Matt Benkendorf, Mr. Jain's Co-Portfolio Manager will assume all of Mr. Jain's portfolio management responsibilities and become Vontobel Asset Management's Chief Investment Officer. Mr. Benkendorf joined Vontobel in 1999 and has worked alongside Mr. Jain for the majority of his investment career. Mr. Jain intends to pursue his own firm when he official leaves Vontobel.

RECOMMENDATION

We recommend terminating the strategy as soon as reasonably possible. Mr. Jain was the "key man" leading the strategy. While he leaves behind a deep and experienced investment team, Mr. Jain's departure significantly impacts our conviction in Vontobel.

The strategy is a commingled fund with monthly liquidity that requires a fifteen advance notice of any redemption requests. Our recommendation is to submit formal redemption before the March 16, 2016 deadline in order to participate in the March 31, 2016 redemption window. We expect a significant number of investors in the fund will be doing the same.

If Louisiana State laws prevent the Board from taking action outside of an official Board Meeting, we will delay discussion of the matter until the March 31, 2016 board meeting.

With the proceeds we suggest temporarily investing the assets in an index fund while we organize possible replacement options. We recommend using Northern Trust's Emerging Markets Index Fund - Non Lending which is benchmarked to the MSCI Emerging Market Index. It is offered at a competitive fee for the asset class (16 basis points all in) and has daily liquidity.

Memorandum
March 9, 2016
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We still have a high opinion of Mr. Rajiv Jain as an investor. Indications are that his new firm will be up and running in late spring. We would ultimately like to conduct a replacement search that includes Mr. Jain's new firm as an option.

Please contact us at (305) 341-2900 with any questions.

AL /GB /BD /HJ /nd

Horizon Termination Recommendation

Recommendation

- We recommend the Board of Trustees terminate the Horizon Strategic Value strategy and reallocate the assets to existing asset managers.

Rationale

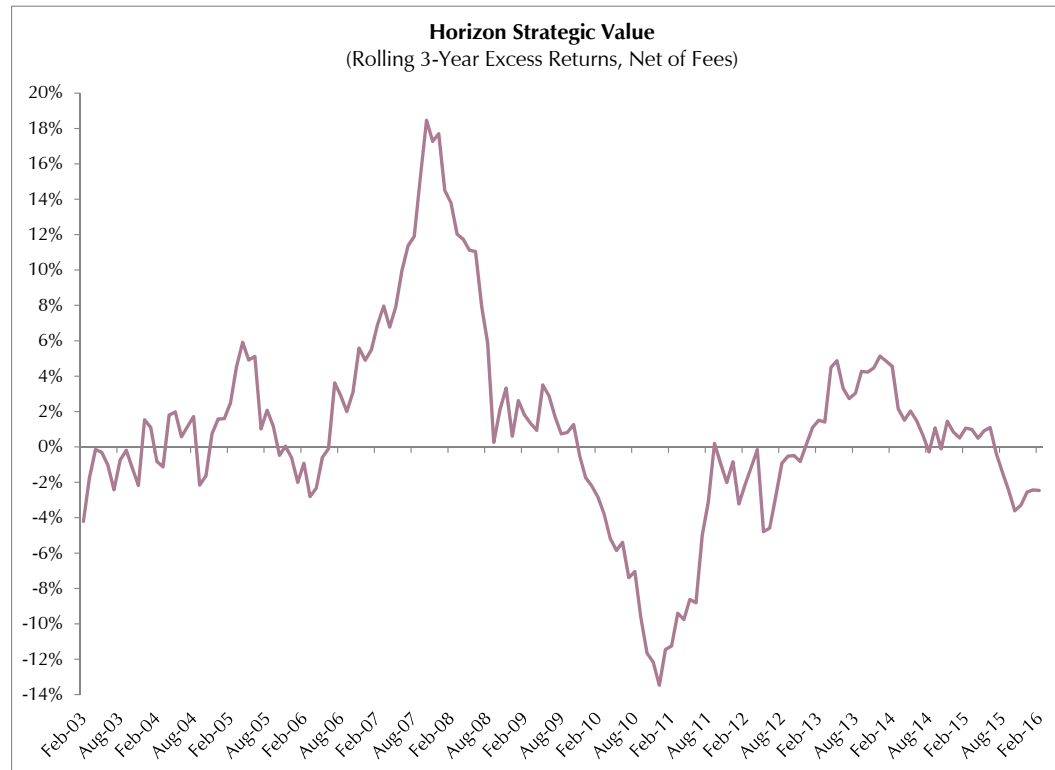
- The following factors all contributed to this recommendation:
 - The Strategy has underperformed in tough equity markets (2008, 2011, 2015)
 - The Strategy is still in positive territory since inception an exit today will capture around \$5MM
 - Limited diversifying benefit to keeping the strategy
 - Will result in a reduction in fees and complexity for the Retirement System
 - There is possible staff instability at Horizon

Next Steps

- If the Board accepts the recommendation to terminate, there are no liquidation concerns with the strategy. It is a separately managed account of domestic equities and should be able to prudently liquidated in a few days of trading.
- We recommend reallocating \$10 million to the Barclays Aggregate Index, \$5 million to Barrow Hanley Small Cap Value, and the balance of the liquidation to the Northern Trust S&P 500 Index.

Performance Analysis

- Given Portfolio Manager Murray Stahl's long term investment horizon and concentration in two sectors, historic performance has been very lumpy.
- The following chart shows the relative performance of the Horizon Strategic Value vs. the Russell 2500 Value Index on a rolling three year basis.
 - The strategy has the discretion to invest across the market cap spectrum but he has tended to have a small/mid cap and value bias so we compared the results against the Russell 2500 Value comparison.



- Since inception, the strategy has beaten the benchmark 57% of the time, on a rolling three year basis. However, out-performance has been less consistent since 2009.
 - From inception to September 30, 2009 the strategy outperformed 73% of the time.
 - From October 1, 2009 through December 31, 2015 the strategy only outperformed 40% of the time.

Calendar Year Returns

	2015 (%)	2014 (%)	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)
Horizon Strategic Value	-9.2	-3.4	44.6	27.5	-4.5	19.6	30.6	-52.9	23.1
Russell 2500 Value	-5.5	7.1	33.3	19.2	-3.4	24.8	27.7	-32.0	-7.3
Excess Returns	-3.7	-10.5	11.3	8.3	-1.0	-5.2	2.9	-20.9	30.4
Russell 3000	0.5	12.6	33.6	16.4	1.0	16.9	28.3	-37.3	5.1
Excess Returns	-9.7	-16.0	11.0	11.1	-5.5	2.7	2.3	-15.6	18.0

- Against either benchmark, on an annual basis the magnitude of under performance or out performance in any given year has been quite large.
- The strategy has underperformed in tough equity markets (e.g. 2008, 2011, 2015).

Long Term Value Creation

- Despite the recommendation to terminate the strategy now, the investment was profitable over the long term for the Retirement System.
- The strategy created approximately five million dollars in value over the ten plus years Horizon managed money for the Retirement System.

Historical Cash Flows	Action
Original investment (12/2006)	\$32.3 million
- Withdrawal (12/2011)	-\$15.0 million
= Current cost basis	\$17.3 million
- Market Value as of 2/29/16	\$21.3 million
= Estimated profit	\$5 million

Municipal Employees' Retirement System of Louisiana

Horizon Strategic Value Portfolio Detail as of 12/31/15

Mandate: Domestic Equities
Active/Passive: Active
Market Value: \$22.5 million
Portfolio Manager: Murray Stahl
Location: New York, New York
Inception Date: 12/1/2006
Account Type: Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

Fee Schedule:

1.00% on first \$5 mm; 0.75% on next \$5 mm; 0.60% on next \$5 mm; 0.50% thereafter

Liquidity Constraints:

Daily

Strategy:

The Strategic Value strategy is unconstrained and may invest in securities across all market capitalizations, countries, as well as across all facets of capital structures - including but not limited to common and preferred stocks, debt instruments, options, convertibles, etc. The investment team does not limit itself to a specific investment universe, whether from regional, market capitalization, industry sector, or capital structure perspectives.

Performance (%):	4Q15	Fiscal YTD ¹	1 YR	3 YR	5 YR	Since 12/1/06
Horizon Strategic Value	1.5	-12.4	-9.2	8.2	9.1	3.8
Russell 2500 Value	2.8	-7.1	-5.5	10.5	9.2	5.2
Russell 3000	6.3	-1.4	0.5	14.7	12.2	6.5
Peer All Cap Core	3.8	-5.3	-2.8	12.8	10.2	5.7
Peer Ranking (percentile)	83	94	90	91	69	90

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
Horizon Strategic Value	16.8%	0.96	0.54	Neg.	0.89
Russell 2500 Value	15.6	1.00	0.59	NA	1.00

	12/31/15		9/30/15	
	Horizon Strategic Value Investing	Russell 2500 Value	Horizon Strategic Value Investing	Russell 2500 Value
Capitalization Structure:				
Weighted Average Market Cap. (US\$ billion)	10.8	3.7	9.8	3.6
Median Market Cap. (US\$ billion)	4.0	0.9	4.5	0.9
Large (% over US\$20 billion)	8	0	10	0
Medium (% US\$3 billion to US\$20 billion)	62	52	60	53
Small (% under US\$3 billion)	30	48	30	47
Fundamental Structure:				
Price-Earnings Ratio	25	18	20	17
Price-Book Value Ratio	2.3	1.6	2.2	1.6
Dividend Yield (%)	2.2	2.4	1.4	2.4
Historical Earnings Growth Rate (%)	-13	9	-7	9
Projected Earnings Growth Rate (%)	10	8	11	9
Sector Allocation (%):				
Consumer Discretionary	49	9	49	9
Energy	5	5	7	6
Materials	5	5	3	5
Telecommunication Services	0	1	0	1
Consumer Staples	0	3	0	3
Health Care	0	5	0	5
Industrials	8	13	9	13
Information Technology	3	10	3	9
Utilities	0	9	0	9
Financials	29	40	29	41
Diversification:				
Number of Holdings	49	1,702	50	1,659
% in 5 largest holdings	34	3	33	3
% in 10 largest holdings	54	5	49	5
Largest Ten Holdings:			Industry	
Howard Hughes	10.8		Real Estate	
Liberty Media	7.0		Media	
ONEX (OTC)	5.6		Diversified Financials	
Icahn Enterprises	5.5		Capital Goods	
Jarden	5.0		Consumer Durables	
DreamWorks Animation	5.0		Media	
Wendy's	4.5		Consumer Services	
Texas Pacific Land Trust	3.8		Diversified Financials	
Liberty Media	3.6		Media	
L BRANDS	3.1		Retailing	

¹ Fiscal Year begins July 1.



Updated Investment Policy Statement

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INVESTMENT POLICY STATEMENT

Approved March 31, 2016

The purpose of this document is to set forth the goals and objectives of the Municipal Employees' Retirement System of Louisiana and to establish guidelines for the implementation of investment strategy.

Any revisions to this document may be made only with the approval of the Board of Trustees of the System.

The Trustees of the System recognize that a stable, well-articulated investment policy is crucial to the long-term success of the System. As such, the Trustees have developed this Investment Policy Statement with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of the System's assets,
- To establish a long-term target asset allocation with a high likelihood of meeting the System's objectives given the explicit constraints, and
- To protect the financial health of the System through the implementation of this stable long-term investment policy.

I. Purpose and Scope

The purpose of the Municipal Employees' Retirement System of Louisiana ("The System") is to maintain a pool of assets that can be used to meet the retirement benefits of its members in accordance with plan documents.

The purpose of this Investment Policy Statement is to communicate to the System's Trustees, retained investment consultants, investment managers, and other interested parties a clear understanding of the investment goals and objectives of the System. This Investment Policy Statement outlines the investment objectives and constraints of the System, and establishes review and control procedures to evaluate the System's performance.

This Policy applies to all assets that are included in the System's investment portfolio for which the Board of Trustees has investment authority.

II. Operating Principles

The Board of Trustees and its investment managers shall operate under the Prudent Investor Rule. The Trustee is under a duty to the beneficiaries to invest and manage the funds of the System as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the System. This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the total portfolio, and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the System.

In making and implementing investment decisions, the Trustee has a duty to diversity the investments of the System unless, under the circumstances, it is prudent not to do so.

In addition, the Trustee must conform to fundamental fiduciary duties of loyalty and impartiality; act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and incur only costs that are reasonable in amount for the services rendered.

Investments shall also be in accordance with the Louisiana Revised Statute 11:263 Prudent Man Rule; investments; reporting (attached as Appendix D).

III. Investment Objectives

The investment strategy of the System is designed to ensure the prudent investment of funds in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

The primary investment objective of the System is to provide sufficient liquidity to pay retirement expenses of its members and ultimately achieve and maintain an adequate funded status of the System. The objectives intend to provide the System sufficient flexibility to accommodate the variability of benefit expenses and changing financial circumstances and market conditions.

A. Risk Objectives

1. To accept the minimum level of risk required to achieve the System's return objective as stated immediately below.
2. To minimize the likelihood of experiencing a loss over any five-year period (with 90% certainty).
3. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the System's assets so as to target a 7.5% nominal return over long periods of time.

IV. Investment Constraints

A. Legal and Regulatory

The Trustees intend that the assets of the System at all times are invested in accordance with the Prudent Investor Rule, consistent with applicable statutory requirements and governing instruments in the State of Louisiana. The Trustees will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

B. Time Horizon

The System will be managed on a going-concern basis. The assets of the System will be invested with a long-term time horizon (twenty years or more), consistent with the participant demographics and the purpose of the System.

C. Liquidity

The Trustees intend to maintain sufficient liquidity to meet at least three years of anticipated expenses.

Further, the Trustees intend to invest at least 50% of the System's assets in liquid vehicles.¹

¹ Liquid vehicles are defined as those vehicles that allow withdrawals to occur on at least a quarterly basis.

D. Tax Considerations

The System is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is indifferent to taxable status, except where the prospect of Unrelated Business Taxable Income (UBTI) is a concern.

V. Risk and Return Considerations

The Trustees accept the risks associated with investing in the capital markets (market risks), but will minimize wherever possible those risks for which the System is unlikely to be compensated (non-market or diversifiable risks).

VI. Diversification

The Trustees of the System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for the expected correlation of their returns. Within each asset type, the Trustees will seek to distribute investments across many individual holdings, thus expecting to further reduce volatility. In addition, each investment manager's guidelines will specify the largest permissible investment in any one asset, and will set other diversification requirements.

VII. Asset Allocation

The Trustees recognize that the allocation of monies to various asset classes will be the major determinant of the System's return and risk experience over time. Therefore, the Trustees will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the System's investment objectives.

A. Permissible Asset Classes

Because investment in any particular asset class may or may not be consistent with the objectives of the System, the Trustees have specifically indicated in Appendix A those asset classes that may be utilized when investing the System's assets.

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the System will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. Appendix B lists the current expected

return, volatility, and correlations for each permissible asset class, as reported by the System's consultant.

C. Long-Term Target Allocations

Based on the investment objectives and constraints of the System, and on the expected behavior of the permissible asset classes, the Trustees will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the System's overall market value, surrounded by a band of permissible variation resulting from market forces.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. Deviations from targets that occur due to capital market changes are discussed below.

No more than 10% of the System's assets strategy shall be invested in any single active strategy. As stipulated in Louisiana RS 11:263, no more than 65% of the total portfolio shall be invested in equities. Should equities comprise more than 55% of the System's assets, at least 10% of the total must be invested passively.

The System's target allocations for all permissible asset classes are shown in Appendix C.

D. Rebalancing

In general, cash flows to and from the System will be allocated in such a manner as to move each asset class toward its target allocation.

The Trustees recognize that, periodically, market forces may move the System's allocations outside the target ranges. The Trustees also recognize that failing to rebalance the allocations would unintentionally change the System's structure and risk posture. Consequently, the Trustees have established the following process to rebalance the allocations periodically.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to within the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy Statement will be reviewed at least annually to ensure that the objectives and constraints remain relevant. However, the Trustees recognize the need for a stable long-term policy for the System, and major changes to this policy statement will be made only when significant developments in the circumstances, objectives, or constraints of the System occur.

The asset allocation of the System will be reviewed on an on-going basis, and at least annually. When necessary, such reviews may result in a rebalancing of asset allocations. In general, the Trustees intend that the System will adhere to its long-term target allocations, and that major changes to these targets will be made only in response to significant developments in the circumstances, objectives, or constraints of the System or in the capital market opportunities.

The Trustees will specifically evaluate the performance of the System relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Trustees will utilize relative, rather than absolute, benchmarks in evaluating performance. The total performance of the System will be evaluated relative to the investment objectives and constraints identified in this investment policy statement. Specifically, the total System performance will be evaluated relative to a “custom benchmark” that weights the returns of available market indices on the basis of the System’s target investment structure, to assess the implementation of the System’s investment strategy.

IX. Manager Watch List

The Trustees, with the aid of Staff and the Consultant, will monitor the performance of each manager and meet with each manager periodically. The Trustees retain the discretion to place any manager on watch list status or terminate. Factors to consider, but not are not limited to:

- Significant change in ownership or control of the investment management firm
- Significant change in investment personnel
- Significant change in the strategy’s process or philosophy
- Failure to comply with investment guidelines.
- Evidence of illegal or unethical behavior by the investment manager.
- Any pending litigation or regulatory action against the investment manager
- Loss of confidence in the investment strategy or investment firm.

- Failure to achieve performance objectives over a reasonable measurement period.

X. Investment Costs

The Trustees intend to monitor and control investment costs at every level of the System.

- Professional fees will be negotiated whenever possible.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
- If possible, assets will be transferred in-kind during manager transitions and restructurings to eliminate unnecessary turnover expenses.
- Managers will be instructed to minimize brokerage and execution costs.

XI. Voting of Proxies

The Trustees recognize that the voting of proxies is important to the overall performance of the System. The Trustees have delegated the responsibility of voting all proxies to the investment managers. The Trustees expect that managers will execute all proxies in a timely fashion. Also, the Trustees expect the managers to provide, upon request, a written explanation of individual voting decisions. The Trustees intend to review the managers' proxy voting on at least an annual basis.

XII. Forbidden Assets and Strategies

Within their investment guidelines, each investment manager of a separately managed account will be furnished with a list of asset types and investment strategies that are forbidden. Any investment strategy held outside of a separately managed account (e.g. commingled funds, mutual funds, Limited Partnership vehicles, etc.) is expected to follow the guidelines contained in the fund's Prospectus, Offering Memorandum, or similar governing document.

APPENDIX A

PERMISSIBLE ASSET CLASSES¹

Asset Class
Public Domestic Equity
Public Foreign Equity
Emerging Market Equity
Frontier Market Equity
Private Equity
Private Debt
Real Estate
Investment Grade Bonds
TIPS
High Yield Bonds
Bank Loans
Developed Market Bonds
Emerging Market Bonds
Natural Resources
Infrastructure
Commodities
REITs
Hedge Funds
Cash

¹ Asset classes listed represent the primary assets for investment by the System. Other asset classes may also be utilized with approval of the Board.

APPENDIX B

TWENTY-YEAR, SINGLE ASSET CLASS AND SUB-ASSET CLASS FORECAST¹

Asset Class	Expected Return (%)	Volatility (%)
Fixed Income		
Cash Equivalents	2.3	1.0
Short-term Investment Grade Bonds	2.9	2.0
Investment Grade Bonds	3.6	4.5
Investment Grade Corporate Bonds	4.4	7.0
Long-term Corporate Bonds	5.1	11.0
Long-term Government Bonds	3.6	12.5
TIPS	3.3	7.5
High Yield Bonds	6.8	12.5
Bank Loans	5.7	10.0
Foreign Bonds	2.6	9.0
Emerging Market Bonds (major)	5.9	13.0
Emerging Market Bonds (local)	6.3	14.0
Equities		
US Equity	7.8	18.0
Developed Market Equity	8.1	20.0
Emerging Market Equity	10.5	26.5
Frontier Market Equity	9.5	25.0
Global Equity	8.2	19.5
Private Equity	9.4	24.0
Buyouts	9.8	25.0
Venture Capital	9.5	35.0
Mezzanine Debt	6.9	20.0
Distressed Debt	7.7	27.0
Real Assets		
Real Estate	7.1	18.0
REITs	6.6	29.0
Core Private Real Estate	5.9	12.5
Value Added Real Estate	7.5	20.0
Opportunistic Real Estate	9.2	25.0
Natural Resources (Public)	7.8	24.0
Natural Resources (Private)	8.4	22.0
Commodities (naïve)	4.1	21.0
Infrastructure (Public)	7.8	19.5
Core Infrastructure (Private)	6.7	16.0
Non-Core Infrastructure (Private)	9.1	23.0
Other		
Hedge Funds	5.6	10.5
Long-Short	4.7	12.0
Event-Driven	6.5	11.0
Global Macro	5.8	8.5
Risk Parity (10% vol)	5.8	11.0
Tactical Asset Allocation	5.0	12.5

¹ Expected returns and standard deviations are based on Meketa Investment Group's 2016 Annual Asset Study. Expected returns are annualized compounded returns.

APPENDIX B

EXPECTED CORRELATIONS AMONG ASSET CLASSES AND SUB-ASSET CLASSES¹

	TIPS	Investment Grade Bonds	High Yield Bonds	Public US Equity	Public Developed Market Equity	Public Emerging Market Equity	Private Equity	Real Estate	Natural Resources (private)	Commodities	Infrastructure (private)	Hedge Funds
TIPS	1.00											
Investment Grade Bonds	0.80	1.00										
High Yield Bonds	0.30	0.20	1.00									
Public US Equity	0.00	0.05	0.70	1.00								
Public Developed Market Equity	0.15	0.05	0.70	0.90	1.00							
Public Emerging Market Equity	0.15	0.05	0.70	0.80	0.90	1.00						
Private Equity	0.05	0.05	0.65	0.85	0.80	0.75	1.00					
Real Estate	0.10	0.20	0.50	0.50	0.45	0.40	0.45	1.00				
Natural Resources (private)	0.10	0.10	0.45	0.65	0.60	0.60	0.55	0.45	1.00			
Commodities	0.35	0.05	0.40	0.35	0.55	0.60	0.30	0.15	0.65	1.00		
Infrastructure (core)	0.30	0.30	0.60	0.55	0.55	0.50	0.45	0.60	0.60	0.35	1.00	
Hedge Funds	0.20	0.05	0.70	0.80	0.85	0.85	0.65	0.45	0.65	0.65	0.60	1.00

¹ Expected correlations are based on Meketa Investment Group's 2016 Annual Asset Study.

APPENDIX C

ASSET ALLOCATION TARGETS

	Target	Range	Policy Benchmark
Public Equity	50%		MSCI ACWI IMI
Domestic Equity	28	18-38	Russell 3000
Developed Market Equity	12	7-17	FTSE All-World (ex. U.S.)
Emerging Market Equity	10	5-15	MSCI Emerging Markets
Global Equity	0	0-5	MSCI ACWI
Public Fixed Income	35%		Barclay's Universal
U.S. Core Bonds	18	8-28	Barclays Aggregate
TIPS	7	2-12	Barclays U.S. TIPS
High Yield	5	0-10	Barclays High Yield
Foreign Bonds	5	0-10	Barclays Global Aggregate
Alternatives	15%		Custom Benchmark⁴
Core Real Estate	4	0-8	NCREIF ODCE Equal Weighted (net)
Non-core Real Estate	0	0-5	NCREIF Property
Natural Resources	3	0-6	S&P North American Natural Resources Sector
Infrastructure	3	0-6	S&P Global Infrastructure Index
Hedge Funds	0	0-5	HFRI Fund of Funds Composite
Private Equity	2	0-4	S&P 500 +3%
Private Debt	3	0-6	Barclays High Yield +2%

Based upon the expected asset returns, risks, and correlations, this target allocation exhibits an expected annual return of 7.6% and standard deviation of 13.0%, based on Meketa Investment Group's calculations⁵.

⁴ Weighted composite of sub-asset class benchmark indices

⁵ Expected returns and standard deviations are based on Meketa Investment Group's 2016 Annual Asset Study. Expected returns are annualized compounded returns.

APPENDIX D

Louisiana Revised Statutes 263. Prudent-man rule; investments; reporting

A. The prudent-man rule shall be applied by the systems, funds, and plans governed by this Subpart.

B. 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.

C. This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation, but in the context of the trust portfolio, and as part of an overall investment strategy, which shall include an asset allocation study and plan for implementation thereof, incorporating risk and return objectives reasonably suitable to that trust. The asset allocation study and implementation plan shall include the examination of market value risk, credit risk, interest rate risk, inflation risk, counterparty risk, and concentration risk. The investment policy of each system, plan, or fund shall preserve and enhance principal over the long term and provide adequate liquidity and cash flow for the payment of benefits. The investments shall be diversified to minimize the risk of significant losses unless it is clearly prudent not to do so.

D.(1) Notwithstanding the prudent-man rule, no governing authority of any system or fund governed by this Subpart shall invest more than fifty-five percent of the total portfolio in equities, except as provided in Paragraph (2) of this Subsection.

(2) The governing authority of any system may invest more than fifty-five percent of the total portfolio in equities, so long as not more than sixty-five percent of the total portfolio is invested in equities and at least ten percent of the total equity portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

(3) When contemplating any investment, action, or asset allocation the following factors shall be given weight:

- (a) The availability of public pricing to value each investment.
- (b) The ability to liquidate each investment at a fair market price within a reasonable time frame for the size of investment that is being considered.
- (c) The degree of transparency that accompanies each investment.
- (d) The risk of fluctuations in currency that may accompany each investment.
- (e) The experience of the professionals who will manage each investment and the financial soundness of the business entity employing such professionals.

(f) The degree of diversification which exists within each investment and that such investment itself may provide relative to the other existing investments in the system's portfolio.

(g) Whether leverage is involved.

(h) The potential for unrelated business taxable income as defined in Section 512 of the Internal Revenue Code.

(i) The jurisdiction of the laws that govern each investment.

(j) The net return that is expected relative to the risk that is associated with each investment.

E. Repealed by Acts 2010, No. 1004, §2, eff. July 1, 2010.

F. Notwithstanding the prudent-man rule, a system board of trustees may but is not required to divest itself of any holding in a company having facilities or employees or both located in a prohibited nation as that term is defined in R.S. 11:312(B)(2).

G.(1) Each system, plan, or fund governed by this Subpart shall submit to the House and Senate committees on retirement and to each other state and statewide retirement system electronically transmitted quarterly reports beginning with the quarter ending June 30, 2010, which shall be submitted no later than thirty calendar days after the end of the quarter.

(2) Each report submitted pursuant to this Subsection shall contain, at a minimum, the following:

(a) The investment return net of investment fees and expenses expressed as a percentage return and dollar amount.

(b) The amount of administrative expenses.

(c) The board-approved target asset allocation.

(d) The current actual asset allocation of the system portfolio.

(3) Investment returns reported pursuant to this Subsection shall be by total fund and particular asset class over the quarter reported, fiscal year-to-date, one year, three year, five year, and ten year periods.

Rebalance Road Map

Current and Actual Allocation Versus New Asset Allocation Targets

	Previous Targets	Actual Allocation ¹ 2/29/16	New Asset Allocation	Required Change	Expected Actions
Total Public Equities	50	47	50	+3	
Domestic Equity		22	28	+6	Rebalancing, no new searches
Developed Market Equity (Non-U.S.)		5	12	+7	Rebalancing, no new searches
Emerging Market Equity		6	10	+4	Rebalancing, no new searches
Global Equity		14	0	-14	All managers can be liquidated by any month end
Total Public Fixed Income	15	10	35	+25	
U.S. Core Bonds		2	18	+16	Rebalancing, no new searches
TIPS		0	7	+7	Search needed – Recommend Passive
High Yield		4	5	+1	Rebalancing, update Loomis guidelines
Foreign Bonds		4	5	+1	Rebalancing, no new searches
Total Alternatives	35	42	15	-27	
Core Real Estate		2	4	+2	Rebalancing, use non-core RE distributions
Non-core Real Estate		4	0	-4	Self liquidating and/or seek secondary buyers
Natural Resources		7	3	-4	Self liquidating and/or seek secondary buyers
Infrastructure		0	3	+3	Search needed – Open End Fund
Hedge Funds		17	0	-17	Liquidation in process
Private Equity		7	2	-3	Self liquidating and/or seek secondary buyers
Private Debt		5	3	-2	Self liquidating and/or seek secondary buyers

¹ May not add to 100% because of rounding



Argonaut Proceeds Recommendation

- Argonaut Macro Partnership was valued at \$22.5 million on February 29, 2016, which represented approximately 3% of the Retirement System.
- A full redemption was submitted and proceeds are expected to be received in Mid-April 2016.
 - Approximately 90% will be received in cash. The remaining 10% will be held back and paid upon the completion of the 2016 year end audit (customary arrangement for hedge funds).
- We recommend re-allocating the proceeds to the Northern Trust Barclays Aggregate Index because U.S. core bonds is the most under weight asset class.

Hedge Fund Redemption Detail

	Current Investment 2/29/16	Percentage of System	Submission Date for Redemption Letter	Expected Proceeds Time Frame ¹
Hedge Fund Assets	123.3	17	-17%	
Scoggin Worldwide Distressed	27.7	4	Due October 2, 2016	Proceeds, excluding hold back, payable by late January 2017. The holdback payable in April 2017 after Fund Audit
Argonaut Macro Partnership	22.5	3	Submitted	Proceeds payable by mid-April 2016. The 10% holdback payable in April 2017 after Fund Audit
GoldenTree Offshore Fund	21.5	3	Submitted	Proceeds, excluding hold back, payable by late July 2016. The holdback payable in April 2017 after Fund Audit
GoldenTree Credit Opportunities	17.7	2	Submitted	Proceeds, excluding hold back, payable by late July 2016. The holdback payable in April 2017 after Fund Audit
GMT - Bay Resource Partners	19.9	3	Submitted	Proceeds, excluding hold back, payable by mid July 2016. The holdback payable in April 2017 after Fund Audit
Paulson Merger Arbitrage	13.6	2	Submitted	Proceeds, excluding hold back, payable by mid July 2016. The holdback payable in April 2017 after Fund Audit

¹ All hedge funds which MERS is currently invested are limited partnerships. Limited partnerships will “holdback” any portion of a full redemption, typically between 5% and 10% of the investors value at the termination date. The limited partnership is then audited and funds are released. Holdbacks are not invested in securities, rather cash or cash equivalents, depending upon the limited partnership documentation requirements. Liquidity assessment does not incorporate any private, side pocket or illiquid securities which may not have a market for purchase or sale by the investment manager. No fund level gating mechanism are evaluated in this assessment.

Estimated Timeline

Asset Class	Most Probable Estimated Timeframe
Domestic Equity <ul style="list-style-type: none"> Use rebalancing to reach target. 	9 to 12 months
International Developed Equity <ul style="list-style-type: none"> Use rebalancing to reach target. Remain tactically under target 	9 to 12 months
International Emerging Equity <ul style="list-style-type: none"> Use rebalancing to reach target 	9 to 12 months
Global Equity <ul style="list-style-type: none"> Liquidate managers 	3 to 12 months
Investment Grade Fixed Income <ul style="list-style-type: none"> Use Hedge fund proceed 	3 to 9 months
TIPS <ul style="list-style-type: none"> Search required 	12 months
High Yield <ul style="list-style-type: none"> Consider changing mandate at Loomis 	3 to 9 months
International Fixed Income <ul style="list-style-type: none"> Use rebalancing to reach targets 	Uncertain due to cash flows

Estimated Timeline (continued)

Asset Class	Most Probable Estimated Timeframe
Natural Resources <ul style="list-style-type: none"> • Single asset sale required 	Dependent on pace of distributions and/or secondary market sale
Infrastructure <ul style="list-style-type: none"> • Dependent upon natural resources. • Likely first half of 2017 under favorable assumptions 	To be determined
Real Estate <ul style="list-style-type: none"> • Consider a second core real estate manager in 2017 • No new investments in higher risk opportunities 	Dependent on pace of distributions and/or secondary market sale
Private Debt <ul style="list-style-type: none"> • No new commitments 	Dependent on pace of distributions and/or secondary market sale
Private Equity <ul style="list-style-type: none"> • No new commitments 	Dependent on pace of distributions and/or secondary market sale

**Preliminary Performance Update
February 29, 2016**

Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 2/29/16

	Market Value 2/29/16 (\$ mm)	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
Total Retirement System Aggregate Assets	734.1	100	NA	NA	732.3
Domestic Equity Assets	163.7	22	28	18-38	163.1
International Developed Equity Assets	33.8	5	12	7-17	33.4
International Emerging Market Equity Assets	41.3	6	10	5-15	41.7
Global Equity Assets	100.6	14	0	0-5	99.8
U.S. Core Bond Assets	15.4	2	18	8-28	10.4
Treasury Inflation Protected Securities	0.0	0	7	2-12	0.0
High Yield Bond Assets	32.4	4	5	0-10	32.4
Foreign Bond Assets	31.8	4	5	0-10	31.2
Core Real Estate Assets	14.5	2	4	0-8	14.5
Non-Core Real Estate Assets	33.0	4	0	0-5	33.5
Natural Resources Assets	48.1	7	3	0-6	48.1
Private Debt Assets	36.3	5	3	0-6	36.7
Infrastructure Assets	0.0	0	3	0-6	0.0
Private Equity Assets	49.6	7	2	0-4	49.6
Hedge Fund Assets	123.3	17	0	0-5	123.8
Cash	10.4	1	0	0-5	14.0



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 2/29/16

	Market Value 2/29/16 (\$ mm)	% of Asset Class	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
Total Retirement System Aggregate Assets¹	734.1	NA	100	NA	NA	732.3
Domestic Equity Assets	163.7	100	22	28	18-38	163.1
Northern Trust S&P 500 Index-NL	85.8	52	12			85.9
Barrow Hanley Small Cap Value	30.0	18	4			29.7
Northern Trust S&P 400 MidCap Index-NL	26.6	16	4			26.3
Horizon Strategic Value	21.3	13	3			21.2
International Developed Equity Assets	33.8	100	5	12	7-17	33.4
First Eagle International Value Equity	19.2	57	3			18.7
WCM Focused Growth International	14.6	43	2			14.7
International Emerging Market Equity Assets	41.3	100	6	10	5-15	41.7
Vontobel Emerging Markets Equity	23.6	57	3			24.1
Dimensional Emerging Markets Value	17.7	43	2			17.6
Global Equity Assets	100.6	100	14	0	0-5	99.8
Thornburg Global Opportunities	63.1	63	9			63.0
Kleinwort Benson Investors Water	37.5	37	5			36.8

¹ Green, yellow, red on the portfolio roster represents the liquidity profile of the asset, not the performance. Green, yellow, red in the performance section represents the relative performance of the asset to its benchmark.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 2/29/16

	Market Value 2/29/16 (\$ mm)	% of Asset Class	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
U.S. Core Bond Assets	15.4	100	2	18	8-28	10.4
Northern Trust Barclays Aggregate Index-NL	15.2	98	2			10.1
Internal Fixed Income Account	0.2	2	< 1			0.2
Treasury Inflation Protected Securities	0.0	100	0	7	2-12	0.0
High Yield Bond Assets	32.4	100	4	5	0-10	32.4
Loomis Sayles Multi-Sector Full Discretion	32.4	100	4			32.4
Foreign Bond Assets	31.8	100	4	5	0-10	31.2
Brandywine Global Opportunistic Fixed Income	31.8	100	4			31.2
Core Real Estate Assets¹	14.5	100	2	4	0-8	14.5
Sentinel Real Estate	14.5	100	2			14.5
Non-Core Real Estate Assets²	33.0	100	4	0	0-5	33.5
Bedico Creek Preserve ³	8.2	25	1			8.2
JPMorgan India Property ⁴	5.6	17	1			5.6
AEW Partners VI	5.6	17	1			5.6

¹ Market value as of December 31, 2015 adjusted for subsequent cash flows through February 29, 2016.

² Market value as of December 31, 2015 adjusted for subsequent cash flows through February 29, 2016, unless otherwise noted.

³ Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through February 29, 2016.

⁴ Market value as of September 30, 2015, adjusted for subsequent cash flows through February 29, 2016.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 2/29/16

	Market Value 2/29/16 (\$ mm)	% of Asset Class	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
Non-Core Real Estate Assets¹ (continued)	33.0	100	4	0	0-5	33.5
AEW Partners VII	5.3	16	1			5.3
Gainesville Vision ⁴	4.2	13	1			4.2
Crow Holdings Realty Partners IV ²	2.2	7	< 1			2.8
Americus Real Estate Fund II	1.1	3	< 1			1.1
MEREC I/Land Baron ³	0.4	1	< 1			0.4
AEW Partners V	0.3	1	< 1			0.3
Americus Real Estate Fund IV	0.0	0	0			0.0
Natural Resources Assets	48.1	100	7	3	0-6	48.1
Resource Environmental Solutions ⁴	41.2	86	6			41.2
Timbervest Crossover Partners II ⁵	7.0	14	1			7.0

¹ Market value as of December 31, 2015 adjusted for subsequent cash flows through February 29, 2016, unless otherwise noted.

² Market value as of September 30, 2015, adjusted for subsequent cash flows through February 29, 2016.

³ Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through February 29, 2016.

⁴ Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through February 29, 2016.

⁵ Market value as of September 31, 2015, adjusted for subsequent cash flows through February 29, 2016.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 2/29/16

	Market Value 2/29/16 (\$ mm)	% of Asset Class	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
Private Debt Assets¹	36.3	100	5	3	0-6	36.7
Republic Business Credit	21.0	58	3			21.0
BlueBay Direct Lending Fund II, L.P.	10.7	29	1			10.9
LEM Investors Real Estate Mezzanine	2.1	6	< 1			2.2
Franchise Equity Capital Partners III, L.P.	1.4	4	< 1			1.4
Franchise Equity Capital Partners II	1.1	3	< 1			1.2
Infrastructure Assets	0.0	100	0	3	0-6	0.0
Private Equity Assets¹	49.6	100	7	2	0-4	49.6
Compass Island Investment Opportunities Fund A	19.9	40	3			19.9
Capital Spring Finance Company Franchise IV	13.3	27	2			13.3
Greenspring Crossover Ventures I	6.0	12	1			6.0
Whalehaven Fund Limited ²	5.0	10	1			5.0
Louisiana Fund I	2.1	4	< 1			2.1
Franchise Equity Capital Partners I	2.0	4	< 1			2.0
Louisiana Fund II	0.8	2	< 1			0.8
Entropy Ventures ²	0.6	1	< 1			0.6

¹ Market value as of September 30, 2015, adjusted for subsequent cash flows through February 29, 2016.

² Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through February 29, 2016.



**Municipal Employees' Retirement System of
Louisiana**

**Aggregate Assets
Portfolio Roster as of 2/29/16**

	Market Value 2/29/16 (\$ mm)	% of Asset Class	% of Pension Fund	Target Allocation (%)	Target Range (%)	Market Value 1/31/16 (\$ mm)
Hedge Fund Assets¹	123.3	100	17	0	0-5	123.8
Scoggin Worldwide Distressed	27.7	22	4			27.6
Argonaut Macro Partnership	22.5	18	3			22.6
GoldenTree Offshore Fund	21.5	17	3			21.6
GMT - Bay Resource Partners Offshore Fund	19.9	16	3			19.5
GoldenTree Credit Opportunities	17.7	14	2			17.7
Paulson Merger Arbitrage	13.6	11	2			14.3
Clinton Group Magnolia Fund ²	0.2	< 1	< 1			0.2
CA Recovery Fund ²	0.2	< 1	< 1			0.2
Cash	10.4	100	1	0	0-5	14.0

¹ Estimated value based on portfolio performance for the month of February, unless otherwise noted.

² Liquidating side pocket assets, awaiting final 2015 year end fund audit for distribution.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total Retirement System Aggregate²	0.2	-2.9	-7.9	-10.5	0.4	1.5	2.8	1/1/06	3.1
60% MSCI ACWI / 40% Barclays Universal Policy Benchmark ³	-0.1	-3.3	-6.0	-7.0	3.2	3.9	4.4		4.6
	0.3	-3.7	-8.5	-8.9	3.5	4.3	5.3		5.6
Domestic Equity	0.3	-5.2	-9.3	-10.3	7.5	7.0	5.9	2/1/06	5.9
Russell 3000	0.0	-5.7	-7.0	-7.8	10.1	9.6	6.4		6.3
Developed Equity	1.2	-3.6	-5.5	NA	NA	NA	NA	5/31/15	-8.1
FTSE All-World (ex. U.S.) Index	-1.2	-8.0	-16.1	-16.6	-1.4	-0.7	NA		-19.4
Emerging Market Equity	-1.0	-5.2	-18.5	-20.9	NA	NA	NA	12/31/13	-8.3
MSCI Emerging Markets	-0.2	-6.6	-22.8	-23.4	-8.9	-5.4	1.8		-11.2
Global Equity	0.7	-5.4	-13.1	-14.1	6.3	4.9	5.1	2/1/06	4.9
MSCI ACWI	-0.7	-6.7	-11.2	-12.3	3.7	3.7	3.5		3.5
U.S. Core Bonds	0.6	1.9	3.9	5.6	NA	NA	NA	4/30/13	0.5
Barclays Aggregate	0.7	2.1	2.8	1.5	2.2	3.6	4.7		2.3
Treasury Inflation Protected Securities	NA	NA	NA	NA	NA	NA	NA		NA
Barclays U.S. TIPS	1.1	2.6	0.8	-0.8	-1.2	2.9	4.2		4.1
High Yield Bonds	0.0	-1.3	-6.7	-7.6	NA	NA	NA	4/30/13	0.8
Barclays High Yield	0.6	-1.0	-7.8	-8.3	0.7	4.1	6.6		0.4
Foreign Bonds	1.9	2.5	-2.3	-7.2	NA	NA	NA	4/30/13	-1.9
Barclays Global Aggregate	2.2	3.1	3.0	0.8	-0.1	1.4	4.0		0.0

¹ Fiscal Year begins July 1.

² Performance is presented net of fees throughout this entire report.

³ As of February 1, 2016 the policy benchmark performance is 50% equities (represented by 28% Russell 3000 index, 12% FTSE All World (ex. U.S.) index, 10% MSCI EM index), 35% public fixed income (represented by performance of Barclays Universal) and 15% alternatives (represented by 4% NCREIF Property Index, 3% S&P Global Natural Resources index, 3% Barclays High Yield + 2% index, 2% S&P 500 + 3% index, 3% S&P Global Infrastructure index). Prior to February 1, 2016 the policy benchmark performance is 50% equities (represented by 26% Russell 3000 index, 12% MSCI EAFE index, 12% MSCI EM index), 15% public fixed income (represented by performance of Barclays Universal) and 35% alternatives (represented by 7% HFRI Fund WC, 7% NCREIF Property Index, 7% S&P Global Natural Resources index, 7% Barclays High Yield index, 7% S&P 500 + 3% index).



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Retirement System Aggregate² (continued)	0.2	-2.9	-7.9	-10.5	0.4	1.5	2.8	1/1/06	3.1
Core Real Estate	NA	NA	7.2	13.1	NA	NA	NA	4/30/13	12.9
<i>NCREIF ODCE Equal Weighted (net)</i>	NA	NA	6.7	14.2	12.7	12.6	5.3		12.1
Natural Resources	NA	NA	-0.5	-0.1	NA	NA	NA	4/30/13	1.9
<i>S&P North American Natural Resources Sector Index</i>	0.2	-4.6	-24.6	-28.5	-10.1	-8.4	0.6		-11.1
Private Debt	NA	NA	0.5	7.0	NA	NA	NA	4/30/13	4.6
<i>Barclays High Yield + 2%</i>	0.7	-0.7	-6.6	-6.5	2.7	6.1	8.6		2.3
Infrastructure	NA	NA	NA	NA	NA	NA	NA		NA
<i>S&P Global Infrastructure Index</i>	1.0	0.2	-8.9	-11.3	3.9	3.7	NA		NA
Private Equity	NA	NA	-0.6	-32.1	-16.9	-10.0	NA	2/1/08	-4.1
<i>S&P 500 + 3%</i>	0.1	-5.1	-3.5	-3.8	13.8	13.2	9.5		9.6
Hedge Funds	-0.5	-3.3	-9.6	-8.7	0.5	-0.7	NA	4/1/06	2.2
<i>HFRI Fund of Funds Composite</i>	-1.2	-3.8	-6.6	-5.7	1.8	1.1	1.5		1.4
Non-Core Real Estate	NA	NA	-7.7	-2.3	1.8	6.9	2.5	2/1/06	2.5
<i>NCREIF Property</i>	NA	NA	6.1	13.3	12.1	12.2	7.8		7.7

¹ Fiscal Year begins July 1.

² Performance is presented net of fees throughout this entire report



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total Retirement System Aggregate²	0.2	-2.9	-7.9	-10.5	0.4	1.5	2.8	1/1/06	3.1
60% MSCI ACWI / 40% Barclays Universal Policy Benchmark ³	-0.1	-3.3	-6.0	-7.0	3.2	3.9	4.4		4.6
	0.3	-3.7	-8.5	-8.9	3.5	4.3	5.3		5.6
Domestic Equity	0.3	-5.2	-9.3	-10.3	7.5	7.0	5.9	2/1/06	5.9
Northern Trust S&P 500 Index-NL	-0.1	-5.1	-5.0	-6.2	NA	NA	NA	12/1/13	5.2
S&P 500	-0.1	-5.1	-4.9	-6.2	10.8	10.1	6.4		5.2
Peer Large Cap Core	0.0	-5.6	-7.5	-8.7	9.2	8.7	5.4		3.2
Peer Ranking (percentile)	53	34	21	21	NA	NA	NA		16
Barrow Hanley Small Cap Value	0.8	-6.1	-15.0	-16.2	3.2	4.8	7.0	1/1/06	8.0
Russell 2000 Value	0.7	-6.1	-13.8	-13.3	4.4	5.3	4.1		4.8
Peer Small Cap Value	1.0	-5.5	-12.9	-12.0	5.8	6.0	5.0		5.7
Peer Ranking (percentile)	55	64	77	87	80	72	7		3
Northern Trust S&P 400 MidCap Index-NL	1.4	-4.4	-10.2	-10.0	NA	NA	NA	12/1/13	2.5
S&P MidCap	1.4	-4.4	-10.2	-10.0	8.2	8.3	7.2		2.6
Peer MidCap Core	0.7	-5.5	-11.4	-11.5	8.2	7.5	5.8		1.1
Peer Ranking (percentile)	24	28	39	32	NA	NA	NA		32

¹ Fiscal Year begins July 1.

² Performance is presented net of fees throughout this entire report

³ As of February 1, 2016 the policy benchmark performance is 50% equities (represented by 28% Russell 3000 index, 12% DTSE All World (ex. U.S.) index, 10% MSCI EM index), 35% public fixed income (represented by performance of Barclays Universal) and 15% alternatives (represented by 4% NCREIF Property Index, 3% S&P Global Natural Resources index, 3% Barclays High Yield + 2% index, 2% S&P 500 + 3% index, 3% S&P Global Infrastructure index). Prior to February 1, 2016 the policy benchmark performance is 50% equities (represented by 26% Russell 3000 index, 12% MSCI EAFE index, 12% MSCI EM index), 15% public fixed income (represented by performance of Barclays Universal) and 35% alternatives (represented by 7% HFRI Fund WC, 7% NCREIF Property Index, 7% S&P Global Natural Resources index, 7% Barclays High Yield index, 7% S&P 500 + 3% index).



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Domestic Equity (continued)	0.3	-5.2	-9.3	-10.3	7.5	7.0	5.9	2/1/06	5.9
Horizon Strategic Value	0.3	-5.5	-17.2	-18.4	3.5	6.6	NA	12/1/06	3.1
Russell 2500 Value	1.1	-5.1	-11.8	-12.1	5.7	6.8	5.3		4.5
Russell 3000	0.0	-5.7	-7.0	-7.8	10.1	9.6	6.4		5.8
Peer All Cap Core	0.4	-5.9	-10.6	-10.5	8.2	7.7	5.4		5.0
Peer Ranking (percentile)	51	38	90	93	92	72	NA		90
Developed Equity	1.2	-3.6	-5.5	NA	NA	NA	NA	5/31/15	-8.1
First Eagle International Value Equity	2.4	-1.8	-5.2	-5.4	NA	NA	NA	5/1/14	-2.3
MSCI EAFE	-1.8	-8.9	-14.4	-15.2	0.4	0.6	1.5		-9.0
Peer International Value	-2.8	-8.6	-15.7	-16.0	-0.4	-0.6	0.9		-10.5
Peer Ranking (percentile)	1	1	1	1	NA	NA	NA		1
WCM Focused Growth International	-0.2	-5.8	-5.8	-5.4	NA	NA	NA	6/1/14	-1.5
MSCI ACWI (ex. U.S.)	-1.1	-7.9	-16.5	-17.4	-2.2	-1.3	1.4		-11.7
Peer International Growth	-2.3	-8.3	-13.7	-13.3	0.6	1.5	2.3		-7.7
Peer Ranking (percentile)	5	14	4	1	NA	NA	NA		2
Emerging Market Equity	-1.0	-5.2	-18.5	-20.9	NA	NA	NA	12/31/13	-8.3
Vontobel Emerging Markets Equity	-2.2	-5.3	-13.7	-17.5	NA	NA	NA	12/1/13	-4.0
MSCI Emerging Markets	-0.2	-6.6	-22.8	-23.4	-8.9	-5.4	1.8		-11.2
Peer Emerging Markets	-1.2	-6.5	-20.8	-22.1	-8.4	-4.9	1.5		-10.6
Peer Ranking (percentile)	77	27	2	15	NA	NA	NA		5

¹ Fiscal Year begins July 1.



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	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Emerging Market Equity (continued)	-1.0	-5.2	-18.5	-20.9	NA	NA	NA	12/31/13	-8.3
Dimensional Emerging Markets Value	0.6	-5.1	-24.0	-24.9	NA	NA	NA	11/1/13	-13.5
<i>MSCI Emerging Markets</i>	-0.2	-6.6	-22.8	-23.4	-8.9	-5.4	1.8		-11.4
<i>Peer Emerging Markets</i>	-1.2	-6.5	-20.8	-22.1	-8.4	-4.9	1.5		-10.8
<i>Peer Ranking (percentile)</i>	12	23	84	84	NA	NA	NA		87
Global Equity	0.7	-5.4	-13.1	-14.1	6.3	4.9	5.1	2/1/06	4.9
Thornburg Global Opportunities	0.0	-6.3	-12.5	-13.0	11.6	9.2	NA	8/1/06	7.8
<i>MSCI ACWI</i>	-0.7	-6.7	-11.2	-12.3	3.7	3.7	3.5		3.5
<i>Peer Global Equity</i>	-1.2	-7.5	-11.8	-11.9	4.5	4.8	3.9		4.1
<i>Peer Ranking (percentile)</i>	15	34	55	58	1	3	NA		1
Kleinwort Benson Investors Water	1.9	-3.7	-13.9	-16.1	0.4	4.4	NA	9/1/07	1.6
<i>MSCI ACWI</i>	-0.7	-6.7	-11.2	-12.3	3.7	3.7	3.5		1.5
<i>Peer Global Equity</i>	-1.2	-7.5	-11.8	-11.9	4.5	4.8	3.9		2.2
<i>Peer Ranking (percentile)</i>	1	12	66	85	94	53	NA		63
U.S. Core Bonds	0.6	1.9	3.9	5.6	NA	NA	NA	4/30/13	0.5
Northern Trust Barclays Aggregate Index-NL	0.7	2.1	NA	NA	NA	NA	NA	12/31/15	1.7
<i>Barclays Aggregate</i>	0.7	2.1	2.8	1.5	2.2	3.6	4.7		1.8
Internal Fixed Income Account	0.5	1.5	3.7	5.4	0.2	1.8	4.5	3/1/06	4.5
<i>Barclays Aggregate</i>	0.7	2.1	2.8	1.5	2.2	3.6	4.7		4.7

¹ Fiscal Year begins July 1.



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	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Treasury Inflation Protected Securities	NA	NA	NA	NA	NA	NA	NA		NA
<i>Barclays U.S. TIPS</i>	1.1	2.6	0.8	-0.8	-1.2	2.9	4.2		4.1
High Yield Bonds	0.0	-1.3	-6.7	-7.6	NA	NA	NA	4/30/13	0.8
Loomis Sayles Multi-Sector Full Discretion	0.0	-1.4	-7.0	-8.0	0.8	4.4	6.7	1/1/06	6.9
<i>Barclays Gov't/Credit</i>	0.8	2.3	2.7	1.1	2.0	3.8	4.7		4.6
<i>Barclays High Yield</i>	0.6	-1.0	-7.8	-8.3	0.7	4.1	6.6		6.7
<i>Peer Core Plus</i>	0.5	1.4	1.4	0.3	1.7	3.4	4.8		4.7
<i>Peer Ranking (percentile)</i>	95	98	99	98	88	3	1		1
Foreign Bonds	1.9	2.5	-2.3	-7.2	NA	NA	NA	4/30/13	-1.9
Brandywine Global Opportunistic Fixed Income	1.9	2.4	-2.5	-7.6	-1.1	3.2	5.6	1/1/06	5.7
<i>Barclays Global Aggregate</i>	2.2	3.1	3.0	0.8	-0.1	1.4	4.0		4.0
<i>Peer Global Fixed Income</i>	1.5	1.9	1.1	-1.2	-1.0	1.2	3.6		3.8
<i>Peer Ranking (percentile)</i>	34	32	80	84	48	13	8		4
Core Real Estate	NA	NA	7.2	13.1	NA	NA	NA	4/30/13	12.9
Sentinel Real Estate	NA	NA	7.2	13.1	12.5	21.4	6.1	3/1/06	6.1
<i>NCREIF Property</i>	NA	NA	6.1	13.3	12.1	12.2	7.8		7.8
<i>NCREIF ODCE Equal Weighted (net)</i>	NA	NA	6.7	14.2	12.7	12.6	5.3		5.3
Natural Resources	NA	NA	-0.5	-0.1	NA	NA	NA	4/30/13	1.9
<i>S&P North American Natural Resources Sector Index</i>	0.2	-4.6	-24.6	-28.5	-10.1	-8.4	0.6		-11.1

¹ Fiscal Year begins July 1.



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Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Private Debt	NA	NA	0.5	7.0	NA	NA	NA	4/30/13	4.6
<i>Barclays High Yield + 2%</i>	0.7	-0.7	-6.6	-6.5	2.7	6.1	8.6		2.3
Infrastructure	NA	NA	NA	NA	NA	NA	NA		NA
<i>S&P Global Infrastructure Index</i>	1.0	0.2	-8.9	-11.3	3.9	3.7	NA		NA
Private Equity	NA	NA	-0.6	-32.1	-16.9	-10.0	NA	2/1/08	-4.1
<i>S&P 500 + 3%</i>	0.1	-5.1	-3.5	-3.8	13.8	13.2	9.5		9.6
Hedge Funds²	-0.5	-3.3	-9.6	-8.7	0.5	-0.7	NA	4/1/06	2.2
Scoggin Worldwide Distressed	0.2	0.5	-10.5	-9.0	0.8	1.2	5.8	3/1/06	5.8
<i>HFRI Event Driven Index</i>	-0.3	-3.4	-9.3	-8.4	1.0	1.5	3.7		3.7
<i>HFRI ED Distressed / Restructuring</i>	-0.9	-3.8	-12.1	-12.0	-1.1	0.9	3.2		3.2
<i>Barclays High Yield</i>	0.6	-1.0	-7.8	-8.3	0.7	4.1	6.6		6.6
Argonaut Macro Partnership	-0.1	-4.8	-9.7	-11.7	-1.1	-3.3	2.8	3/1/06	2.8
<i>HFRI Macro Index</i>	1.9	3.1	2.2	-0.9	2.0	0.4	3.6		3.6
GoldenTree Offshore Fund	-0.8	-1.6	-4.8	-2.4	7.3	6.4	7.9	3/1/06	7.9
<i>HFRI Event Driven Index</i>	-0.3	-3.4	-9.3	-8.4	1.0	1.5	3.7		3.7
<i>Barclays High Yield</i>	0.6	-1.0	-7.8	-8.3	0.7	4.1	6.6		6.6
GMT - Bay Resource Partners Offshore Fund	1.9	-5.6	-7.2	-6.5	4.2	3.5	NA	10/1/08	9.7
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-0.1	-4.6	-8.9	-7.0	2.0	1.3	2.6		3.6
<i>Russell 3000</i>	0.0	-5.7	-7.0	-7.8	10.1	9.6	6.4		9.4

¹ Fiscal Year begins July 1.

² Performance is not shown for side pocket assets in liquidation



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 2/29/16

	Feb 2016 (%)	YTD (%)	Fiscal ¹ YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Hedge Funds² (continued)	-0.5	-3.3	-9.6	-8.7	0.5	-0.7	NA	4/1/06	2.2
GoldenTree Credit Opportunities	-0.5	-2.4	-9.2	-7.8	1.3	3.1	5.4	3/1/06	5.4
HFRI Event Driven Index	-0.3	-3.4	-9.3	-8.4	1.0	1.5	3.7		3.7
Barclays High Yield	0.6	-1.0	-7.8	-8.3	0.7	4.1	6.6		6.6
Paulson Merger Arbitrage	-4.8	-8.1	-18.4	-15.5	NA	NA	NA	10/1/13	-2.9
HFRI ED Merger Arbitrage	0.6	0.4	0.6	1.9	3.3	2.6	4.1		2.8
Non-Core Real Estate	NA	NA	-7.7	-2.3	1.8	6.9	2.5	2/1/06	2.5
NCREIF Property	NA	NA	6.1	13.3	12.1	12.2	7.8		7.7

¹ Fiscal Year begins July 1.

² Performance is not shown for side pocket assets in liquidation



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As of February 29, 2016

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This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

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In some cases Meketa Investment Group assists the Trustees in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers' use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Trustees.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit

above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.