MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

MINUTES OF THE MEETING
OF THE BOARD OF TRUSTEES — JUNE 29, 2017

The Board of Trustees of the Municipal Employees' Retirement System of Louisiana met in regular session on Thursday, June 29, 2017 at 9:00 A.M. at the Municipal Employees' Retirement System, 7937 Office Park Boulevard, Baton Rouge, Louisiana.

PRESENT:

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

UNABLE TO ATTEND:

Senator Barrow Peacock, Chairman,
Senate Retirement Committee

IN ATTENDANCE:

Warren Ponder, Executive Director
Susita Suire, Retirement Benefits Administrator
Christopher Saik, Chief Investment Officer
Aaron Lally, Investment Consultant
Gary Curran, G.S. Curran Actuary
Margaret Corley, Senate Retirement Committee

The Chairman called the meeting to order.

The Chairman asked Ms. Vice 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.

The Chairman asked for approval of the minutes of the meeting held on May 25, 2017.

Ms. Vice moved that the minutes of the meeting held on May 25, 2017 be approved; the motion was seconded by Mayor Jones. 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. Mahfouz moved that the Plan A and Plan B retirements be approved; the motion was seconded by Ms. Vice. The motion carried without objection or opposition.

Aaron Lally presented the Board with an updated Investment Policy. Ms. Vice moved to adopt the updated Investment Policy with the addition of the inflation assumption to appendix B; the motion was seconded by Mayor Jones. The motion carried without objection or opposition. A copy of this policy is attached and made part of these minutes.

The Investment Policy will be presented and reviewed to the Board on an annual basis.

Aaron Lally presented the Board with a copy of the Preliminary Performance Report for the month of May 2017. The performance of the portfolio as of May 31, 2017, was up 0.8%. Domestic equities remained flat, developed equities were up 3.2%, emerging market equity was up 2.4%, and U.S. core bonds were up 0.8%. Treasury inflation protected securities remained flat, foreign bonds were up 1.6%, and high yield bonds were up 0.9%. Core real estate, natural resources, private debt, private equity, and non-core real estate remained flat, and hedge funds were down -1.0%. A copy of this report is attached and made part of these minutes.

Mayor Jones moved to accept the investment report by Meketa Investment Group; the motion was seconded by Ms. Vice. The motion carried without objection or opposition.

Christopher Saik presented the Board with an update of investment fees as of 3/31/13 and 3/31/17.

Upon Mr. Saik's recommendation, Ms. Vice moved to utilize Pavilion, a transition manager, on a case by case basis to sell bonds for the retirement system; the motion was seconded by Mayor Jones. The motion carried without objection or opposition.

Mr. Sands presented to the Board the following recommendations from the Personnel Committee which met on Friday, June 23rd:

1. Adopt job descriptions with amendments (job descriptions attached).
2. Adopt pay ranges for all positions of the retirement system (attached).
3. Adopt the authority & responsibilities of the Executive Director with amendments (attached).
4. No increase for the Executive Director for fiscal year
5. Approve a 2% increase in the salary budget for fiscal year ending 6//30/18.
6. Approve an Office Assistant position.
7. Approve the phase out of the 100% insurance reimbursement over a five (5) year period effective January 1, 2018. The employee will share in insurance premiums by 5% each year for five (5) years at which the final year will be a cost share of 25%/75% for employee and family coverage.

Ms. Mahfouz moved to approve the above recommendations from the Personnel Committee; the motion was seconded by Mayor Jones. The motion carried without objection or opposition.

Mr. Sands nominated and named Mary Vice as the third Personnel Committee member to replace Mayor Fields.

Mr. Ponder presented the proposed July 1, 2017 – June 30, 2018 operating budget, capital budget, budget narrative, and the budget planning and monitoring policy. Mayor Villere moved to accept the proposed July 1, 2017 – June 30,2018 operating and capital budget with amendments to salaries as recommended by the Personnel Committee; the motion was seconded by Mayor Jones. The motion carried without objection or opposition. A copy of these budgets are attached and made part of these minutes.

Mayor Villere requested that Ms. LaGarde distribute the budget calendar to the Board in March of each year.

Mayor Villere moved to approve the Hawthorne, Waymouth & Carroll contract to perform the audit of financial statements and GASB 67 & 68 reporting for fiscal year ending 6-30-2017; the motion was seconded by Mayor Jones. The motion carried without objection or opposition. A copy of this contract is attached and made part of these minutes.

Ms. LaGarde presented a budget report through May 31, 2017 detailing the budgeted amount.

Ms. Mahfouz moved to increase the office equipment and maintenance budget by $6,500; the motion was seconded by Ms. Vice. The motion carried without objection or opposition.

Ms. LaGarde presented the cash flow report as of May 31, 2017.

Ms. LaGarde presented the Board with a detail of the Fletcher legal expenses and reimbursements.

Ms. Suire updated the Board that she gave presentations to the members in Baker, Hammond and the Opelousas City Court. She will be making a member presentation to the members at the City of Thibodaux in September.

Ms. Suire updated the Board that she and Mr. Ponder met with the Mayor and clerk with the Town of Cheneyville. The Mayor will be asking his council to approve membership in MERS. The Village of Florien asked for membership information, but the Mayor decided against it because his employees will be paying both retirement and social security.

Ms. Suire updated the Board that since ACT 23 was passed by the Legislature to add a retiree to the Board of Trustees, MERS will hold an election.

Ms. Mahfouz moved to have ten (10) nomination signatures for a candidate to run for the retiree seat on the Board; the motion was seconded by Mayor Harris. The motion passed with opposition from Mayor Villere and Mayor Jones.

Ms. Vice moved to adopt the election policy for active members; the motion was seconded by Ms. Mahfouz. The motion passed without objection or opposition. A copy of this policy is attached and made part of these minutes.

Ms. Vice moved to adopt the election policy for retired members with the amendment made to the number of nomination signatures required.; the motion was seconded by Ms. Mahfouz. The motion passed with opposition by Mayor Jones.

Mayor Villere moved to accept the election memorandum with amendments to the dates and the number of nomination signatures needed; the motion was seconded by Ms. Mahfouz. The motion passed without objection or opposition. A copy of this memorandum is attached and made part of these minutes.

Mayor Jones moved to enter executive session to discuss Fletcher Investment, United States District Court Middle District of Louisiana Civil Action NO. 3:13-CV-00373 Firefighters' Retirement System, *ET AL Versus* Citco Group Limited, *ET AL*; the motion was seconded by Ms. Mahfouz. The motion carried without objection or opposition.

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

Ms. Mahfouz moved to adopt the Ethics & Fiduciary Policy as presented; the motion was seconded by Mayor Jones. The motion carried without objection or opposition. A copy of this policy is attached and made part of these minutes.

ACT 314 that will allow retirees to return to work full-time, have their benefit suspended, and earn a supplemental benefit with a minimum of one year is effective 7/1/17. MERS will not allow purchase of prior service credit for retirees working full-time with their benefit suspended under ACT 314 unless ordered by the court or if future legislation is passed to allow this type of purchase.

ACT 285 corrects members enrolled in the wrong retirement system. This act only corrects errors made on or after July 1, 2017.

Ms. Vice moved to adjourn; the motion was seconded by Mayor Villere. The motion carried without objection or opposition.

Andrea Mahfouz
APPROVED

Susita Sciri
ATTEST

Municipal Employees' Retirement System of Louisiana
Authority and Responsibilities of the Executive Director

Position serves at the pleasure of the Board of Trustees, represents the Board of Trustees (Board) in daily operations of the Administrative Office, and exercises complete authority and autonomy in conformity with applicable laws and the Board's policies, with respect of treatment of members; productive and prudent investing; and cordial yet unconditional demands for productivity of the staff, contractors and consultants; without incurring liability to the system. The Director may incur debt to the system only where supported by sound business needs.

Board:

The Director shall serve as secretary to the Board, support the Board at all times and in all matters in the discharge of its duties, shall advise and recommend to the Board actions in order to comply with all applicable statutes, standards and policies, as well as serve as the custodian of public records.

The Director shall provide complete transparency in his communications and responses to the Board.

The Director shall be a fiduciary, shall not engage in any act of potential compromise of MERS interest with regard to relationship with investment managers, consultants, advisors, banks or other interest.

Trustee individual direction may occur only with consent and agreement of the Board, subject to Louisiana Open Meeting Laws.

Individual trustee recommendations concerning investments, money managers, requests for favorable or special attention of any matter in any form, from the Director, shall be reported to the Board.

Staff:

The Director shall have full supervision and control of the staff, delegate responsibilities as fitting and assure the highest quality of timely service to members, beneficiaries and others according to applicable laws. In any matter that may be indicative of poor investment, conflict of interest, failure of internal controls or to the detriment of the system, staff members shall not be restricted from communication with the Board. The Chief Financial Officer shall at all times have direct communications with the Board upon his initiative.

Compensation:

Pay ranges and assignment of positions to them shall be prepared by the Personnel Committee, reviewed each year, and presented to the Board for adoption prior to adoption of any salary increase budget.

The Director is authorized, upon approval of a salary increase budget by the Board, to award salary increases from 0 to % the Board accepted CPI for this purpose at the time the increase budget is adopted in those cases where employees are paid at or above their respective pay range midpoints, provided the employee does not exceed the maximum of his pay range.

The Director is authorized, upon approval of a salary increase budget by the Board, to award salary increase from the Board accepted CPI for this purposed at the time the increase budget is adopted, to a limit of 5 %, provided the subject employee's resulting pay rate does not exceed the maximum of his pay range.

Pay increases to the Director shall be subject to recommendation to the Board by the Personnel Committee.

Investments:

The Director, through the Chief Investment Officer and consultants approved by the Board, shall:

Present the Board with sound asset allocation plans, sound investment policy and recommendations necessary to comply with them.

Conduct due diligence in matters of selection of appointment of investment consultants, managers, partners, custodians and lenders by MERS.

Serve as MERS representative on any boards, committees, advisory bodies pertaining to investments.

Funding:

The Director will assure MERS has qualified actuarial consultants, that valuations and reports are conducted timely and meet all applicable standards.

The Director will meet with representatives of member cities, explain funding, contribution rates, UAL and related matters.

The Director will assure MERS has qualified auditors, that reports are conducted timely and meet all applicable standards, and that findings of any kind are remedied.

Policies:

The Director will assess need for, draft and present to the Board for approval policies and procedures governing human resources, investing, financial reporting, purchasing and any other administrative operations of consequence.

The Director shall draft, present to the Board for adoption, and administer a Personnel Policy governing attendance, paid and unpaid leave, performance evaluation, and any other matters of employment necessary to comply with applicable law and assure productive service of employees to the system.

Legislation:

The Director will identify need for, obtain sponsors for, and perform necessary communications to advance needed legislation.

The Director will monitor bills under consideration that impact MERS, inform the Board, attend committee meetings, communicate the Board's opposition or support as necessary to benefit the system.

Legal Services:

The Director shall serve as in house legal counsel for the system, and make recommendations to the Board when advisable to retain outside counsel.

The Director shall monitor and report to the Board on costs / benefits of ongoing or potential litigation.

Administrative and Capital Budgets:

The Director shall endeavor to reduce expenses to MERS where possible, without compromising service to members.

The Director shall present in a timely manner an annual recommended operating budget, with justifications and projections, for adoption to the Board.

The Director shall assure monthly reports on authorizations and expenditures, need and justifications for amendments to the budget.

The Director shall prepare and present in a timely manner a capital budget with justifications and projections, for adoption to the Board.

Accountant

Purpose and Nature of Work: Single position in the title is responsible for all tasks necessary for thorough accounting for retirement benefits paid, transfers in, re-purchase of service, recording employer/employee contributions, and related as well as keeping the general ledger. Reports to the Chief Financial Officer of the system, and has no supervisory responsibility.

Examples of Work: Maintains the general ledger, reconciles checking and operating bank accounts. Maintains records of direct deposits and checks to benefits recipients of the retirement system. Maintains tax withholding accounts and makes timely reports to the Internal Revenue Service. Receives employer and employee contributions to the defined benefit retirement system, reconciles with records and analyses of expected or required contributions. Resolves conflicts and differences. Makes deposits to two Plans of the system. Works closely with auditors, consultants in assuring error free, timely compliance with all reporting and disclosure requirements. Assures all accounts payables are kept timely. Performs related work as required.

Desired Education and Experience: College coursework in Accounting, supplemented by working experience in public defined benefit retirement system administration. After 07/2017 appointment to position will require a 4 year Accounting Degree.

Consequence of Error: Work is reviewed in most consequential matters, but opportunity exists for errors in, failure of diligence in review of reports. Consequence of individual error typically small, with opportunity for large numbers of them. Material provided auditors, actuary is prompt, comprehensive, error /omission free. Has no signature authority for the expenditure of funds.

Difficulty and Demands: Single position in this class performs all retirement benefit related bookkeeping and accounting functions for defined benefit system of approximately 7,000.

Hours of Work: Incumbent works 8:00 to 5:00 Monday through Thursday, 8:00 to 2:00 Fridays, subject to change by the Director. Work in excess of 40 hours per week is permitted only with advanced approval by the Director.

Working Conditions: Climate controlled office environment.

Performance Measures: Information provided is error free. Taxes reported and paid promptly. No failure or oversight in reconciling bank accounts. No erroneous or untimely ledger entries. Annual audits find no deficiencies or inaccuracies in recording, reporting, reconciling; no correcting entries required.

FLSA status: Non-exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Benefits Payroll Officer

Purpose and Nature of Work: Single position in this title is responsible for executing benefits payments to retirees / survivors, usually via electronic transfers, as well as deferred retirement option deposits, refunds of contributions, and taxes on these payments, for a defined benefits system with 4,500 retirees and benefits payable of $ 5 million monthly at this time. Incumbent reports to the Chief Financial Officer of the system, and has no supervisory responsibility.

Examples of Work: Maintains retiree records, updates with changes in tax withholding,, address changes, bank changes; adjusts benefits by reductions such as tax lines, child support. Initiates monthly payments, posts issued payments to system's computer application. Update system to reflect employee and employer contributions received daily. Prepares periodic statements of contributions to active members, and of payments to DROP accounts for deferred retirement participants. Reconciles records and reported changes; prepares file for annual 1099 statements. Reviews reports of erroneous checks, deposits, or statements; solves problems or prepares analyses to review with management. Identifies and tracks checks sent to wrong address, makes corrections as necessary. Administers court ordered child supports, other domestic orders. Receives notices of deaths of recipients, updates data base, answers questions from spouses, dependants. Coordinates with Louisiana Asset Management Program in administering Deferred Retirement Option accounts and related business. Performs related work as required.

Education and Experience: Completed vocational-technical school in office computer applications, supplemented with substantial experience providing an extensive knowledge of the retirement system's benefits structure, its system of dispersing benefits. After 7/2017 applicants for this position will be expected to have a completed 4 year college degree in a related field.

Consequence of Error: Work is performed with substantial independence, while changes in amounts dispersed are subject to approval by the Director. Opportunity exists for errors in distributing benefits checks, making deposits sufficient to cover them, or failure of diligence in review of reports. Error could cause failure of direct deposits for entire population of retirees.

Difficulty and Demands: Single position in this class performs all benefits payable administration for the defined benefit system of approximately 4,500 retirees, investigating all reports of errors in payments, making corrections, printing and mailing statements, including assuring adequate funds are present in the accounts on which the direct deposits and checks are to be drawn. Incumbent examines problems involving child support payments, makes corrections.

Hours of Work: Incumbent works 8:00 am to 5:00 pm Monday through Thursday, and 8:00 to 2:00 Fridays, subject to change by the Director. Work over 40 hours per week is highly unusual and requires advanced authorization by the Director.

Working Conditions: Climate controlled office environment.

Performance Measures: Information provided is error free. Account balance is adequate to cover benefits paid. Direct deposit information updates are processed promptly and accurately. Questions from recipients receive prompt and correct response.

FLSA status: Non-exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Chief Financial Officer

Purpose and Nature of Work: Position is responsible, through a small staff, for all financial activities of a public defined benefit retirement system, including investments, benefits as well as administrative office budget preparation, financial statements, contract review. Incumbent works with independence, and reports to the Board of Trustees on matters judged appropriate for their attention, to the Executive Director on administrative matters, and has supervisory responsibilities for two regular employees as well as contracted accounting services / staff.

Examples of Work: Researches legal / regulatory requirements for accounting / finance of retirement system, establishes policy, methods for maintaining the systems' accounts. Determines need for financial reports and prepares them. Oversees maintenance of the ledger, reconciliation of checking and operating bank accounts, records of direct deposits and checks to benefits recipients, tax withholding accounts and makes timely reports. Assures methods and reporting conform to GASB and Legislative Auditor standards. Reviews contracts with investment managers, assures performance is consistent. Receives employer and employee contributions to the defined benefit retirement system, reconciles with records and analyses of expected or required contributions. Resolves conflicts and differences. Makes deposits to two Plans of the system daily. Reconciles trust statements, all capital gains, losses in investments, distributions from complex investment arrangements and partnerships. Keeps comprehensive records of all financial and accounting transactions of the system. Works closely with auditors, actuaries, consultants in assuring error free, timely compliance with all reporting and disclosure requirements. Assures all accounts payables are kept timely. Performs related work as required.

Desired Education and Experience: Completed college in Accounting, C.P.A. designation, supplemented by working experience in defined benefit retirement system administration, investment firm operations and reporting, internal auditing, application of Governmental Accounting and Legislative Auditor standards.

Consequence of Error: Work performed with considerable independence, erroneous, incomplete financial reports possible, failure of system to comply with accounting standards, failure of internal controls. Material provided auditors, actuary is prompt, comprehensive, error /omission free. Has signature authority for the expenditure of funds.

Difficulty and Demands: Single position in this class oversees, establishes, and participates in financial reporting and accounting functions for defined benefit system of approximately 7,000.

Hours of Work: Incumbent works 9:00 to 6:00 weekdays and is subject to working holidays and weekends.

Working Conditions: Climate controlled office environment.

Performance Measures: System is in compliance with all accounting standards. Financial reporting meets all requirements, is timely and error free. Staff supervise assures all taxes reported and paid, no failure or oversight in reconciling bank accounts, no erroneous or untimely ledger entries. Annual audits find no deficiencies or inaccuracies in recording, reporting, reconciling; no correcting entries required.

FLSA status: Exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Chief Investment Officer

Purpose and Nature of Work: Position is responsible for providing investment services as a dedicated employee of the system, working closely with and reviewing analyses, recommendations and communications of the investment consulting service, monitoring individual manager performance, and reporting to the Board of Trustees. Incumbent works with substantial independence, and reports to the Board of Trustees on matters judged appropriate for their attention, and to the Executive Director on administrative matters.

Examples of Work: Receives monthly, quarterly reports for each investment manager, contacts managers directly as needed, identifies concerns, monitors performance, progress. Assures system, managers and investment consultant comply with investment policy, asset allocation plan. Verifies valuations, distributions with custodial bank, investment consulting service, individual managers. May nominate managers to the investment consultant for their analysis. Reviews portfolio, notes and monitors adherence to asset allocation plan; identifies managers of concern or warranting closest attention, contacts and reports as necessary.

Reviews all investment contracts, compares with transactions, initiates transfers in response to capital calls, receives and reviews distribution notices. Reviews financial reports of all publically traded investments; performs all necessary tasks to obtain and analyze valuations, related information from non-publically traded investments.

Performs related work as required.

Desired Education and Experience: Completed college in Accounting and Finance, with experience in review and directing a pension fund investment program. C.F.A. or M.B.A. is desired.

Consequence of Error: Work performed with considerable independence, indications of changes in staff, condition and/or strategy of managers must be monitored, failure of system to comply with investment policy and asset allocation, indications of failure of investment could escape notice. Portfolio performance consistently fails to achieve returns necessary to operate the retirement system with manageable employer contribution rates. Material provided Board is prompt, comprehensive, error /omission free.

Difficulty and Demands: Single position in this class oversees, with investment consulting service, investment decisions and performance for defined benefit system's portfolio of approximately $ 800,000,000.

Hours of Work: Incumbent works 7:30 to 4:30 Monday through Thursday, 7:30 to 2:00 Fridays, usually no after hours or holiday work is necessary.

Working Conditions: Climate controlled office environment.

Performance Measures: Portfolio complies with asset allocation plan; consultant's / managers reports closely reviewed. Recommendations, analyses, diligence timely and error free. Changes in staff, performance, strategy, financial reporting / audits that may be early indicators of a problem investment are noted timely.

FLSA status: Exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Executive Director

Purpose and Nature of Work: Serves, at will of the Board of Trustees, as Administrative Director of a statutorily created public employees' defined benefit retirement system using two Plans, operating in a complex financial, legislative and regulatory climate. Supervises a staff of seven, using professional consultants including attorneys, accountants and auditors, actuaries and financial advisers, and reports to the Board of Trustees.

Examples of Work: Attends all meetings of the Board of Trustees, makes presentations as required. Screens, examines and recommends appointment of consultants to the Board, replacement as necessary. Participates in analyses and decisions regarding portfolio diversity and configuration aligned with long term needs and market conditions. Keeps abreast of regulatory and legislative matters affecting the system and adapts practice prudently. Supervises, schedules, trains and evaluates the performance of, paid staff. Advises Board on conduct of meetings, decisions to be taken, regulatory compliance. Reads all term sheets, contracts and investment instruments and assures system's interests are protected. Administers agreements with fund managers, authorizes capital calls, payments of fees, assures system is protected in partnerships, contracts and financial dealings. Maintains vigilance, monitors fund performance, assures exit strategies are in plan. Attends meetings of legislative committees, advocates for or opposes bills impacting public retirement systems. Performs related work as required.

Desired Education and Experience: Completed college in Accounting, Finance, Legal or related field, with professional certifications in investment / financial management and planning; supplemented by working experience in retirement system administration, institutional investing, legal and legislative matters, as well as work with financial consultants, auditors and actuaries in managing retirement systems. Professional Certifications are highly desired.

Consequence of Error: Work performed with independence, is periodically presented to the Board of Trustees and is reviewed only on the basis of results obtained. Position is one of complete trust for regulatory compliance, evaluation of large investment decisions, employment decisions, and a discretionary investment fund. Has signature authority for all retirement system disbursements.

Difficulty and Demands: Single position in this class performs all management and executive decisions for a defined benefit system of approximately 11,000 members and $ 780,000,000 in assets, as well as reviewing all reports, analyses and recommendations presented to the Board of Trustees

Hours of Work: Incumbents keep ordinary eight hour day office hours, and, in addition works any and all hours as required by financial decisions, with travel required.

Working Conditions: Climate controlled office environment.

Performance Measures: Investment portfolio performance meets or exceeds actuarial assumptions, audit reports have no adverse findings or conditions, personnel decisions are sound and without disruption or unnecessary loss or expense to the system. Regulatory compliance and disclosure meets or exceeds requirements. Consultants are qualified, perform well, receive usual and customary fees, present no conflicts of interest. Office expenses, including salaries and benefits are within budget and based on sound business decisions. Membership is served by business decisions and expenditure. Legislative trends are monitored and prompt, correct actions taken. Presents example of industry and sobriety to staff.

FLSA status: Exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Office Assistant

Purpose and Nature of Work: Position provides support and administrative services as needed to minimize distractions and interruptions to staff engaged in benefit counseling, calculations, records auditing, as well as any other office services assigned, for a defined benefit retirement system of 7,000 active members. Reports to the Retirement Benefits Administrator, and has no supervisory responsibility.

Examples of Work: Applies knowledge of the system and staff responsibilities to answer telephones, provide appropriate responses and notify appropriate staff member; to open, screen and forward mail and any other communications / requests. Gains knowledge of system and administrative office in order to assist and facilitate its services to the extent possible. Performs related work as required.

Desired Education and Experience: Completed college level coursework in secretarial sciences and / or office administration related.

Consequence of Error: Work is performed with guidance, is reviewed by the Retirement Benefits Administrator. Errors result in repeating task. Confidentiality must be maintained in absence of instruction to do so.

Difficulty and Demands: Single position provides initial contact for all telephone, mail, walk-in requests made of the retirement system.

Hours of Work: Incumbent keeps ordinary 40 hour per week schedule, subject to working less as work load requires.

Working Conditions: Climate controlled office environment.

Performance Measures: Information provided is error free, phone calls and mail are routed to the proper person. Incumbent acquires knowledge of benefit structure, eligibility points, tiers, accounting and finance in order to provide assistance in these areas.

FLSA status: Non-exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Retirement Benefits Administrator

Purpose and Nature of Work: Single position in the title is responsible, through a staff of two experienced analysts, for transactions and communications with members planning retirements, applying for benefits, entering deferred retirement plan, requesting benefit estimates; requiring careful auditing employee records and application of thorough knowledge of eligibility criteria, for a defined benefit retirement system of approximately 7,000 members, using 2 plans and tiered benefit structures. Incumbent also serves as secretary to the Board of Trustees, administers contracts for capital purchases and services to the administrative office, as the public agency records manager, and performs works with substantial independence, reports to the Executive Director with supervisory responsibility for two analysts.

Examples of Work: Supervises and participates in providing explanations, results of calculations, to members regarding regular, deferred and disability retirement eligibility, benefits, and survivor benefits, beneficiary designations; audits members' records to assure eligibility, calculates benefits / estimates, verifies legal documents such as birth, death, marriage certificates, designations of executors of estates. Examines medical records regarding disability retirees, advises on conversions from medical to regular retirements. Personally takes more complex cases, including divorces. Attends all Board of Trustee meetings, provides information regarding established practices and interpretation of statutes; suggests policy and procedure. Identifies problem employers, travels to employer site, prepares and makes presentations and explanations of system requirements and procedures. Performs related work as required.

Education and Experience: College level coursework in social sciences or business related field, supplemented by considerable working experience in defined benefit public retirement system administration. Completed four-year college degree in a related field is desired.

Consequence of Error: Opportunity exists for errors in benefits estimates, failure of diligence in review of member files, reports of death of benefit recipients and / or possibly fraudulent medical representations in disability retirements.

Difficulty and Demands: Frequent phone calls, questions, many requiring written responses, error free estimates and interpretations; personally administers most difficult / complex retirement benefits cases.

Hours of Work: Incumbent works 7:30 to 4:30 Monday through Thursday, 7:30 to 2:00 Friday, subject to schedule determined and subject to change by the Director.

Working Conditions: Climate controlled office environment, incumbent drives to and from member cities throughout the state for presentations, problem solving meetings.

Performance Measures: Information provided participants and Board of Trustees is error free, interpretations are consistent with statutes, policy. Confusion, poor financial planning, irrevocable selections by participants are avoided. Decisions and interpretations are consistent with established policy, statutes.

FLSA status: Exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Retirement Benefits Analyst

Purpose and Nature of Work: Two positions under this title are responsible for transactions and communications with members planning retirements, applying for benefits, entering deferred retirement plan, requesting benefit estimates, and requires careful auditing employee records and applying a thorough knowledge of eligibility criteria, for a defined benefit retirement system of approximately 7,000 members, using 2 plans and tiered benefit structures. Incumbents divide 161 participating employers between them, work with substantial independence, report to the Retirement Benefits Administrator and have no supervisory responsibility.

Examples of Work: Provides explanations, results of calculations, to members regarding regular, deferred and disability retirement eligibility, benefits, and survivor benefits, beneficiary designations; audits members' records to assure eligibility, calculates benefits / estimates, verifies legal documents such as birth, death, marriage certificates, designations of executors of estates. Examines medical records regarding disability retirees, advises on conversions from medical to regular retirements. Verifies retirement benefits, determines benefit reductions due to return to work, maintains active member records, updates for changes in status. Performs related work as required.

Education and Experience: College level coursework in social sciences or business related field, supplemented by working experience in retirement system administration, banking or insurance. Completed four-year college degree in a related field is desired.

Consequence of Error: Work is reviewed in most consequential matters, but opportunity exists for errors in benefits estimates, failure of diligence in review of reports of death of benefit recipients and / or possibly fraudulent medical representations in disability retirements.

Difficulty and Demands: Numerous phone calls, questions, many requiring written responses, error free estimates and interpretations, often with demands for immediate response.

Hours of Work: Incumbents keep ordinary eight-hour day office hours, subject to schedule determined and subject to change by the Director.

Working Conditions: Climate controlled office environment.

Performance Measures: Information provided participants is error free, interpretations are consistent with statutes, policy. Confusion, poor financial planning, irrevocable selections by participants are avoided.

FLSA status: Non-exempt.

Essential Functions: Vision, manual dexterity, hearing and speaking within normal limits is required to read, write, use computer monitors, keyboards, and telephones. Sitting, standing, lifting volumes, reports, small office supplies and equipment are necessary. Mobility impairment can be accommodated.

Pay Range Assignments

	Minimum	Midpoint	Maximum
Director	116,264	145,330	174,396
Chief Financial Off, Chief Inv Off	88,000	110,000	132,000
	65,953	82,441	98,929
Benefits Adm	65,227	81,533	97,840
Benefits Analyst	48,451	60,564	72,677
Accountant, Benefits Payable ~~Adm~~ officer	44,422	55,527	66,632
	38,530	48,163	57,795
	33,419	41,774	50,129
	28,982	36,227	43,472
	25,125	31,406	37,687
Office Assistant	21,769	27,212	32,654

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
BUDGET PLANNING AND MONITORING POLICY

PURPOSE

The policies and procedures in this document govern the budgeting process, monitoring of the budget, performance monitoring and the review and revision of the budget.

OBJECTIVES

1. To create a budget that features realistic and conservative expense projections.
2. To ensure that the annual budgeting process is performed timely and supports MERS financial and operational planning objectives (clarity on financial goals, alignment of objectives, and performance measurement) and processes.
3. To ensure that actual versus budget variances are monitored and that variances are explained and reported.
4. To ensure that expenditures made are in line with MERS objectives.
5. To ensure that budgets are reviewed periodically for relevance and revised.

POLICIES

Annual Budgeting

1. CFO is responsible for preparing annual budget.
2. Budget should be prepared based on planned expenditures and capital outlay.
3. Annual budget for the next financial year should be prepared by the June Board meeting of each year.
4. Annual budget should be submitted to the Executive Director for review and Board of Trustees for approval.
5. Items to be included in the budget should include (but not limited) to the following:
    a. Operating Expenses – personnel expenses, operating expenses, travel expenses, and professional services
    b. Budget for Projects (capital expenditures) – projected for a five year period.

Budget Monitoring

1. A financial statement, showing the budgeted expenses versus actual expenses (YTD) should be prepared monthly.
2. The variance analysis should be prepared using the financial statement in point 1.
3. All variances should be highlighted and discussed with the Executive Director prior to monthly Board meeting.
4. The Board of Trustees should understand the reason for variances and decide if there is a need to revise the budget.
5. The Board of Trustees shall approve all budget revisions.

Budget Revision

1. The CFO will revise budget after Board of Trustee approval.
2. The revised budget is only used after approval is given by the Board of Trustees.

MERS BUDGET PROCEDURES

DATES	TASK	LEADER RESPONSIBLE / BOARD & STAFF PARTICIPANTS	NOTES
March			
1-31	Request from staff recommendations to be considered for inclusion in the budget.	**Executive Director**	Requests for specific training, programming changes, office expenses, etc.
April			
1 - 7	Provide budget worksheets to Executive Director, Benefits Administrator, CIO.	**CFO**	Work sheets include prior year balances, current year end projections, continuing education requirements, certification requirements, subscriptions/publications, and travel.
15 - 30	Review capital plan (5 year forecast) and expense requirements.	**Executive Director, CFO, CIO, Benefits Administrator**	Ensure that all strategic initiatives with budget impact are included in budget process.
1 - 30	Research requirements and costs.	**CFO, CIO, Benefits Administrator**	Provide to CFO.
May			
1 - 5	Develop projections and budget.	**CFO**	Use work sheets, general ledger detail and account analysis, and information gathered by staff.
6-10	Present draft budget projections including detail.	Executive Director**, CFO**, CIO, Benefits Administrator	Make requested changes.
BD Mtg	Present draft budget to Board for initial review.	**Executive Director**, CFO	
June			
1 - 5	Make changes (if any) to budget.	**CFO**	
5 - 7	Send final proposed budget to Executive Director, CIO, and Benefits Administrator.	**CFO**	
19 - 23	Circulate proposed budget to all board members.	**CFO**	Should be approximately one week before board meeting.
BD Mtg	Board Meeting: Board approves budget.	**Board Members**	Budget is presented to the board by the CFO.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
PROPOSED BUDGET FYE 2018

EXPENSES	FYE 2017	PROPOSED FYE 2018	% INCREASE/ (DECREASE)	$ INCREASE/ (DECREASE)
Personnel Expenses				
Salaries	$933,090.00	$800,000.00	-14%	(133,090.00)
Employer Retirement	$218,193.00	$188,000.00	-14%	(30,193.00)
Health Insurance	$69,500.00	$79,700.00	15%	10,200.00
Professional Development	$12,600.00	$31,000.00	146%	18,400.00
Subtotal Personnel Expenses	**$1,233,383.00**	**$1,098,700.00**	**-11%**	**(134,683.00)**
Operating Expenses				
Building & Ground Maintenance	$35,600.00	$36,500.00	3%	900.00
Office Equipment & Maintenance	$73,500.00	$84,000.00	14%	10,500.00
Office Expense	$95,082.00	$113,000.00	19%	17,918.00
Telecommunications/Utilities	$31,320.00	$32,800.00	5%	1,480.00
Insurance	$76,026.00	$79,100.00	4%	3,074.00
Subtotal Operating Expenses	**$311,528.00**	**$345,400.00**	**11%**	**33,872.00**
Professional Services				
Audit	$100,000.00	$100,000.00	0%	-
Professional Services	$52,650.00	$85,000.00	61%	32,350.00
Actuarial	$91,620.00	$91,620.00	0%	-
Legal-Administrative	$10,000.00	$10,000.00	0%	-

Legal-Securities Litigation	$406,000.00	$350,000.00	-14%	(56,000.00)
Subtotal Professional Services	**$660,270.00**	**$636,620.00**	**-4%**	**(23,650.00)**
Travel Expenses				
Travel - Staff	$5,000.00	$15,000.00	200%	10,000.00
Travel - Board Meetings & Conventions	$30,000.00	$35,000.00	17%	5,000.00
Subtotal Travel Expenses	**$35,000.00**	**$50,000.00**	43%	**15,000.00**
TOTAL OPERATING EXPENSES	**$2,240,181.00**	**$2,130,720.00**	**-5%**	**(109,461.00)**
Current Year Capital Budget				
Building Renovation	$79,055.00			
Landscape - New Board Room	$10,316.00			
G/L System		$35,000.00		
Furniture - Admin		$6,000.00		
CMA Server & Install		$13,346.00		
Office Renovation - CIO Office		$10,000.00		
Subtotal Capital Expenses	**$89,371.00**	**$64,346.00**		
TOTAL ADMINISTRATIVE EXPENSES	**$2,329,552.00**	**$2,195,066.00**	**-6%**	**(134,486.00)**

BUDGET NARRATIVE

NARRATIVE: In comparison to FYE 2017 Budget, the overall FYE 2018 **operating** budget decreased $110,361 from the prior year. The primary reasons for the decrease is a reduction in salaries and employer retirement due to uncertainty in staffing related to the prior year.

BUDGET LINE ITEM	COMMENTS
Personnel Expenses	
Salaries	Cost of living increase of 2.5% and 2.0% increase for CFO and Benefits Administrator. Also includes additional administrative staff salary. Investment Accountant and Attorney positions were removed from calculation.
Employer Retirement	Increase in employer rate to 24.75%.
Health Insurance	Overall 5% increase for 6 months and 6 month vantage premium for Director.
Professional Development	Increase from prior year - new professional staff (CIO - MBA & training) & training for all staff.
Operating Expenses	
Building & Ground Maintenance	No increase from prior year. Amount includes increased lawn service for mulch and weeds, A/C service, and estimated maintenance for building. Line item was increased during FYE 2017 year for addtional services with the new building.
Office Equipment & Maintenance	Increase primarily related to CMA program updates for A/S 400 System, cooling system rack and new recorder for board room.
Office Expense	Increase related to non capital purchases (replacement equipment for staff, Director office & computer furniture) 2 elections, and additional mailings to members related to postage and printing. Staff training & education moved to personnel expenses (professional development line item).
Telecommunications/Utilities	Overall 5% increase.
Insurance	Overall 4% increase.
Professional Services	
Audit	No increase from prior year. Includes financial statement audit, GASB 68 audit, and agreed upon procedures required by Legislative Auditor.
Professional Services	Increase related to Faulk & Winkler services for full year, additional actuarial services, OPEB calculation, Life Status 360 (death check) & Netchex.
Actuarial	No increase from prior year.
Legal-Administrative	No increase from prior year.

Legal-Securities Litigation	Estimated based on prior year.
Travel Expenses	
Travel - Staff	Additional staff travel (CIO) and increased travel to municipalities for Warren and Susita.
Travel - Board Meetings & Conventions	No increase from prior year
Capital Budget - Separate Budget (1-5 Year Plan)	
FYE 2018	Administrative assistant furniture (desk) New server and Install (hardware replacement) G/L System Office Renovation (CIO Office)
FYE 2019	Generator Pension System (potentially 2 years)
FYE 2020	Patio Covering - Parking Paint Inside of Office Building
FYE 2021	
FYE 2022	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
PROPOSED CAPITAL BUDGET FYE 2018 - 2022

DESCRIPTION	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022
FYE 2018					
General Ledger Software	$35,000.00	$0.00	$0.00	$0.00	$0.00
Administrative Furniture	$6,000.00	$0.00	$0.00	$0.00	$0.00
CMA Server & Install	$13,346.00	$0.00	$0.00	$0.00	$0.00
Office Renovation - CIO Office	$10,000.00	$0.00	$0.00	$0.00	$0.00
Capital Expenditures 2018	**$64,346.00**	**$0.00**	**$0.00**	**$0.00**	**$0.00**
FYE 2019					
Generator	$0.00	$40,000.00	$0.00	$0.00	$0.00
Pension System	$0.00	1,300,000 - 3,000,000	$0.00	$0.00	$0.00
Capital Expenditures 2019	**$0.00**	**1,340,000 - 3,040,000**	**$0.00**	**$0.00**	**$0.00**
FYE 2020					
Patio Covering - Parking	$0.00	$0.00	33,000-50,000	$0.00	$0.00
Paint Office Building	$0.00	$0.00	TBD	$0.00	$0.00
Capital Expenditures 2020	**$0.00**	**$0.00**	**TBD**	**$0.00**	**$0.00**

HAWTHORN WAYMOUTH & CARROLL, L.L.P.
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Karin S. LeJeune, CPA
Alyce S. Schmitt, CPA

May 19, 2017

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

As certified public accountants licensed to practice in Louisiana, we are pleased to confirm our understanding of the services we are to provide Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2017.

Audit Scope

We will audit the consolidated financial statements of Municipal Employees' Retirement System of Louisiana, which comprise the consolidated statement of fiduciary net position as of June 30, 2017, and the related consolidated statement of changes in fiduciary net position for the year then ended, and the related notes to the consolidated financial statements.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Municipal Employees' Retirement System of Louisiana's consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Municipal Employees' Retirement System of Louisiana's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis;
2. Schedule of changes in net pension liability – Plan A & B;
3. Schedule of employers' net pension liability – Plan A & B;
4. Schedule of contributions – employer and non-employer contributing entities – Plan A & B;
5. Schedule of investment returns – Plan A & B; and
6. Notes to required supplementary information.

We have also been engaged to report on supplementary information other than RSI that accompanies Municipal Employees' Retirement System of Louisiana's consolidated financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the consolidated financial statements as a whole:

1. Consolidated individual funds' statement of fiduciary net position;
2. Consolidated individual funds' statement of changes in fiduciary net position;
3. Statement of changes in reserve balances – Plan A & B;
4. Schedule of administrative expenses;
5. Schedule of per diem to board members; and
6. Schedule of compensation, benefits and other payments to agency head or chief executive officer.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic consolidated financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and to report on the fairness of the supplementary information referred to in the third paragraph of the previous section, when considered in relation to the consolidated financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the consolidated financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the consolidated financial statements, in accordance with *Government Auditing Standards.*

The report on internal control and compliance will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and (b) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (if applicable), and other procedures we consider necessary to enable us to express such opinions and to render the required reports. Our audit will comply with the provisions of Louisiana Revised Statute 24:513 and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinion on the consolidated financial statements is other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express an opinion or to issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

We will use professional judgment in determining the standards that apply to the work to be conducted. If this engagement will not satisfy the requirements of all audit report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements and will seek approval of the Legislative Auditor for the engagement. We will consider all standards that may apply, but in particular, we will determine whether a different type of engagement is needed based on:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards.*
- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* when federal award expenditures equal or exceed $750,000 for the fiscal year.
- Bond requirements, either to issue bonds or as a bond indenture provision.
- Other contractual requirements.

Management's Responsibilities

Management of Municipal Employees' Retirement System of Louisiana is responsible for the basic consolidated financial statements and all accompanying information, as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (if applicable). As part of the audit, we will assist with preparation of your consolidated financial statements, schedule of expenditures of federal awards (if applicable), and related notes. You are responsible for making all management decisions and performing all management functions relating to the consolidated financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the consolidated financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the consolidated financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skills, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the consolidated financial statements of the respective fiduciary net position of Municipal Employees' Retirement System of Louisiana and the respective changes in fiduciary net position in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the consolidated financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it is necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the consolidated financial statements to correct material misstatements and confirming in the written representation letter that the effects of any uncorrected misstatements, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the consolidated financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, it is management's responsibility to follow up and take corrective action on reported audit findings, and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited consolidated financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the consolidated financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards.* In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the consolidated financial statements or major programs. However, we will inform the appropriate level of management of any fraudulent financial reporting, misappropriation of assets, or material abuse that come to our attention, and will also notify the Legislative Auditor in writing. Furthermore, should we become aware of fraud or misappropriation of assets, we shall also notify the appropriate enforcement agency, including the local district attorney and sheriff. We will also inform the appropriate level of management of any material errors or violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required by *Government Auditing Standards,* the Louisiana Governmental Audit Guide, and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the consolidated financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the consolidated financial statements, and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the consolidated financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

If applicable, as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards,* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we will perform tests of Municipal Employees' Retirement System of Louisiana's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for the types of compliance requirements that could have a direct and material effect on each of Municipal Employees' Retirement System of Louisiana's major programs. The purpose of these procedures will be to express an opinion on Municipal Employees' Retirement System of Louisiana's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Audit Administration, Fees, and Other

Immediately upon completion of the engagement, the auditor shall send a copy of the reporting package to Municipal Employees' Retirement System of Louisiana and the Legislative Auditor. The reporting package will consist of the data collection form, to be prepared by management, and:

1. An opinion (or disclaimer of opinion) as to whether the consolidated financial statements are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States and, when applicable, an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the consolidated financial statements taken as a whole. It is our understanding that these statements will include a schedule of per diem paid to the board members and a schedule of expenditures of federal awards (if applicable). The schedule(s) will be reviewed as part of our audit in an attempt to provide supplemental information assurance on these schedules as part of our audit report.
2. A report on internal control and compliance with laws and regulations material to the consolidated financial statements and, when applicable, major federal programs. This report shall describe the scope of testing of internal control and compliance, the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs. The state laws and regulations included in this report shall include all of the compliance matters included in the Louisiana Compliance Questionnaire
3. A report on internal control and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on major federal programs. The report will include an opinion (or disclaimer of opinion) as to whether you have complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program, and, where applicable, refer to the separate schedule of findings and questioned costs.
4. If applicable, a summary schedule of findings and questioned costs.
5. If applicable, a summary schedule of the current status of any prior findings, which you will prepare.
6. Management's corrective action plans, which you will prepare.
7. If applicable, a management letter to convey suggestions and recommendations not suitable for the foregoing reports. We will ask you to respond to any matters included in the management letter and include your response as a part of the issued management letter, or you may place your response to these matters in your corrective action plan.

Either the auditor or Municipal Employees' Retirement System of Louisiana shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each member of the governing board, each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

Our audit will include a review of any prior-year suggestions and recommendations and will indicate the extent to which the summary schedule of prior year audit findings is fairly stated. As to any current-year recommendations and suggestions, we will afford you the opportunity to respond to such matters and will include your response(s) in management's corrective action plan.

The audit documentation for this engagement is the property of Hawthorn, Waymouth & Carroll, L.L.P., and constitutes confidential information. However, the audit documentation shall be available for inspection by the Legislative Auditor, any successor auditor, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform audit documentation reviews as part of a quality assurance program. We will follow the Legislative Auditor's policy regarding confidentiality of audit engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to audit documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our audit documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. The audit documentation shall be retained by Hawthorn, Waymouth & Carroll, L.L.P. for a minimum of five years after the issuance of the report.

Subsequent to the issuance of the report, should it be necessary to alter or reissue the report and/or any management letter, Hawthorn, Waymouth & Carroll, L.L.P. shall distribute such reissued report and/or management letter in the same manner as the original report and management letter.

We expect to begin our audit on approximately July 17, 2017 and to issue our reports no later than December 31, 2017.

Charles R. Pevey is the engagement partner and is responsible for supervising the engagement and signing the report. It is our understanding that you have assigned Nancy LaGarde of your staff (7937 Office Park Boulevard, Baton Rouge, LA 70809, 225-925-4810) as your representative during the engagement.

Our fees for all services are related to our standard hourly rates in effect at the time services are performed. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your engagement. Our fee for this engagement, which we estimate, will not exceed $68,250, including out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and Municipal Employees' Retirement System of Louisiana.

The Legislative Auditor will be notified immediately, in writing, if our audit is cancelled or if there are any significant disagreements. The Legislative Auditor will be notified, immediately, in writing if there are any changes in this agreement or if there are any restrictions placed on our staff during the audit that would impact the scope of the audit, which includes the failure to produce required records in a timely manner, or the nature of the tests required under the previously discussed standards. If federally-assisted programs are involved, we are required to notify the cognizant or oversight agency.

During the course of our audit, it is possible that we may observe opportunities for economies of operation and for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in writing.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review report accompanies this letter.

You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards,* our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

These limited procedures may not meet the needs of all users of audit reports, who may require additional information and assurances on internal control and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of controls and compliance are necessary to supplement the financial statement audit's coverage of these areas and to meet the reasonable needs of report users. These additional needs are quite often met in the following two ways:

- Supplemental (or agreed-upon) procedures, or
- An examination resulting in an opinion.

We are available to discuss the expanded needs of report users, the nature of this expanded work, and the degree to which these type examinations, or other examinations, will meet the needs of the entity and its report users.

Approval

We appreciate the opportunity to be of service to Municipal Employees' Retirement System of Louisiana, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Yours truly,
Hawthorn, Waymouth & Carroll, L.L.P.
By: Charles Peary

RESPONSE:
This letter correctly sets forth the understanding of Municipal Employees' Retirement System of Louisiana.

Signature	Signature
Title	Title

HAWTHORN WAYMOUTH & CARROLL, L.L.P.
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Neal D. King, CPA
Karin S. LeJeune, CPA
Alyce S. Schmitt, CPA

May 19, 2017

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

As certified public accountants licensed to practice in Louisiana, we are pleased to confirm our understanding of the services we are to provide Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2017.

Audit Scope

We will audit the schedule of employer allocations of Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2017, and the related notes. We will also audit the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer of Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2017, and the related notes to the schedules.

We have also been engaged to report on supplementary information other than RSI that accompanies Municipal Employees' Retirement System of Louisiana's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of employers' proportionate share of contributions and non-employer contributions;
2. Schedule of net pension liability sensitivity to change in discount rate; and
3. Schedule of amortization.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and to report on the fairness of the supplementary information referred to in the preceding paragraph of the previous section, when considered in relation to the schedules as a whole. The objective also includes reporting on:

- Internal control related to the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer, in accordance with *Government Auditing Standards.*

The report on internal control and compliance will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and (b) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (if applicable), and other procedures we consider necessary to enable us to express such opinions and to render the required reports. Our audit will comply with the provisions of Louisiana Revised Statute 24:513 and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinion on the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer is other than unmodified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement. Should such situation arise, we will notify you and the Legislative Auditor.

We will use professional judgment in determining the standards that apply to the work to be conducted. If this engagement will not satisfy the requirements of all audit report users, laws, and regulations, we will notify you as soon as this comes to our attention. We will then submit another engagement letter for your approval that complies with the applicable requirements and will seek approval of the Legislative Auditor for the engagement. We will consider all standards that may apply, but in particular, we will determine whether a different type of engagement is needed based on:

- State of Louisiana's audit law.
- Audit requirements of *Government Auditing Standards.*
- Other contractual requirements.

Management's Responsibilities

Management of Municipal Employees' Retirement System of Louisiana is responsible for the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and all accompanying information, as well as all representations contained therein. As part of the audit, we will assist with preparation of your schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and related notes. You are

responsible for making all management decisions and performing all management functions relating to the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and that you have reviewed and approved the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer of Municipal Employees' Retirement System of Louisiana.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the entity from whom we determine it is necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer to correct material misstatements and confirming in the written representation letter that the effects of any uncorrected misstatements, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from

employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the employer schedules readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards.* In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer. However, we will inform the appropriate level of management of any fraudulent financial reporting, misappropriation of assets, or material abuse that come to our attention, and will also notify the Legislative Auditor in writing. Furthermore, should we become aware of fraud or misappropriation of assets, we shall also notify the appropriate enforcement agency, including the

local district attorney and sheriff. We will also inform the appropriate level of management of any material errors or violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required by *Government Auditing Standards,* the Louisiana Governmental Audit Guide. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer, and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards.*

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer are free of material misstatement, we will perform tests of Municipal Employees' Retirement System of Louisiana's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards.*

Audit Administration, Fees, and Other

Immediately upon completion of the engagement, the auditor shall send a copy of the reporting package to Municipal Employees' Retirement System of Louisiana and the Legislative Auditor. The reporting package will consist of the data collection form, to be prepared by management, and:

1. An opinion (or disclaimer of opinion) as to whether the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer are presented fairly in all material respects in conformity with accounting principles generally accepted in the United States.

2. A report on internal control and compliance with laws and regulations material to the schedule of employer allocations and total for all entities of the column titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer. This report shall describe the scope of testing of internal control and compliance, the results of the tests, and, where applicable, refer to the separate schedule of findings and questioned costs. The state laws and regulations included in this report shall include all of the compliance matters included in the Louisiana Compliance Questionnaire.

3. If applicable, a summary schedule of findings and questioned costs.

4. If applicable, a summary schedule of the current status of any prior findings, which you will prepare.

5. Management's corrective action plans, which you will prepare.

6. If applicable, a management letter to convey suggestions and recommendations not suitable for the foregoing reports. We will ask you to respond to any matters included in the management letter and include your response as a part of the issued management letter, or you may place your response to these matters in your corrective action plan.

Either the auditor or Municipal Employees' Retirement System of Louisiana shall send a copy of the report, any management letter, and management's corrective action plan, if applicable, to each member of the governing board, each federal grantor agency providing direct federal assistance and the federal cognizant agency, and to each state grantor agency and any state cognizant agency, if applicable.

Our audit will include a review of any prior-year suggestions and recommendations and will indicate the extent to which the summary schedule of prior year audit findings is fairly stated. As to any current-year recommendations and suggestions, we will afford you the opportunity to respond to such matters and will include your response(s) in management's corrective action plan.

The audit documentation for this engagement is the property of Hawthorn, Waymouth & Carroll, L.L.P., and constitutes confidential information. However, the audit documentation shall be available for inspection by the Legislative Auditor, any successor auditor, and/or any organization authorized by the Louisiana State Board of Certified Public Accountants to perform audit documentation reviews as part of a quality assurance program. We will follow the Legislative Auditor's policy regarding confidentiality of audit/ engagement documentation found at Section 350.02 of the Louisiana Governmental Audit Guide when giving access to audit documentation to any parties other than those previously named individuals and organizations.

Should we become aware of any illegal acts, we shall make our audit documentation available to the local district attorney or any other state or federal enforcement or regulatory agency without liability. The audit documentation shall be retained by Hawthorn, Waymouth & Carroll, L.L.P. for a minimum of five years after the issuance of the report.

Subsequent to the issuance of the report, should it be necessary to alter or reissue the report and/or any management letter, Hawthorn, Waymouth & Carroll, L.L.P. shall distribute such reissued report and/or management letter in the same manner as the original report and management letter.

We expect to begin our audit on approximately July 17, 2017 and to issue our reports no later than March 31, 2018.

Charles R. Pevey is the engagement partner and is responsible for supervising the engagement and signing the report. It is our understanding that you have assigned Nancy LaGarde of your staff (7937 Office Park Boulevard, Baton Rouge, LA 70809, 225-925-4810) as your representative during the engagement.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Our fee for this engagement will be based on our standard rates and, including out-of-pocket expenses, will be $22,700. This fee is based on the assumption that you will provide assistance, anticipated cooperation from your personnel, and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any amendments to the not-to-exceed amount of the fees will be in writing and signed by both our firm and Municipal Employees' Retirement System of Louisiana.

The Legislative Auditor will be notified immediately, in writing, if our audit is cancelled or if there are any significant disagreements. The Legislative Auditor will be notified, immediately, in writing if there are any changes in this agreement or if there are any restrictions placed on our staff during the audit that would impact the scope of the audit, which includes the failure to produce required records in a timely manner, or the nature of the tests required under the previously discussed standards. If federally-assisted programs are involved, we are required to notify (the cognizant or oversight agency).

During the course of our audit, it is possible that we may observe opportunities for economies of operation and for improved internal administrative and accounting controls, or we may observe variances with applicable laws and regulations or other matters that should be brought to your attention. Our comments and recommendations concerning such matters, if any, will be conveyed to you in writing.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review report accompanies this letter.

You may request that we perform additional nonattest services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Under the provisions of *Government Auditing Standards,* our ability to provide nonattest services may result in an impairment of our independence, and therefore may be limited for the duration of this engagement and for the period covered by this engagement. We will consult those standards and the Louisiana Legislative Auditor to determine whether such an impairment exists, prior to the performance of any nonattest services.

These limited procedures may not meet the needs of all users of audit reports, who may require additional information and assurances on internal control and compliance with laws and regulations. In accordance with *Government Auditing Standards,* you should consider whether additional testing of controls and compliance are necessary to supplement the financial statement audit's coverage of these areas and to meet the reasonable needs of report users.

These additional needs are quite often met in the following two ways:

- Supplemental (or agreed-upon) procedures, or
- An examination resulting in an opinion.

We are available to discuss the expanded needs of report users, the nature of this expanded work, and the degree to which these type examinations, or other examinations, will meet the needs of the parish and its report users.

Approval

We appreciate the opportunity to be of service to Municipal Employees' Retirement System of Louisiana, and believe this letter accurately summarizes the significant terms of our engagement. If these comments and arrangements meet with your approval, please sign below and return the agreement to us.

In accordance with the provisions of state law, this engagement agreement must be approved by the Legislative Auditor prior to commencement of our work. Upon your signature and approval, we will seek approval of the Legislative Auditor of this engagement.

We look forward to a pleasant association and the opportunity to provide the services included in this engagement. If you have any questions, please let us know.

Yours truly,
Hawthorn, Waymouth & Carroll, L.L.P.
By: Charles Penny

RESPONSE:
This letter correctly sets forth the understanding of Municipal Employees' Retirement System of Louisiana.

_____	_____
Signature	Signature
_____	_____
Title	Title

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATIVE BUDGET
AS OF MAY 31, 2017

EXPENSES	ANNUAL BUDGET	YTD ACTUAL	YTD DIFFERENCE $	YTD %	MTH OF MAY ACTUAL	
Personnel Expenses						
Salaries	$933,090.00	$654,680.30	$278,409.70	70.16%	$61,750.86	
Employer Retirement	$218,193.00	$148,076.40	$70,116.60	67.86%	$14,011.94	
Health Insurance	$69,500.00	$60,865.81	$8,634.19	87.58%	$1,688.70	
Subtotal Personnel Expenses	**$1,220,783.00**	**$863,622.51**	**$357,160.49**	**70.74%**	**$77,451.50**	
Operating Expenses						
Building & Ground Maintenance	$35,600.00	$27,485.20	$8,114.80	77.21%	$3,772.90	
Office Equipment & Maintenance	$73,500.00	$74,897.30	($1,397.30)	101.90%	$4,282.93	1
Office Supplies Expense	$107,682.00	$63,180.40	$44,501.60	58.67%	$2,618.54	
Telecommunications/Utilities	$31,320.00	$27,414.84	$3,905.16	87.53%	$1,838.98	
Insurance	$76,026.00	$63,520.95	$12,505.05	83.55%	($405.00)	2
Subtotal Operating Expenses	**$324,128.00**	**$256,498.69**	**$67,629.31**	**79.13%**	**$12,108.35**	
Professional Services						
Audit	$100,000.00	$92,590.00	$7,410.00	92.59%	$0.00	
Professional Services	$52,650.00	$42,387.05	$10,262.95	80.51%	$235.00	
Actuarial	$91,620.00	$84,135.00	$7,485.00	91.83%	$7,635.00	
Legal-Administrative	$10,000.00	$7,687.56	$2,312.44	76.88%	$1,600.00	
Legal-Securities Litigation	$406,000.00	$326,866.90	$79,133.10	80.51%	$43,509.84	3
Subtotal Professional Services	**$660,270.00**	**$553,666.51**	**$106,603.49**	**83.85%**	**$52,979.84**	
Travel Expenses						
Travel - Board Meetings & Conventions	$35,000.00	$30,513.11	$4,486.89	87.18%	$1,163.46	
Subtotal Travel Expenses	**$35,000.00**	**$30,513.11**	**$4,486.89**	**87.18%**	**$1,163.46**	
TOTAL OPERATING EXPENSES	$2,240,181.00	$1,704,300.82	$535,880.18	76.08%		
Capital Equipment & Services	$89,770.75	$89,370.75	$400.00	99.55%	$0.00	4
TOTAL ADMINISTRATIVE EXPENSES	**$2,329,951.75**	**$1,793,671.57**	**$536,280.18**	**76.98%**	**$143,703.15**	

1 Amount is over budget due to changes to the AS/400 system for additional reporting and functionality. **Board Approval**

2 Reimbursement related to LUBA audit.

3 Preis Gordon - Fletcher ($43,509.84).
Note: Amount in budget column was increased by $200,000 as approved by Board at April meeting.

4 Amount in budget column was increased by $5,954.75 as approved by Board at April meeting.

Municipal Employees' Retirement System
Fletcher - Summary of Expenses & Reimbursements
5/31/2017

Total Expenses of JOL	**3,429,288**	(MERS, FRS, & NOFF)
MERS Portion of JOL Expenses	**1,079,164**	
Non JOL Expenses		
Preis Gordon	921,236	
Campbells	342,471	
Gregory Joseph	105,340	
Diamond McCarthy	61,938	
Ernst & Young	148,399	
Total Non JOL Expenses	**1,579,384**	
Total Fletcher Expenses	**2,658,548**	
Reimbursements to MERS		
JOL Loan Repayment	233,333	6/24/2014
Reimbursement - Cost of Appeal	30,870	1/20/2015
FILB Distribution	19,990	1/22/2015
Soundview Settlement	556,512	2/29/2016
FILB Distribution	24,987	3/16/2016
Skadden Settlement	1,666,667	8/26/2016
Total MERS Reimbursements	**2,532,359**	
Total Fletcher Expenses After Reimbursements	**126,188.47**	

Strategy	Market Value (3/31/2013)	Estimated Effective Fee (%)	Estimated annual Fee ($)
Domestic Equity	**$131,900,000**	**0.46%**	**$ 602,900**
Atlanta Capital Large Cap Growth	$ 33,700,000	0.50%	$ 168,500
Barrow Hanley Small Cap Value Equity	$ 43,100,000	0.62%	$ 265,500
SSgA SP 400 Index	$ 35,500,000	0.08%	$ 28,400
Horizon Strategic Value Investing	$ 19,600,000	0.72%	$ 140,500
International Equity	**$106,900,000**	**0.70%**	**$ 751,000**
Thornburg Global Opportunities Strategy	$ 53,800,000	0.65%	$ 349,700
Kleinwort Benson Investors Water Strategy	$ 29,000,000	0.65%	$ 188,500
WHV Global Equity	$ 24,100,000	0.88%	$ 212,800
Fixed Income	**$122,600,000**	**1.28%**	**$ 1,567,900**
Fletcher FIA Leveraged Fund	$ 41,500,000	2.00%	$ 830,000
SMH Capital High Yield	$ 26,400,000	0.80%	$ 211,200
Loomis Sayles Multisector Full Discretion	$ 18,800,000	0.64%	$ 119,400
Brandywine Global Opportunistic Fixed Income	$ 19,400,000	0.45%	$ 87,300
Internal Fixed Income Account	$ 500,000	0.00%	$ -
Ashmore EM Corporate High Yield	$ 9,400,000	2.00%	$ 188,000
Commonwealth Advisors Core Fixed Income	$ 6,600,000	2.00%	$ 132,000
Hedge Fund Assets	**$135,300,000**	**1.45%**	**$ 1,962,500**
Scoggin Worldwide Distressed Fund	$ 27,500,000	2.00%	$ 550,000
Argonaut Macro Partnership On-Shore	$ 23,600,000	2.00%	$ 472,000
GoldenTree Offshore Fund	$ 17,500,000	1.50%	$ 262,500
Bay Resource Partners Offshore Fund	$ 18,000,000	1.50%	$ 270,000
GoldenTree Credit Opportunities	$ 8,200,000	1.50%	$ 123,000
Clinton Group Magnolia Fund	$ 22,900,000	0.00%	$ -
Paulson Advantage	$ 13,400,000	1.50%	$ 201,000
CA Recovery Fund	$ 3,900,000	2.00%	$ 78,000
Sand Spring Capital III	$ 300,000	2.00%	$ 6,000
Core Real Estate	**$ 11,400,000**	**1.00%**	**$ 114,000**
Sentinel Real Estate Fund	$ 11,400,000	1.00%	$ 114,000
Natural Resources	**$ 52,500,000**	**0.18%**	**$ 96,250**
Resource Environmental Solutions	$ 44,800,000	0.00%	$ -
Timbervest Crossover Partners II	$ 7,700,000	1.25%	$ 96,250
Private Debt	**$ 35,400,000**	**1.13%**	**$ 399,000**
Republic Business Credit	$ 14,300,000	0.00%	$ -
LEM Investors Real Estate Mezzanine Fund II	$ 6,600,000	1.50%	$ 99,000
Franchise Equity Capital Partners III	$ 8,500,000	2.00%	$ 180,000
Franchise Equity Capital Partners II	$ 6,000,000	2.00%	$ 120,000
Private Equity	**$113,600,000**	**0.97%**	**$ 1,107,400**
Compass Island Investment Opportunities Fund A	$ 10,600,000	2.00%	$ 212,000
Capital Spring Finance Company	$ 21,600,000	0.00%	$ -
Greenspring Crossover Ventures I	$ 14,400,000	0.00%	$ -
Whalehaven Fund Limited	$ 22,800,000	1.80%	$ 410,400
Louisiana Fund I	$ 2,000,000	2.00%	$ 40,000
Entropy	$ 600,000	0.00%	$ -
Capital Springs LLC	$ 4,500,000	0.00%	$ -
Sail Ventures I	$ 2,000,000	2.50%	$ 75,000
Sail Ventures II	$ 17,100,000	2.00%	$ 346,000
Sail 2010 Co-investment Fund	$ 2,400,000	1.00%	$ 24,000
Sail Pre-Exit Accleration fund	$ 4,900,000	0.00%	$ -
Sail Holdings LLC	$ 10,700,000	0.00%	$ -
Non-Core Real Estate	**$ 64,500,000**	**0.88%**	**$ 564,500**
Bedico Creek	$ 8,900,000	0.00%	$ -
AEW Partners VI	$ 7,900,000	1.25%	$ 98,750
JPMorgan India Property Fund	$ 7,800,000	2.00%	$ 156,000
Gainesville Vision	$ 4,500,000	0.00%	$ -
Crow Holdings Realty Partners IV	$ 8,500,000	1.50%	$ 127,500
Americus Real Estate Fund II	$ 13,300,000	1.00%	$ 133,000
Americus Real Estate Fund IV	$ 1,300,000	1.00%	$ 13,000
MEREC/Land Baron	$ 400,000	0.00%	$ -
MEREC/Coco-walk	$ 9,000,000	0.00%	$ -
AEW Partners V	$ 2,900,000	1.25%	$ 36,250
Totals	**$800,300,000**	**0.90%**	**$ 7,165,450**

Strategy	Market Value (3/31/2017)	Estimated Effective Fee (%)	Estimated annual Fee ($)	
Domestic Equity	**$232,000,305**	**0.16%**	**$ 367,586**	
Northern Trust S&P 500 Index-NL	$125,949,917	0.04%	$ 50,380	
Barrow Hanley Small Cap Value Equity	$ 48,866,574	0.60%	$ 294,333	
Northern Trust S&P 400 MidCap Index-NL	$ 57,183,814	0.04%	$ 22,874	
International Equity	**$174,797,523**	**0.59%**	**$1,031,054**	
Northern Trust EAFE Index	$ 36,584,902	0.60%	$ 219,509	
Northern Trust MSCI EM Index	$ 41,585,825	0.16%	$ 66,537	
Dimensional Emerging Markets Value	$ 37,153,014	0.61%	$ 226,633	
First Eagle International Value	$ 32,116,127	0.89%	$ 285,834	
WCM Focused International Growth Fund	$ 27,357,655	0.85%	$ 232,540	
Fixed Income	**$258,073,283**	**0.16%**	**$ 425,630**	
Northern Trust TIPS Index	$ 77,700,588	0.04%	$ 31,080	
Northern Trust Barclays Aggregate	$108,796,561	0.06%	$ 65,278	
Loomis Sayles Multisector Full Discretion	$ 37,214,141	0.47%	$ 174,642	
Brandywine Global Opportunistic Fixed Income	$ 34,361,993	0.45%	$ 154,629	
Hedge Fund Assets	**$ 22,426,593**		**$ 373,493**	
Scoggin Worldwide Distressed Fund	$ 15,224,086	2.00%	$ 304,482	*
Argonaut Macro Partnership On-Shore	$ 2,162,691	0.00%	$ -	^
GoldenTree Offshore Fund	$ 4,600,780	1.50%	$ 69,012	
GoldenTree Credit Opportunities	$ 439,036	0.00%	$ -	^
Core Real Estate	**$ 15,161,739**		**$ 151,617**	
Sentinel Real Estate Fund	$ 15,161,739	1.00%	$ 151,617	
Natural Resources	**$ 42,983,280**		**$ 76,261**	
Resource Environmental Solutions	$ 36,882,376	0.00%	$ -	
Timbervest Crossover Partners II	$ 6,100,904	1.25%	$ 76,261	**
Private Debt	**$ 35,649,710**		**$ 412,151**	
Republic Business Credit	$ 19,000,000	0.00%	$ -	
BlueBay Direct Lending II	$ 14,872,074	1.50%	$ 223,081	
Franchise Equity Capital Partners III	$ 1,324,135	2.00%	$ 180,000	
Franchise Equity Capital Partners II	$ 453,501	2.00%	$ 9,070	
Private Equity	**$ 30,780,117**		**$ 202,454**	
Compass Island Investment Opportunities Fund A	$ 5,520,931	2.00%	$ 110,419	**
Capital Spring Finance Company	$ 13,250,835	0.00%	$ -	
Greenspring Crossover Ventures I	$ 3,251,172	0.00%	$ -	**
Whalehaven Fund Limited	$ 5,000,000	0.50%	$ 25,000	
Louisiana Fund I	$ 1,976,804	2.00%	$ 39,536	**
Louisiana Fund II	$ 1,099,980	2.50%	$ 27,500	
Capital Springs LLC	$ 680,395	0.00%	$ -	
Non-Core Real Estate	**$ 11,241,384**		**$ 2,809**	
Bedico Creek	$ 8,051,728	0.00%	$ -	
Americus Real Estate Fund II	$ 280,856	1.00%	$ 2,809	
Gainsville	$ 2,908,800	0.00%	$ -	
Totals	**$826,642,886**	**0.37%**	**$3,043,056**	

* half the value has been redeemed since 3/31/2017

^ fully redeemed since

** in process of being sold

MERS CASH SUMMARY

ACCOUNT BALANCE SUMMARY

DATE	DESCRIPTION	AMOUNT	
	SYSTEM CASH		
6/21/2017	Northern Trust Cash Balance	$8,726,676	
6/21/2017	Capital One Operating Account Cash Balance	$450,341	
6/21/2017	Capital One Retirement Payroll Cash Balance - Plan A	$7,763,361	1
6/21/2017	Capital One Retirement Payroll Cash Balance - Plan B	$5,011,746	1
6/21/2017	Capital One Education Account Cash Balance	$5,933	
.	**SUBTOTAL SYSTEM CASH**	$21,958,056	
	DROP ACCOUNTS		
6/21/2017	Capital One Drop Balance -Plan A	$20,098,629	
6/21/2017	Capital One Drop Balance -Plan B	$4,699,125	
	SUBTOTAL DROP ACCOUNTS	$24,797,754	

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

	As of 6/21/2017
Ad Valorem (6400)	$9,509,098
Revenue Sharing (6500)	$179,517
	$9,688,614

MERS INVESTMENT CASH FLOWS

May 1, 2017 to May 31, 2017

CASH ACTIVITY

DATE	DESCRIPTION	AMOUNT
5/1/2017	**Northern Trust Beginning Cash Balance**	**$598,829.23**
	INVESTMENT TRANSFERS IN	
5/2/2017	Golden Tree Offshore - Redemption	$330,405.19
5/4/2017	FI, RE, Int' Equity, PE - Interest Income	$389.35
5/4/2017	FECP II	$18,562.00
5/8/2017	FECP III	$46,184.00
5/8/2017	Fixed Income	$3,891.01
	SUBTOTAL TRANSFERS IN	**$399,431.55**
	INVESTMENT TRANSFERS OUT	
		$0.00
	SUBTOTAL TRANSFERS OUT	**$0.00**
	OTHER INCOME/TRANSFERS IN	
5/3/2017	Miscellaneous Investment Income	$4,785.91
5/10/2017	Securities Litigation Settlement	$200.61
4/21/2017	Tremont Litigation Settlement	$85,045.07
	SUBTOTAL OTHER INCOME	**$90,031.59**
	OTHER EXPENSES/TRANSFERS OUT	
5/3/2017	NT Sweep Fee	($1,991.19)
5/9/2017	Meketa - Consulting Fee	($16,666.67)
5/23/2017	Transfer to Operating Account	($500,000.00)
	SUBTOTAL OTHER EXPENSES	**($518,657.86)**
4/30/2017	**Northern Trust Ending Balance**	**$569,634.51**

CASH ACTIVITY

DATE	DESCRIPTION	AMOUNT
	CASH ACTIVITY - JUNE	
6/7/2017	NTGI S&P 500 - Sell Shares	$5,700,000.00
6/7/2017	NTGI Midcap - Sell Shares	$3,800,000.00
6/8/2017	Kean Miller - Kline Hill Sale	($3,910.22)
6/12/2017	Blue Bay Capital Call	($1,341,049.71)
6/20/2017	Kean Miller - SNTech	($227.50)
6/21/2017	Investment Income	$2,228.55
		$8,726,675.63

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					
SUBTOTAL PLAN A	**$37,527,583**	**$14,961,991**	**($543,285)**	**($3,087,019)**	**$48,859,270**
			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	-	(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					
SUBTOTAL PLAN B	**$7,392,888**	**$3,219,888**	**$213,877**	**($967,681)**	**$9,858,973**
TOTAL SYSTEM	**$44,920,472**	**$18,181,879**	**($329,408)**	**($4,054,699)**	**$58,718,243**

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**

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
ETHICS AND FIDUCIARY POLICY

PURPOSE

The policies and procedures in this document govern compliance with the Code of Governmental Ethics as defined in Louisiana Revised Statutes Title 42: Chapter 15.

OBJECTIVE

It has been and will be the policy of the Municipal Employees' Retirement System (MERS) Board of Trustees and its employees to uphold the highest standards of ethical, fiduciary and professional behavior.

The Executive Director shall implement this policy for all staff members.

APPLICABILITY

This policy applies to the following persons:

1. Employees of MERS
2. Persons appointed or elected to the Board of Trustees.
3. Vendors are not obligated to participate in the training requirements but they are required to be familiar with the Code of Governmental Ethics.

POLICIES

Compliance

1. MERS Board of Trustees and its employees will comply with the ethical standards and prohibitions as set forth in Louisiana Revised Statute 42:1111-1121 http://ethics.la.gov/Pub/Laws/Title42Ch15.pdf , and includes all laws, regulations, and interpretations of the code of ethics, as well as the fiduciary related laws as amended from time to time by the legislature.

2. MERS Board of Trustees and its employees are required to receive one (1) hour of ethics training at conferences, online training proved by the Louisiana Ethics Board or have a member of the Louisiana Ethics Administration, or other knowledgeable person to provide additional ethics training each year.

3. MERS Board of Trustees and its employees, are required to annually attest through signature verification that they have read MERS ethics policy.

4. MERS Board of Trustees and its employees shall also dedicate themselves to carrying out the mission of this organization and shall:

    - Hold paramount the safety, health and welfare of the public in the performance of professional duties.
    - Act in such a manner as to uphold and enhance personal and professional honor, integrity and the dignity of the profession.

- Treat with respect and consideration all persons, regardless of race, religion, gender, sexual orientation, maternity, marital or family status, disability, age or national origin.
- Engage in carrying out MERS mission in a professional manner.
- Collaborate with and support other professionals in carrying out MERS mission.
- Build professional reputations on the merit of services and refrain from competing unfairly with others.
- Recognize that the chief function of MERS at all times is to serve the best interest of its members.
- Accept as a personal duty the responsibility to keep up to date on emerging issues and to conduct themselves with professional competence, fairness, impartiality, efficiency, and effectiveness.
- Respect the structure and responsibilities of the Board of Trustees, provide them with facts and advice as a basis for their making policy decisions, and uphold and implement policies adopted by the Board of Trustees.
- Keep the members informed about issues affecting them.
- Conduct organizational and operational duties with positive leadership exemplified by open communication, creativity, dedication, and compassion.
- Exercise whatever discretionary authority they have under the law to carry out the mission of MERS.
- Serve with respect, concern, courtesy, and responsiveness in carrying out MERS mission.
- Demonstrate the highest standards of personal integrity, truthfulness, honesty, and fortitude in all activities in order to inspire confidence and trust in such activities.
- Avoid any interest or activity that is in conflict with the conduct of their official duties.
- Respect and protect privileged information to which they have access in the course of their official duties.
- Strive for personal and professional excellence and encourage the professional development of others.

Monitoring

To determine that MERS Board of Trustees and its employees are in compliance with the Code of Governmental Ethics, the following will occur:

1. The Executive Director maintains an open door policy for reporting any violations of the Code of Governmental Ethics.

2. The Executive Director encourages questions and discussions among MERS Board of Trustees and its employees to ensure that all laws and regulations are adhered.

3. The Executive Director reviews all actions by the MERS Board of Trustees and its employees to ensure compliance with the letter and spirit of all ethics rules and regulations.
4. The Executive Director approves and reviews the detail of money received or

spent on behalf of MERS, as necessary.

5. All policies and procedures concerning operations of MERS are reviewed on an annual basis to ensure compliance with "best practices", ethics regulations, and state laws.
6. All gifts received by the retirement system are returned to the vendor, or if edible, donated to local charities (i.e., Battered Women's Shelter, etc.).
7. The Retirement System (Retirement Benefits Administrator) will monitor ethics training hours for MERS Board of Trustees and its employees and maintain appropriate documentation.
8. The Retirement System (Retirement Benefits Administrator) will monitor Legislative required educational hours for Board of Trustee members and will report annually to the House/Senate Retirement Committees.
9. At the end of the fiscal year, MERS Board of Trustees and its employees will attest through signature verification that they have read the entity's ethics policy (Exhibit A).

Violations

MERS strictly prohibits retaliation against any individual for filing an ethics complaint or for participating in an ethics investigation. All allegations of retaliation will be swiftly and thoroughly investigated. Individuals who engage in retaliatory conduct are subject to disciplinary action, up to and including termination.

If a potential ethics violation is received, the complaint shall be placed in writing and should be provided to the Executive Director or CFO for monitoring and appropriate review. Potential violations are not to be reported anonymously. When reporting a violation, include the following important information:

- Explain the facts of the incident
- Provide the name of the alleged offender
- Give the date that the incident occurred
- Provide a contact name, number, and e-mail to allow for confidential follow-up

A copy of any potential violation regarding any person covered by this policy shall be sent to the person complained of within three days of the receipt of the potential violation. The person named in the potential violation shall have five days to respond in writing to the complaint and his or her response shall be part of the complaint record. If such complaint alleges ethical violations then the Executive Director shall recommend that a copy of the complaint is forward to the Louisiana Board of Ethics.

The following actions will be taken for any violations of the Louisiana Code of Governmental Ethics:

1. The Executive Director shall file confidential reports with the Ethics Board or panel on any matters that come to his/her attention which is believed to constitute a violation of the ethics code.

2. The Executive Director shall cooperate in every possible manner in connection with any investigation or hearing which may be lawfully conducted by the Ethics Board or panel.

3. The Executive Director shall comply with any lawful order received from the Ethics Board or panel and shall immediately take disciplinary action against any employee under his supervision when ordered to do so by the Board of Ethics or panel.

EXHIBIT A

EMPLOYEE ATTESTATION

I, _____, hereby attest that I have read and understand the MERS Ethics and Fiduciary policy as indicated by my signature below.

Signature: Title: Date:

POLICY AND RULE OF THE BOARD OF TRUSTEES FOR ELECTION OF ACTIVE MEMBERS OF THE RETIREMENT SYSTEM TO THE BOARD OF TRUSTEES

In accordance with the authority granted to it by the provisions of LSA-R.S. 11:1821, it shall be the rule and policy of the Board of Trustees of the Municipal Employees' Retirement System of Louisiana concerning the election of members of the retirement system to the Board of Trustees that, with regard to those members of the Board who are elected by the members of the system:

1. Staff shall email and mail a memo announcing the vacancy on the Board of Trustees approximately three (3) months prior to the expiration of the outgoing Trustee's term.

2. Eligibility and rules for an active member Trustee election:

    a. Eligibility requirements that must be met by a nominee.
        i. Must have six (6) years of creditable service
        ii. Depending on the election year – the member must be in an elected official position or non-elected position.
    b. Candidates for the elected or non-elected seats must be nominated by twenty-five (25) actively contributing members of the retirement system.
    c. For purposes of eligibility to run for election to the Board of Trustees and voting in any Board member election, persons who are participating in the Deferred Retirement Option Plan (DROP) are considered to be active and contributing members of the system and, as such, are eligible to run for election to the Board and vote in any Board member election.

3. The memo shall consist of the following:

    a. The deadline for receipt of nominations
    b. Educational requirements by the nominee before their name is printed on the ballot.
    c. A nomination petition.
    d. A "Candidate Information" form to be completed by the nominee.
    e. A memo stating the responsibilities of a Board member.
    f. A list of current year Board meeting dates.

4. Staff shall verify all signatures on the nomination petition for eligibility to nominate a candidate.

5. Staff shall obtain an outside source to mail, receive, and count ballots.

POLICY AND RULE OF THE BOARD OF TRUSTEES FOR ELECTION OF RETIRED MEMBERS OF THE RETIREMENT SYSTEM TO THE BOARD OF TRUSTEES

In accordance with the authority granted to it by the provisions of LSA-R.S. 11:1821, it shall be the rule and policy of the Board of Trustees of the Municipal Employees' Retirement System of Louisiana concerning the election of members of the retirement system to the Board of Trustees that, with regard to those retired members of the Board who are elected by the members of the system:

1. Staff shall email and mail a memo announcing the vacancy on the Board of Trustees approximately three (3) months prior to the expiration of the outgoing Trustee's term.

2. Eligibility and rules for a retired member Trustee election:

    a. Any nominee must be a retired member of MERS.
    b. Candidates for the retiree seat must be nominated by twenty-five (25) voting and/or retired members of the retirement system.
    c. For purposes of eligibility to nominate a retired member in a Board member election, persons who are participating in the Deferred Retirement Option Plan (DROP) are considered to be active and contributing members of the system and, as such, are eligible to nominate a retired member in a Board member election.
    d. Only retired members of MERS are eligible to vote for the candidates nominated for the retiree seat on the Board.

3. The memo shall consist of the following:

    a. The deadline for receipt of nominations
    b. Educational requirements by the nominee before their name is printed on the ballot.
    c. A nomination petition.
    d. A "Candidate Information" form to be completed by the nominee.
    e. A memo stating the responsibilities of a Board member.
    f. A list of current year Board meeting dates.

4. Staff shall verify all signatures on the nomination petition for eligibility to nominate a candidate.

5. Staff shall obtain an outside source to mail, receive, and count ballots.

Summary of 2017 Legislation affecting MERS

ACT 23 (HB 32): Creates a "retiree seat" on the Board of Trustees for MERS. An election will be called to fill the current vacancy on the Board of Trustees. To qualify, the candidate must be a retiree of MERS, complete the required education (offered by MERS staff at the office at a time TBD), and complete the nomination form. Any member of MERS active or retired can sign the nominating petition, but only retirees will be allowed to vote in that election.

ACT 314 (HB 683): Creates a new opportunity for retirees to return to work full time, and earn a supplemental benefit. After June 30, 2017, if a retiree returns to full time employment in a position that requires membership in MERS, the retiree's benefit is suspended and the employee re-enters the system as a contributing member. If the retiree continues to work for at least 12 months the retiree earns a supplemental benefit. When final separation from service occurs, his original benefit will resume, and include a supplemental benefit based on the time worked and salary paid. If the retiree separates from service prior to the 12 month minimum, the retiree's contribution will be returned without interest. The employer shall pay its contribution the same as a regular employee.

ACT 285 (SB 8): Creates a method to correct a membership error when enrolling an employee. If an employee is enrolled in a wrong system, the member is transferred to the correct system and the system along with all contributions made by the employee and the employer. If there is a shortage of funds the employer is required to pay the actuarial cost of the difference.