

EMPLOYER PENSION REPORT
MUNICIPAL
EMPLOYEES' RETIREMENT SYSTEM

JUNE 30, 2013

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

February 27, 2015

Board of Trustees of the
Municipal Employees'
Retirement System of Louisiana
7937 Office Park Blvd.
Baton Rouge, Louisiana 70809

We have audited the accompanying schedule of employer allocations of the Municipal Employees' Retirement System as of and for the year ended June 30, 2013, and the related notes. We have also audited the total for all entities of the column titled net pension liability included in the accompanying schedule of pension amounts by employer of Municipal Employees' Retirement System as of and for the year ended June 30, 2013, and the related notes to the schedules.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the net pension liability for the total of all participating entities for Municipal Employees' Retirement System, as of and for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 6 to the employer schedules, the total pension liability for the Municipal Employees' Retirement System for Plan A and Plan B was \$967,664,052 and \$195,689,857 respectively as of June 30, 2013. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2013 could be under or overstated.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Employees' Retirement System as of and for the year ended June 30, 2013, and our report thereon, dated January 13, 2014, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015 on our consideration of the Municipal Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Employees' Retirement System's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of Municipal Employees' Retirement System's management, the Board of Trustees, Municipal Employees' Retirement System's participating employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS - PLAN A
JUNE 30, 2013

Employer	Projected Required Employer Contributions	Employer Allocation Percentage
Abita Springs	\$ 74,376	0.208995 %
Arnaudville	63,708	0.179018
Baker	477,576	1.341981
Ball	131,494	0.369496
Bastrop	251,393	0.706410
Berwick	228,920	0.643261
Bogalusa	11,364	0.031933
Bunkie	106,605	0.299558
Cajundome	454,520	1.277194
Central	12,419	0.034897
Coushatta	53,205	0.149505
Covington	553,561	1.555497
Crowley	369,434	1.038103
Dequincy	88,147	0.247692
Eunice	369,359	1.037893
Farmerville	208,508	0.585904
Franklin	292,779	0.822704
Golden Meadow	65,644	0.184459
Gonzales	895,159	2.515382
Gramercy	120,660	0.339053
Gretna	958,600	2.693650
Grosse Tete	30,957	0.086989
Hammond	929,292	2.611295
Hammond Marshal's	95,350	0.267932
Haughton	82,353	0.231411
Haynesville	63,402	0.178159
Homer	55,849	0.156935
Homer Memorial	12,228	0.034360
Hornbeck	32,875	0.092378
Independence	5,113	0.014367
Jackson	83,725	0.235266
Jean Lafitte	53,356	0.149929
Jeanerette	177,655	0.499208

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS - PLAN A
JUNE 30, 2013

Employer	Projected Required Employer Contributions	Employer Allocation Percentage
Jena	\$ 222,482	0.625171 %
Jonesboro	199,054	0.559338
Kenner	2,464,171	6.924279
Lafayette	5,289,683	14.863921
Louisiana Community Development Authority	58,530	0.164468
Leesville	264,207	0.742417
Louisiana Entergy & Power Association	497,737	1.398633
Lockport	32,651	0.091749
Louisiana Municipal Association	309,344	0.869251
Mandeville	559,143	1.571182
Mansfield	310,567	0.872688
Maringouin	65,272	0.183413
Mer Rouge	22,866	0.064253
Minden	746,652	2.098080
Monroe	3,929,466	11.041734
Morehouse	31,411	0.088264
Morgan City	872,034	2.450401
Natchitoches	1,119,166	3.144838
New Iberia	711,841	2.000261
New Roads	198,600	0.558063
Newellton	40,270	0.113158
Oakdale	175,272	0.492511
Opelousas	771,104	2.166789
Opelousas Library	44,379	0.124704
Plaquemine	489,796	1.376319
Port Allen	300,782	0.845192
Rayville	90,713	0.254902
Ringgold	34,396	0.096652
Risk Management	252,139	0.708506
Rosedale	39,938	0.112225
Ruston	1,299,780	3.652360
Slaughter	20,983	0.058962
Slidell	1,262,055	3.546356

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS - PLAN A
JUNE 30, 2013

Employer	Projected Required Employer Contributions	Employer Allocation Percentage
Springhill	\$ 188,366	0.529305
St. Gabriel	271,919	0.764088
Sulphur	807,218	2.268269
Sulphur City Court	2,332	0.006553
Sunset	34,276	0.096315
Thibodaux	918,526	2.581043
Turkey Creek	23,143	0.065031
Ville Platte	252,005	0.708130
Vinton	159,659	0.448639
West Monroe	1,140,835	3.205727
Westlake	290,766	0.817048
Westwego	385,848	1.084226
Winnfield	241,584	0.678847
Winnsboro	180,557	0.507362
Woodworth	101,940	0.286450
Zachary	452,356	1.271113
Total	\$ <u>35,587,400</u>	<u>100.000000</u> %

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER ALLOCATIONS - PLAN B
JUNE 30, 2013

Employer	Projected Required Employer Contributions	Employer Allocation Percentage
Abbeville	\$ 200,711	3.044554 %
Arcadia	49,339	0.748416
Baldwin	33,052	0.501361
Basile	26,717	0.405266
Benton	49,779	0.755090
Bossier City	1,213,700	18.410429
Boyce	20,273	0.307518
Brusly	47,232	0.716455
Campiti	9,250	0.140312
Carencro	76,053	1.153636
Clinton	33,111	0.502256
Colfax	29,613	0.449195
Columbia	8,271	0.125462
Cottonport	19,369	0.293805
Delhi	61,838	0.938011
Denham Springs	347,586	5.272479
DeRidder	153,320	2.325688
Donaldsonville	59,219	0.898284
Duson	41,427	0.628400
Ferriday	32,123	0.487269
Folsom	19,020	0.288511
Fordoche	5,553	0.084233
Franklinton	93,764	1.422292
Glenmora	12,050	0.182785
Grayson	6,986	0.105970
Hodge	6,128	0.092955
Iowa	37,171	0.563841
Jennings	159,945	2.426181
Kaplan	98,066	1.487548
Kentwood	49,420	0.749644
Krotz Springs	16,708	0.253441
Lake Arthur	28,350	0.430037
Lake Charles	1,392,490	21.122467
Lake Providence	43,872	0.665488
Lecompte	16,158	0.245098

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS - PLAN B
JUNE 30, 2013

Employer	Projected Required Employer Contributions	Employer Allocation Percentage
Leesville	\$ 1,866	0.028305 %
Leonville	42,866	0.650228
Livingston	44,461	0.674422
Lutcher	32,072	0.486495
Madisonville	57,901	0.878291
Mangham	1,822	0.027638
Many	52,477	0.796016
Maurice	22,775	0.345470
Mermentau	4,418	0.067016
Morganza	9,324	0.141434
Napoleonville	10,730	0.162762
New Llano	21,452	0.325402
Oak Grove	30,286	0.459404
Olla	19,950	0.302618
Patterson	100,035	1.517416
Pine Prairie	15,097	0.229004
Pineville	357,028	5.415703
Pollock	38,299	0.580952
Ponchatoula	85,726	1.300365
Rayne	173,283	2.628503
Rosepine	17,267	0.261920
Scott	77,451	1.174842
South Central Planning & Development	220,378	3.342878
St. Francisville	57,473	0.871799
St. Joseph	6,904	0.104726
St. Martinville	122,658	1.860580
Vidalia	286,163	4.340763
Vivian	42,287	0.641445
Welsh	67,846	1.029146
White Castle	53,284	0.808257
Wisner	7,757	0.117665
Zwolle	13,459	0.204158
Total	<u>\$ 6,592,459</u>	<u>100.000000 %</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER - PLAN A
AS OF THE YEAR ENDED JUNE 30, 2013

Employer	Net Pension Liability
Abita Springs	\$ 647,761
Arnaudville	554,850
Baker	4,159,347
Ball	1,145,219
Bastrop	2,189,453
Berwick	1,993,729
Bogalusa	98,973
Bunkie	928,453
Cajundome	3,958,546
Central	108,160
Coushatta	463,377
Covington	4,821,121
Crowley	3,217,505
Dequincy	767,699
Eunice	3,216,854
Farmerville	1,815,956
Franklin	2,549,896
Golden Meadow	571,714
Gonzales	7,796,197
Gramercy	1,050,864
Gretna	8,348,722
Grosse Tete	269,614
Hammond	8,093,470
Hammond Marshal's	830,431
Haughton	717,237
Haynesville	552,188
Homer	486,406
Homer Memorial	106,496
Hornbeck	286,317
Independence	44,529
Jackson	729,185
Jean Lafitte	464,691
Jeanerette	1,547,250

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER - PLAN A
AS OF THE YEAR ENDED JUNE 30, 2013

Employer	Net Pension Liability
Jena	\$ 1,937,660
Jonesboro	1,733,617
Kenner	21,461,170
Lafayette	46,069,365
Louisiana Community Development Authority	509,754
Leesville	2,301,054
Louisiana Entergy & Power Association	4,334,935
Lockport	284,368
Louisiana Municipal Association	2,694,164
Mandeville	4,869,735
Mansfield	2,704,817
Maringouin	568,472
Mer Rouge	199,146
Minden	6,502,807
Monroe	34,222,845
Morehouse	273,566
Morgan City	7,594,794
Natchitoches	9,747,138
New Iberia	6,199,626
New Roads	1,729,665
Newellton	350,723
Oakdale	1,526,493
Opelousas	6,715,764
Opelousas Library	386,509
Plaquemine	4,265,775
Port Allen	2,619,595
Rayville	790,045
Ringgold	299,564
Risk Management	2,195,950
Rosedale	347,831
Ruston	11,320,156
Slaughter	182,747
Slidell	10,991,606

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER - PLAN A
AS OF THE YEAR ENDED JUNE 30, 2013

Employer	Net Pension Liability
Springhill	\$ 1,640,532
St. Gabriel	2,368,221
Sulphur	7,030,292
Sulphur City Court	20,310
Sunset	298,520
Thibodaux	7,999,707
Turkey Creek	201,558
Ville Platte	2,194,784
Vinton	1,390,516
West Monroe	9,935,858
Westlake	2,532,366
Westwego	3,360,459
Winnfield	2,104,024
Winnsboro	1,572,522
Woodworth	887,826
Zachary	3,939,699
Total	\$ <u>309,940,860</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER - PLAN B
AS OF THE YEAR ENDED JUNE 30, 2013

Employer	Net Pension Liability
Abbeville	\$ 1,672,854
Arcadia	411,223
Baldwin	275,477
Basile	222,677
Benton	414,890
Bossier City	10,115,756
Boyce	168,968
Brusly	393,662
Campti	77,096
Carencro	633,874
Clinton	275,969
Colfax	246,814
Columbia	68,936
Cottonport	161,433
Delhi	515,398
Denham Springs	2,897,005
DeRidder	1,277,868
Donaldsonville	493,569
Duson	345,279
Ferriday	267,734
Folsom	158,525
Fordoche	46,282
Franklinton	781,490
Glenmora	100,433
Grayson	58,226
Hodge	51,075
Iowa	309,807
Jennings	1,333,084
Kaplan	817,345
Kentwood	411,898
Krotz Springs	139,255
Lake Arthur	236,287
Lake Charles	11,605,907
Lake Providence	365,658
Lecompte	134,671

(Continued)

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
 SCHEDULE OF PENSION AMOUNTS BY EMPLOYER - PLAN B
AS OF THE YEAR ENDED JUNE 30, 2013

Employer	Net Pension Liability
Leesville	\$ 15,552
Leonville	357,273
Livingston	370,567
Lutcher	267,309
Madisonville	482,584
Mangham	15,186
Many	437,377
Maurice	189,821
Mermentau	36,822
Morganza	77,712
Napoleonville	89,431
New Llano	178,795
Oak Grove	252,423
Olla	166,276
Patterson	833,756
Pine Prairie	125,828
Pineville	2,975,701
Pollock	319,209
Ponchatoula	714,496
Rayne	1,444,252
Rosepine	143,914
Scott	645,526
South Central Planning & Development	1,836,771
St. Francisville	479,017
St. Joseph	57,543
St. Martinville	1,022,310
Vidalia	2,385,067
Vivian	352,447
Welsh	565,472
White Castle	444,103
Wisner	64,652
Zwolle	112,177
Total	\$ <u>54,945,794</u>

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

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

Act 569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System of Louisiana, effective on and after June 30, 1970. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Municipal Employees' Retirement System prepares its employer schedules in accordance with the Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense and amortization periods for deferred inflows and deferred outflows.

Basis of Accounting:

The Municipal Employees' Retirement System's employer pension schedules are prepared using the accrual basis of accounting. Members' earnable compensation, for which the employer allocations are based, is recognized in the period in which the employee is compensated for services performed. The member's earnable compensation is attributed to the employer for which the member is employed as of June 30, 2013.

During the year ended June 30, 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan. The provisions of this statement were retroactively applied to the fiscal year ended June 30, 2013.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

System Employees:

The System is not allocated a proportionate share of the net pension liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

Plan Fiduciary Net Position:

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues, and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

2. PLAN DESCRIPTION:

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

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2013, there were 87 contributing municipalities in Plan A and 67 in Plan B. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements:

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits:

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Any member of Plan B who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

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

Eligibility for Retirement for Plan A and Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits:

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

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

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

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

DROP Benefits:

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

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

Disability Benefits:

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

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

Cost of Living Increases:

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

Deferred Benefits:

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

3. EMPLOYER CONTRIBUTIONS:

According to state statute, contribution requirements for all employers are actuarially determined each year. For the year ending June 30, 2013, the actual employer contribution rate was

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

3. EMPLOYER CONTRIBUTIONS: (Continued)

17% for Plan A and 8% for Plan B. For the year ended June 30, 2013, the actuarially determined employer contribution rate was 18.67% for Plan A and 8.72% for Plan B. The actual rate differs from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations.

4. SCHEDULE OF EMPLOYER ALLOCATIONS:

The schedule of employer allocations reports the required projected employer contributions in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the employer's projected contribution effort to the plan for the next fiscal year as compared to the total of all employers' projected contribution effort to the plan for the next fiscal year. The employers' projected contribution effort was actuarially determined by the System's actuary.

The employers' projected contribution effort was calculated by multiplying the projected future compensation of active members in the System on June 30, 2013 by the next fiscal year's employers' actuarially required contribution rate. Projected future compensation was calculated by multiplying compensation by a payroll factor of 1.031 for Plan A and 1.025 for Plan B. Compensation was determined as follows:

1. Actual earned compensation for active members enrolled in the System the entire fiscal year, plus;
2. Annualized compensation for active members on June 30, 2013 enrolled in the System for a portion of the fiscal year. Annualized compensation was calculated using actual compensation and the employee's date of hire.

The payroll factor was actuarially determined using salary assumptions for expected net changes in active members plus expected new hires and their payroll over the next fiscal year.

The next fiscal year's employers' actuarially required contribution rate was 20.62% for Plan A and 9.82% for Plan B.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

5. SCHEDULE OF PENSION AMOUNTS BY EMPLOYER:

The schedule of pension amounts by employer displays each employer's allocation of the net pension liability. The schedule of pension amounts by employer was prepared using the allocations included in the schedule of employer allocation.

6. ACTUARIAL METHODS AND ASSUMPTIONS:

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

The components of the net pension liability of the System's employers as of June 30, 2013 are as follows:

	<u>PLAN A</u>	<u>PLAN B</u>
Total Pension Liability	\$ 967,664,052	\$ 195,689,857
Plan Fiduciary Net Position	<u>657,723,192</u>	<u>140,744,063</u>
Total Net Pension Liability	<u>\$ 309,940,860</u>	<u>\$ 54,945,794</u>

A summary of the actuarial methods and assumptions used in determining the total pension liability for Plan A and Plan B as of June 30, 2013 are as follows:

Valuation Date	June 30, 2013
Actuarial Cost Method	Frozen Attained Age Normal Actuarial Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.75%, net of investment expense for Plan A and Plan B
Projected Salary Increases	5.75% (3% Inflation, 2.75% Merit) for Plan A and Plan B
Mortality Rates	RP-2000 Employee Table for males and females RP-2000 Healthy Annuitant Table for males and females RP-2000 Disabled Lives Mortality Tables for males and females
Expected Remaining Service Lives	3 years for Plan A and 4 years for Plan B
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO SCHEDULES
JUNE 30, 2013

6. ACTUARIAL METHODS AND ASSUMPTIONS: (Continued)

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2004 through June 30, 2009. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. ESTIMATES:

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.

8. RETIREMENT SYSTEM AUDIT REPORT:

The Municipal Employees' Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended June 30, 2013. Access to the report can be found on the System's website, www.mersla.com and Louisiana Legislative Auditor's website, www.la.gov.



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

February 27, 2015

Municipal Employees'
Retirement System of Louisiana
7937 Office Park Blvd.
Baton Rouge, Louisiana 70809

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the employer pension schedules of the Municipal Employees' Retirement System, as of June 30, 2013, and the related notes to the schedules and have issued our report thereon dated February 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the employer pension schedules, we considered the Municipal Employees' Retirement System's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the employer schedules, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Employees' Retirement System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's employer pension schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Employees' Retirement System's employer pension schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of employer pension schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the employer pension schedules of Municipal Employees Retirement System for the year ended June 30, 2013 was unmodified.
2. The audit disclosed no instances of noncompliance.
3. Findings Required To Be Reported Under Generally Accepted Government Auditing Standards:
None
4. Status of Prior Year Comments:
Not applicable