Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana
Financial Report
June 30, 2019

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Independent Auditor's Report

Mr. Warren Ponder, Executive Director,
and the Board of Trustees of
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Municipal Employees' Retirement System of Louisiana ("System"), which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2019 and 2018, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 3 to the financial statements, the total pension liability for the System was $1,182,925,835 and $1,148,293,981 for Plan A and $258,352,439 and $245,867,981 for Plan B, respectively, as of June 30, 2019 and 2018. 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 valuations, there is a risk that the total pension liability at June 30, 2019 and 2018, could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability, schedules of employers' net pension liability, schedules of contributions, and schedules of investment returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The individual funds' statements of fiduciary net position, individual funds' statements of changes in fiduciary net position, schedule of per diem paid to board members, schedules of administrative expenses, and schedule of compensation, benefits and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely 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 the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, L.L.P.

December 10, 2019

Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2019

The following discussion and analysis of Municipal Employees' Retirement System of Louisiana (the System) for the year ended June 30, 2019, highlights relevant aspects of the basic financial statements and provides an analytical overview of the System's financial activities.

Financial Highlights

The System's fiduciary net position restricted for pension benefits exceeded its liabilities at the close of fiscal year 2019 by $935,930,790 which represents an increase from last year. The net position restricted for pension benefits increased by $40,419,794 or 4.51%. The increase was primarily due to strong financial market returns.

Contributions to the System by members and employers totaled $80,058,770, an increase of $4,861,120 or 6.46% from the prior year. Contributions from ad valorem taxes and revenue sharing totaled $9,053,646, an increase of $305,057 or 3.49% from the prior year.

Pension benefits paid to retirees and beneficiaries increased by $3,640,901 or 4.99% from the prior year. This increase is due to an increase in the number of retirees and their benefit amounts.

Administrative expenses of the System totaled $1,794,134, a decrease of $203,507 or 10.19% from the prior year.

Net investment income of the System totaled $43,636,110 for fiscal year 2019, compared to $51,393,546 for fiscal year 2018, a decrease of $7,757,436.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the System's basic financial statements, which are comprised of three components:

1. Statements of fiduciary net position,
2. Statements of changes in fiduciary net position, and
3. Notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

The statements of fiduciary net position report the System's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the System as of June 30, 2019 and 2018.

The statements of changes in fiduciary net position report the results of the System's operations during the year disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's net position value on the statement of fiduciary net position.

Municipal Employees' Retirement System of Louisiana
Management's Discussion and Analysis
June 30, 2019

Financial Analysis of the System

The System provides benefits to employees of all incorporated villages, towns, and cities within the State of Louisiana which do not have their own retirement system and which elect to become members of the System. Member contributions, employer contributions, ad valorem taxes, revenue sharing funds, and earnings on investments fund these benefits.

Condensed Statements of Fiduciary Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Cash	$ 18,279,928	$ 43,879,303	$ 37,393,906
Receivables	12,558,353	13,335,067	16,542,037
Investments	905,841,837	837,074,128	792,166,775
Property and equipment	2,180,144	2,000,133	2,079,324
Total assets	938,860,262	896,288,631	848,182,042
Total liabilities	2,929,472	777,635	656,146
Net position restricted for pension benefits	$ 935,930,790	$ 895,510,996	$ 847,525,896

The net position restricted for pension benefits increased by $40,419,794 or 4.51%. The increase was primarily due to strong financial market returns.

Condensed Statements of Changes in Fiduciary Net Position
For the Years Ended June 30,

	2019	2018	2017
Additions:			
Contributions	$ 89,112,416	$ 83,946,239	$ 78,644,687
Net investment income	43,636,110	51,393,546	37,913,315
Other	1,536,492	1,411,562	1,195,787
Total additions	134,285,018	136,751,347	117,753,789
Total deductions	93,865,224	88,766,247	85,305,688
Net increase	$ 40,419,794	$ 47,985,100	$ 32,448,101

Financial Analysis of the System (Continued)

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from member and employer contributions, ad valorem taxes, state revenue sharing funds and investment income. Employer contributions increased $4,382,467 or 7.93% primarily due to an increase in salaries and contribution rates. The System experienced net investment gain of $43,636,110 in 2019 compared to $51,393,546 in 2018, a decrease of $7,757,436 or 15.09%.

	2019	2018	2017	2018 to 2019 Percentage Change
Member contributions	$ 20,413,040	$ 19,934,387	$ 19,861,175	2.40%
Employer contributions	59,645,730	55,263,263	50,138,738	7.93%
Ad valorem and state revenue sharing	9,053,646	8,748,589	8,644,774	3.49%
Net investment income	43,636,110	51,393,546	37,913,315	-15.09%
Other	1,536,492	1,411,562	1,195,787	8.85%
Total additions	$ 134,285,018	$ 136,751,347	$ 117,753,789	

Deductions from Fiduciary Net Position

Deductions from fiduciary net position include retirement, death, and survivor benefits, DROP withdrawals, administrative expenses and transfers to other systems. Deductions from fiduciary net position totaled $93,865,224 in fiscal year 2019. The increase in deductions of $5,098,977 from 2018 is primarily due to an increase in retirement benefits and DROP withdrawals and the implementation of GASB Statement No. 75 related to the liability for other postemployment benefits.

	2019	2018	2017	2018 to 2019 Percentage Change
Retirement benefits	$ 84,432,517	$ 79,487,664	$ 77,264,693	6.22%
Refunds of contributions	5,757,314	5,625,819	4,464,061	2.34%
Administrative expenses	1,794,134	1,997,641	1,977,175	-10.19%
Other postemployment benefits expense	476,472	7,937	-	5903.18%
Transfer to other systems	1,404,787	1,647,186	1,599,759	-14.72%
Total deductions	$ 93,865,224	$ 88,766,247	$ 85,305,688	

Financial Analysis of the System (Continued)

Investments

The System is responsible for the prudent management of funds held in trust for the exclusive benefits of its members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total market value of investments at June 30, 2019 was $905,841,837 as compared to $837,074,128 at June 30, 2018, which is an increase of $68,767,709. The major contributing factor to this increase was due to strong financial market returns. The System's investments in various asset classes at the end of the 2019, 2018, and 2017 fiscal years are indicated in the following table:

	2019	2018	2017	2018 to 2019 Percentage Change
Cash equivalents	$ 28,976,725	$ 11,734,788	$ 10,221,944	146.93%
Domestic equities	270,401,576	258,635,620	224,944,940	4.55%
International equities	208,300,282	196,339,627	183,661,538	6.09%
Fixed income investments	346,165,055	283,890,373	274,911,877	21.94%
Hedge fund investments	3,257,616	3,528,316	5,306,177	-7.67%
Real estate investments	24,990,350	35,073,262	44,242,038	-28.75%
Private debt and equity investments	23,750,233	47,872,142	48,878,261	-50.39%
Total	$905,841,837	$837,074,128	$792,166,775	

Requests for Information

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

Financial Statements

Municipal Employees' Retirement System of Louisiana
Statements of Fiduciary Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash	$ 18,279,928	$ 43,879,303
Receivables:		
Member/employer contributions	6,231,757	6,387,688
Interest and dividends	255,638	736,503
Investment receivable	6,061,129	6,193,996
Other receivables	9,829	16,880
Total receivables	12,558,353	13,335,067
Investments, at fair value:		
Cash equivalents	28,976,725	11,734,788
Domestic equities	270,401,576	258,635,620
International equities	208,300,282	196,339,627
Fixed income investments	346,165,055	283,890,373
Hedge fund investments	3,257,616	3,528,316
Real estate investments	24,990,350	35,073,262
Private debt and equity investments	23,750,233	47,872,142
Total investments	905,841,837	837,074,128
Property, plant, and equipment (net of depreciation)	2,180,144	2,000,133
Total assets	938,860,262	896,288,631
Liabilities		
Accounts payable	164,445	372,442
Refunds payable	232,597	292,537
Investment payable	829,518	-
Other payables	1,234,424	112,656
Other postemployment benefits obligation	468,488	-
Total liabilities	2,929,472	777,635
Net Position Restricted for Pension Benefits	$ 935,930,790	$ 895,510,996

The accompanying notes are an integral part of these financial statements.

Municipal Employees' Retirement System of Louisiana
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Additions		
Contributions:		
Members'	$ 20,413,040	$ 19,934,387
Employers'	59,645,730	55,263,263
Ad valorem taxes and revenue sharing	9,053,646	8,748,589
Total contributions	89,112,416	83,946,239
Investment income:		
Interest and dividend income	3,087,021	1,322,659
Net appreciation in fair value of investments	43,327,343	53,042,886
	46,414,364	54,365,545
Less investment expenses	(2,778,254)	(2,971,999)
Net investment income	43,636,110	51,393,546
Other Additions		
Assets transferred from other retirement systems	1,536,492	1,411,562
Total additions	134,285,018	136,751,347
Deductions		
Benefits	76,640,063	72,999,162
DROP withdrawals	7,792,454	6,488,502
Refund of contributions	5,757,314	5,625,819
Administrative expenses	1,794,134	1,997,641
Other postemployment benefits expense	476,472	7,937
Assets transferred to other retirement systems	1,404,787	1,647,186
Total deductions	93,865,224	88,766,247
Net Increase	40,419,794	47,985,100
Net Position Restricted for Pension Benefits		
Beginning of year	895,510,996	847,525,896
End of year	$ 935,930,790	$ 895,510,996

The accompanying notes are an integral part of these financial statements.

Note 1-Plan Description

The Municipal Employees' Retirement System of Louisiana (System) was 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 do not have their own retirement system and which elect to become members of the System.

The System is administered by a Board of Trustees composed of eleven members, three of whom shall be active and contributing members of the System with at least six years creditable service and who are elected to office in accordance with the Louisiana Election Code, two of whom shall be active and contributing members of the System with at least six years creditable service and who are not elected officials; one of whom shall be a retired member of the System; one of whom shall be president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Committee on Retirement; one of whom shall be a member of the House Committee on Retirement appointed by the Speaker of the House; the Commissioner of Administration; and the State Treasurer.

The System 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).

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 System, 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.

Plan Membership

For the year ended June 30, 2019, there were 87 contributing municipalities in Plan A and 67 in Plan B. For the year ended June 30, 2018 there were 86 contributing municipalities in Plan A and 69 in Plan B. At June 30, 2019 and 2018, statewide retirement membership consists of the following:

	2019			2018		
	Plan A	Plan B	Total	Plan A	Plan B	Total
Inactive plan members or beneficiaries receiving benefits	3,552	1,076	4,628	3,468	1,050	4,518
Inactive plan members entitled to but not yet receiving benefits	3,390	1,653	5,043	3,179	1,511	4,690
Active plan members	4,795	2,063	6,858	4,888	2,128	7,016
Total participants as of the valuation date	11,737	4,792	16,529	11,535	4,689	16,224

Note 1-Plan Description (Continued)

Plan eligibility and benefits are as follows:

A. 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 a parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any person eligible for membership but whose first employment making him eligible for membership in the System occurred on or after January 1, 2013 shall become a member of the MERS Plan A Tier 2 or MERS Plan B Tier 2 of the System as a condition of employment.

B. Retirement Benefits

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-1785. The following brief description of the plan and its benefits is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan A who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with twenty (20) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. An additional regular retirement benefit can be received for any city marshal or deputy city marshal. See Plan Booklet for further details.

Any member of Plan A Tier 2 can retire providing he meets one of the following criteria:

1. Age 67 with seven (7) years of creditable service.
2. Age 62 with ten (10) years of creditable service.
3. Age 55 with thirty (30) years of creditable service.
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

Note 1-Plan Description (Continued)

B. Retirement Benefits (Continued)

Generally, the monthly amount of retirement allowance for any member of Plan A Tier 2 shall consist of an amount equal to three percent of the member's final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Any city marshal or deputy city marshal shall receive an additional regular benefit computed on supplemental marshal's earnings. See Plan Booklet for further details.

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.

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 final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following criteria:

1. Age 67 with seven (7) years of creditable service.
2. Age 62 with ten (10) years of creditable service.
3. Age 55 with thirty (30) years of creditable service.
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

C. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse and 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

Note 1-Plan Description (Continued)

C. Survivor Benefits (Continued)

on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Upon the 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.

D. 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.

E. 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 compensation or three percent of his final compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to three percent of the member's final compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Note 1-Plan Description (Continued)

E. Disability Benefits (Continued)

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, 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 compensation or two percent of his final compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to two percent of the member's final compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

F. 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 additional cost of living increases 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.

G. 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.

Note 2-Summary of Significant Accounting and Financial Reporting Policies

A. Basis of Accounting and Presentation

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan. Interest income is recognized when earned. Ad valorem taxes and revenue sharing monies are recognized in the year collected by the tax collector.

The System has no component units as defined under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61).

Note 2-Summary of Significant Accounting and Financial Reporting Policies (Continued)

B. Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in limited partnerships (which include private equities and hedge funds) is calculated at the System's percentage of ownership of the partner's capital reported by the partnership. Fair value of real estate investment trusts is calculated based on the System's share of income and expenses as reported by the trust. Investments that do not have an established market value are reported at estimated fair value using valuation techniques such as present value of estimated future cash flows, matrix pricing, and fundamental analysis.

C. Property, Plant and Equipment

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

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date and the reported amounts of additions to and deductions from plan net position during the reporting period. Actual results could differ from those estimates. The System utilizes various investment instruments, which, by nature, are exposed to a variety of risk levels and risk types, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

E. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on net position restricted for pension benefits or net change in net position.

Note 3-Contributions, Funding Status and Reserves

A. Contributions

Contributions for all members are established by statute. Member contributions are at 9.50% of earnable compensation for Plan A and 5.00% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

Note 3-Contributions, Funding Status and Reserves (Continued)

A. Contributions (Continued)

According to state statute, contributions for all employers are actuarially determined each year. For the years ended June 30, 2019 and 2018, the employer contribution rate was 26.00% and 24.75%, respectively, of member's earnings for Plan A and 14.00% and 13.25%, respectively, of member's earnings for Plan B.

According to state statute, the System also receives one-fourth (1/4) of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the System and the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities.

Administrative costs of the System are financed through employer contributions.

B. Reserves

Use of the term "reserve" by the System indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

Annuity Savings

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of his accumulated contributions is transferred to Annuity Reserve to provide part of the benefits.

Pension Accumulation Reserve

The Pension Accumulation Reserve consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This reserve account is charged annually with an amount, determined by the actuary, to be transferred to the Annuity Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts.

Annuity Reserve

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to retired members and is the reserve account from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this reserve account.

Note 3-Contributions, Funding Status and Reserves (Continued)

B. Reserves (Continued)

Deferred Retirement Option Account

The Deferred Retirement Option Account consists of the reserves for all members who upon retirement eligibility elect to deposit into this account an amount equal to the member's monthly benefit if he had retired. A member can only participate in the program for three years and upon termination may receive his benefits in a lump sum payment or by a true annuity.

Funding Deposit Account

The Funding Deposit Account consists of excess contributions collected by the System. The excess funds earn interest at the Board-approved actuarial valuation rate and are credited to the fund at least once a year. These funds are due to the System freezing the employer rate at a higher rate than actuarially required. The excess funds can be used for the following purposes: (1) reduce the unfunded accrued liability, (2) reduce the present value of future normal costs, and/or (3) pay all or a portion of any future net direct employer contributions. The Funding Deposit Account was established as of January 1, 2009.

The balances of the reserve funds at June 30, 2019 and 2018 are as follows:

	2019		2018	
Reserve Funds	**Plan A**	**Plan B**	**Plan A**	**Plan B**
Annuity Savings	$ 121,970,610	$ 27,758,674	$ 121,396,858	$ 27,521,936
Pension Accumulation Reserve (Deficit)	(46,992,887)	21,158,204	(29,241,968)	21,632,843
Annuity Reserve	651,431,381	112,927,600	603,959,851	103,390,418
Deferred Retirement Option Account	29,304,007	7,392,803	29,398,729	7,216,582
Funding Deposit Account	9,346,575	1,633,823	8,712,724	1,523,023
	$ 765,059,686	$ 170,871,104	$ 734,226,194	$ 161,284,802

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Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status

The components of the net pension liability of the System's employers for Plan A and Plan B, determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, as of June 30, 2019 and 2018 are as follows:

	Plan A	
	June 30, 2019	**June 30, 2018**
Total pension liability	$1,182,925,835	$1,148,293,981
Plan fiduciary net position	765,059,686	734,226,194
Employers' net pension liability	$ 417,866,149	$ 414,067,787
Plan fiduciary net position as a % of the total pension liability	64.68%	63.94%

	Plan B	
	June 30, 2019	**June 30, 2018**
Total pension liability	$ 258,352,439	$ 245,867,981
Plan fiduciary net position	170,871,104	161,284,802
Employers' net pension liability	$ 87,481,335	$ 84,583,179
Plan fiduciary net position as a % of the total pension liability	66.14%	65.60%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2014. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the Notes to the Financial Statements presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2019 and 2018 is based on actuarial valuations for the same period, updated using generally accepted actuarial principles.

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

Information on the actuarial valuation and assumptions is as follows:

	June 30, 2019	**June 30, 2018**
Valuation date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Expected remaining service lives	3 years	3 years-Plan A and 4 years-Plan B
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	7.275%, net of pension plan investment expense, including inflation
Inflation rate	2.50%	2.60%
Salary increases, including inflation and merit increases:		
-1 to 4 years of service	6.4%-Plan A and 7.4%-Plan B	5.00%
-More than 4 years of service	4.5%-Plan A and 4.9%-Plan B	5.00%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, adjusted using their respective male and female MP2018 scales.	RP-2000 Employee Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

	2019		**2018**	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Portfolio Real Rate of Return**	**Target Asset Allocation**	**Long-Term Expected Portfolio Real Rate of Return**
Public equity	50%	2.15%	50%	2.34%
Public fixed income	35%	1.51%	35%	1.64%
Alternatives	15%	0.64%	15%	0.70%
Totals	100%	4.30%	100%	4.68%
Inflation		2.70%		2.60%
Expected Arithmetic Nominal Return		7.00%		7.28%

The discount rate used to measure the total pension liability was 7.00% and 7.275% for the years ended June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. 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.

Note 3-Contributions, Funding Status and Reserves (Continued)

C. Funding Status (Continued)

In accordance with GASB Statement No. 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated as of June 30, 2019 and 2018 using the discount rate of 7.00% and 7.275%, respectively, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) and (6.275%), respectively, or one percentage point higher (8.00%) and (8.275%), respectively, than the current rate.

	Changes in Discount Rate		
2019 Employer Net Pension Liability	**1% Decrease (6.00%)**	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
Plan A	$ 544,822,719	$ 417,866,149	$ 310,528,354
Plan B	$ 116,590,094	$ 87,481,335	$ 62,863,172
2018 Employer Net Pension Liability	**1% Decrease (6.275%)**	**Current Discount Rate (7.275%)**	**1% Increase (8.275%)**
Plan A	$ 531,907,815	$ 414,067,787	$ 313,487,159
Plan B	$ 111,005,069	$ 84,583,179	$ 62,122,255

Note 4-Deposits, Cash Equivalents and Investments

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2019 and 2018:

	2019	**2018**
Cash	$ 18,279,928	$ 43,879,303
Cash equivalents	28,976,725	11,734,788
Investments	876,865,112	825,339,340
Total	$ 924,121,765	$ 880,953,431

Note 4-Deposits, Cash Equivalents and Investments (Continued)

A. Deposits

The System's bank deposits were fully covered by federal depository insurance and pledged securities. The pledged securities are held in joint custody with the System's bank.

B. Cash Equivalents

As of June 30, 2019 and 2018, cash equivalents in the amount of $28,976,725 and $11,734,788, respectively, consist of government-backed pooled funds which are held by a sub-custodian, managed by a separate money manager, and are in the name of the System's custodian's trust department. As of June 30, 2019 and 2018, these cash equivalents were unrated.

C. Investments

Statutes authorize the System to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

D. Fair Value Measurements

The System categorizes fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application.* The valuation technique uses a three-level hierarchy of inputs to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These qualifications are summarized as follows:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a reporting entity can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

In the event that inputs used to measure the fair value of an asset or liability fall into different levels in the fair value hierarchy, the overall level of the fair value hierarchy in its entirety is determined based on the lowest level input that is significant to the entire valuation. These levels are not necessarily an indication of risk but are based upon the pricing transparency of the investment. In determining the appropriate levels, the System performed a detailed analysis of the assets and liabilities that are subject to GASB Statement No. 72.

Note 4-Deposits, Cash Equivalents and Investments (Continued)

D. Fair Value Measurements (Continued)

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following table sets forth, by level, the investments reported at fair value as of June 30, 2019:

	2019	Fair Value Measurements		
Investments by Fair Value Level	**Total**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
U.S. Government and agency obligations	$ 6	$ -	$ 6	$ -
Corporate bonds	81,977	-	-	81,977
Mutual funds	346,083,072	-	346,083,072	-
Total debt securities	346,165,055	-	346,083,078	81,977
Equity Securities				
Domestic stock	50,313,466	50,313,466	-	-
Domestic equity	220,088,110	-	220,088,110	-
Foreign equity	208,300,282	-	208,300,282	-
Total equity securities	478,701,858	50,313,466	428,388,392	-
Cash equivalents	28,976,725	-	28,976,725	-
Total investments at fair value level	853,843,638	$50,313,466	$803,448,195	$ 81,977
Investments measured at Net Asset Value (NAV)				
Hedge funds	3,257,616			
Private debt	21,228,874			
Private equity	2,521,359			
Real estate	24,990,350			
Total investments at NAV	51,998,199			
Total Investments at Fair Value	$905,841,837			

Note 4-Deposits, Cash Equivalents and Investments (Continued)

D. Fair Value Measurements (Continued)

The unfunded commitments and redemption terms, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019, are presented in the following table:

Investment Type	**2019 Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Hedge funds:				
Golden Tree Offshore Fund, LTD	$ 3,257,616	$ -	N/A	N/A
Private debt:				
Blue Bay Direct Lending Fund II	21,228,874	14,192,374	N/A	N/A
Private equity:				
Franchise Equity II	227,322	-	N/A	N/A
Louisiana Fund II	2,294,037	300,000	N/A	N/A
Total private equity	2,521,359	300,000		
Real estate:				
Sentinel Real Estate Fund, LP	16,073,316	-	Quarterly	30 Days
Gainesville Vision, LLC	8,898,019	-	N/A	N/A
Great-West Real Estate Index Fund	19,015	-	N/A	N/A
Total real estate	24,990,350	-		
Total Investments at NAV	$ 51,998,199			

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Note 4-Deposits, Cash Equivalents and Investments (Continued)

D. Fair Value Measurements (Continued)

The following table sets forth, by level, the investments reported at fair value as of June 30, 2018:

Investments by Fair Value Level	**2018 Total**	**Fair Value Measurements Level 1**	**Level 2**	**Level 3**
Debt Securities				
U.S. Government and agency obligations	$ 22	$ -	$ 22	$ -
Corporate bonds	81,977	-	-	81,977
Mutual funds	283,808,374	-	283,808,374	-
Total debt securities	283,890,373	-	283,808,396	81,977
Equity Securities				
Domestic stock	54,927,346	54,927,346	-	-
Domestic equity	203,708,274	-	203,708,274	-
Foreign equity	196,339,627	-	196,339,627	-
Total equity securities	454,975,247	54,927,346	400,047,901	-
Cash equivalents	11,734,788	-	11,734,788	-
Total investments at fair value level	750,600,408	$54,927,346	$695,591,085	$ 81,977
Investments measured at Net Asset Value (NAV)				
Hedge funds	3,528,316			
Private debt	45,405,314			
Private equity	2,466,828			
Real estate	35,073,262			
Total investments at NAV	86,473,720			
Total Investments at Fair Value	$837,074,128			

Note 4-Deposits, Cash Equivalents and Investments (Continued)

D. Fair Value Measurements (Continued)

The unfunded commitments and redemption terms, if applicable, for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2018, are presented in the following table:

Investment Type	**2018 Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Hedge funds:				
Golden Tree Offshore Fund, LTD	$ 3,528,316	$ -	N/A	N/A
Private debt:				
Republic Business Credit	16,443,780	-	N/A	N/A
Blue Bay Direct Lending Fund II	28,961,534	11,672,372	N/A	N/A
Total private debt	45,405,314	11,672,372		
Private equity:				
Franchise Equity II	290,932	-	N/A	N/A
Louisiana Fund II	2,175,896	500,000	N/A	N/A
Total private equity	2,466,828	500,000		
Real estate:				
Sentinel Real Estate Fund, LP	15,697,443	-	Quarterly	30 Days
Gainesville Vision, LLC	8,898,019	-	N/A	N/A
Resource Environmental Solutions	10,477,800	-	N/A	N/A
Total real estate	35,073,262	-		
Total Investments at NAV	$ 86,473,720			

E. Valuation Techniques

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix and market-corroborated pricing and inputs such as yield curves and indices. Matrix pricing is used to value securities based on the securities' relationship to benchmark quote prices.

Investments classified in Level 3 of the fair value hierarchy are valued using unobservable inputs and are not directly corroborated with market data.

Note 4-Deposits, Cash Equivalents and Investments (Continued)

F. Hedge Funds

This type includes partnerships that invest directly in publicly traded equities, equity futures, options, currencies, derivatives, commodities, fixed income instruments and index futures. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital. These funds can typically be liquidated within one year (except for any side pocket assets).

G. Private Debt

This type includes private equity funds that invest in senior debt, second lien, mezzanine or structured credit. Investments are made in the United States and Europe. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital or other means. These are illiquid investments with a typical length of investment, or holding period, of 10-15 years.

H. Private Equity

This type includes private equity funds that invest diversely across private equity sub-categories including venture capital, growth equity, private credit, buyout and special situations. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital or other means. These are illiquid investments with a typical length of investment, or holding period, of 10-15 years.

I. Real Estate

This type includes real estate funds and direct ownership of real estate that invest primarily in major property types including office, residential, retail, industrial, hotel, and self-storage properties. The fair values of the investments in real estate funds have been determined using the NAV per share of the System's ownership interest in partners' capital while the fair value of the direct ownership in real estate is determined using independent appraisals or other means. These are illiquid investments with a length of investment often over 10 years. Returns are generated by capital appreciation and income from lease agreements.

This type also includes partnerships that invest in a diversified group of energy, infrastructure, natural resources, and hard asset funds in the United States. The fair values of the investments in this type have been determined using the NAV per share of the System's ownership interest in partners' capital or other means. This is an illiquid investment with a length of investment often over 10 years.

J. Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer or market exposure. As stipulated in Louisiana RS 11:263, no more than 65% of the total portfolio shall be invested in equities. Should equities comprise more than 55% of the

Note 4-Deposits, Cash Equivalents and Investments (Continued)

J. Concentration of Credit Risk (Continued)

System's assets, at least 10% of the total must be invested passively. The System's investment policy in effect during the years ended June 30, 2019 and 2018 specifies that 30% to 65% of the investment portfolio can be invested in public equities, 10% to 60% of the investment portfolio can be invested in public fixed income, and 0% to 40% of the investment portfolio can be invested in alternatives.

As of June 30, 2019 and 2018, the components of the System's investment portfolio fell within the allowable ranges.

K. Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the System's investments in long-term debt securities as of June 30, 2019 and 2018.

2019

	Federal National Mortgage Association	Government National Mortgage Association	Corporate Bonds	Total Bonds
AA+	$ 1	$ 5	$ -	$ 6
Not Rated	-	-	81,977	81,977
	$ 1	$ 5	$ 81,977	$ 81,983

2018

	Federal National Mortgage Association	Government National Mortgage Association	Corporate Bonds	Total Bonds
AA+	$ 17	$ 5	$ -	$ 22
Not Rated	-	-	81,977	81,977
	$ 17	$ 5	$ 81,977	$ 81,999

Note 4-Deposits, Cash Equivalents and Investments (Continued)

K. Credit Risk (Continued)

The System has no formal investment policy regarding credit risk.

At June 30, 2019, the System was invested in four fixed income mutual funds in the amount of $320,528,056. The weighted average credit rating of holdings in the funds are as follows: Brandywine Global Opportunistic Fixed Income Fund in the amount of $46,179,497, has a credit rating ranging from AAA to CCC or lower with the majority of holdings rated from AAA to BBB; Loomis Sayles in the amount of $50,400,123, has a credit rating ranging from AAA to CAA or lower with the majority of holdings rated from Aaa to Baa; Northern Trust Collective Aggregate Bond Index Fund in the amount of $158,197,450, has a credit rating ranging from AAA to BBB; and Northern Trust Treasury Inflation-Protected Securities (TIPS) Index Fund in the amount of $65,750,986 has a credit rating of AAA.

L. Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The System has no formal investment policy regarding custodial credit risk. At June 30, 2019, the System was not exposed to custodial credit risk.

M. Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2019, the System had the following investments in long-term debt securities and maturities:

		2019 Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Corporate Bonds	$ 81,977	$ -	$ -	$ -	$ 81,977
Federal National Mortgage Association	1	-	-	-	1
Government National Mortgage Association	5	-	-	5	-
	$ 81,983	$ -	$ -	$ 5	$ 81,978

Note 4-Deposits, Cash Equivalents and Investments (Continued)

M. Interest Rate Risk (Continued)

As of June 30, 2018, the System had the following investments in long-term debt securities and maturities:

		2018			
		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 – 5**	**6 – 10**	**More than 10**
Corporate Bonds	$ 81,977	$ -	$ -	$ -	$ 81,977
Federal National Mortgage Association	17	-	16	-	1
Government National Mortgage Association	5	-	-	5	-
	$ 81,999	$ -	$ 16	$ 5	$ 81,978

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

N. Foreign Currency Risk

The System does not have any foreign currency risk due to all investments being denominated in U.S. dollars. The System has no formal investment policy regarding foreign currency risk.

O. Money-Weighted Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.0% for Plan A and 4.6% for Plan B. For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.0% for Plan A and 7.7% for Plan B. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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Note 5-Property, Plant, and Equipment

Changes in property, plant and equipment as of June 30, 2019, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 389,547	$ -	$ -	$ 389,547
Construction in progress	7,090	262,721	(14,180)	255,631
Total capital assets not being depreciated	396,637	262,721	(14,180)	645,178
Capital assets being depreciated:				
Building	2,133,921	11,931	-	2,145,852
Furnishings and equipment	392,398	14,180	(11,990)	394,588
Total capital assets being depreciated	2,526,319	26,111	(11,990)	2,540,440
Less accumulated depreciation	(922,823)	(94,100)	11,449	(1,005,474)
Total capital assets being depreciated, net	1,603,496	(67,989)	(541)	1,534,966
Total capital assets, net	$ 2,000,133	$ 194,732	$ (14,721)	$ 2,180,144

Changes in property, plant and equipment as of June 30, 2018, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 389,547	$ -	$ -	$ 389,547
Construction in progress	-	7,090	-	7,090
Total capital assets not being depreciated	389,547	7,090	-	396,637
Capital assets being depreciated:				
Building	2,133,921	-	-	2,133,921
Furnishings and equipment	387,653	13,745	(9,000)	392,398
Total capital assets being depreciated	2,521,574	13,745	(9,000)	2,526,319
Less accumulated depreciation	(831,797)	(99,696)	8,670	(922,823)
Total capital assets being depreciated, net	1,689,777	(85,951)	(330)	1,603,496
Total capital assets, net	$ 2,079,324	$ (78,861)	$ (330)	$ 2,000,133

Note 5-Property, Plant, and Equipment (Continued)

The cost of property, plant and equipment is being depreciated over its useful life using the straight-line method. Depreciation expense for the years ended June 30, 2019 and 2018 was $94,100 and $99,696, respectively, and is included in administrative expenses on the statements of changes in fiduciary net position.

Note 6-Tax Qualifications

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

Note 7-Vacation and Sick Leave

Employees of the System accumulate unlimited amounts of vacation and sick leave. For the year ended June 30, 2019, upon resignation or retirement, unused vacation leave up to 300 hours is payable to employees at the employees' rate of pay as of termination or retirement. Upon retirement, unused vacation leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours, payable at June 30, 2019 and 2018 was $75,026 and $84,603, respectively, which is included in "other payables" on the statements of fiduciary net position.

Note 8-Other Postemployment Benefit Plan (OPEB)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was implemented during the year ended June 30, 2019. GASB Statement No. 75 required changes in the presentation of the financial statements, notes to the financial statements, and required supplementary information with regards to the total other postemployment benefits (OPEB) liability.

<u>Plan Description</u>

The System's OPEB plan is a single-employer defined benefit plan. The OPEB plan does not issue a stand-alone financial report. All full-time employees of the System may participate in the employees' group health, dental, and vision insurance programs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

<u>Benefits Provided</u>

Employees of the System become eligible for postemployment health, dental, and vision benefits if they reach normal retirement age while working for the System. The benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the System.

Note 8-Other Postemployment Benefit Plan (OPEB) (Continued)

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Retired employees	4
Active employees	8
	12

Funding Policy

The OPEB plan is currently financed on a pay-as-you-go basis. The System pays 50% of the insurance premiums. During the year ended June 30, 2019, the System paid $7,984 for insurance premiums.

Total OPEB Liability and OPEB Expense

The System's total OPEB liability of $468,488 was measured and determined by an actuarial valuation as of June 30, 2019.

For the year ended June 30, 2019, the System recognized OPEB expense of $476,472.

Changes in the Total OPEB Liability

The following table shows the System's changes in total OPEB obligations for the year ended June 30, 2019:

Total OPEB liability, beginning of year	$ -
Adjustments to the OPEB liability:	
Service cost	476,472
Benefit payments	(7,984)
Total OPEB liability, end of year	$ 468,488

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

Since the System has fewer than 100 plan members, it qualifies to use the Alternative Measurement Method (AMM), which is the calculation of the actuarial accrued liability and annual contribution without a traditional actuarial valuation. The AMM calculation process is similar to an actuarial valuation but with simplifications of several assumptions permitted under GASB guidelines.

Note 8-Other Postemployment Benefit Plan (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

A summary of the actuarial methods and assumptions used in determining the total OPEB liability as of June 30, 2019 is as follows:

Actuarial Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Amortization Period	20
Bond Yield	3.50%
Discount Rate	3.50% (based on the Bond Buyer's 20-year bond general obligation index as of June 30, 2019)
Projected Salary Increases	2.50%
Average Retirement Age	60
Percentage Participation	100%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology
Mortality	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity
Turnover Assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees
Healthcare Cost Trend Rates:	
Medical	4.60%
Pharmacy	7.60%
Dental	3.50%
Vision	3.00%

Sensitivity of Total OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates

The following presents the System's total OPEB liability using the discount rate of 3.50% as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Changes in Discount Rate		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 541,935	$ 468,488	$ 417,065

Note 8-Other Postemployment Benefit Plan (OPEB) (Continued)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates (Continued)

The following presents the System's total OPEB liability using the healthcare cost trend rates as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	Changes in Healthcare Cost Trend Rates		
	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 406,990	$ 468,488	$ 543,084

Note 9-Subsequent Events

The System evaluated all subsequent events through December 10, 2019, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Required Supplementary Information

Municipal Employees' Retirement System of Louisiana
Schedules of Changes in Net Pension Liability - Plan A
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	$ 25,731,574	$ 25,281,175	$ 24,275,565	$ 23,781,922	$ 23,096,097	$ 23,140,535
Interest	82,709,709	81,802,697	80,406,612	78,661,214	75,893,993	74,566,028
Differences between expected and actual experience	(7,352,601)	(15,881,370)	(12,403,109)	(13,416,767)	(12,035,176)	(20,239,083)
Changes of assumptions	9,114,476	13,450,805	10,492,664	-	44,760,830	-
Benefit payments	(71,299,748)	(67,316,775)	(65,477,729)	(62,293,294)	(58,350,147)	(55,232,429)
Refunds of member contributions	(4,584,449)	(4,508,706)	(3,455,854)	(3,691,857)	(3,607,850)	(3,894,171)
Other	312,893	66,054	(185,316)	2,506,020	(274,719)	712,070
Net change in total pension liability	34,631,854	32,893,880	33,652,833	25,547,238	69,483,028	19,052,950
Total pension liability - beginning	1,148,293,981	1,115,400,101	1,081,747,268	1,056,200,030	986,717,002	967,664,052
Total pension liability - ending (a)	$ 1,182,925,835	$ 1,148,293,981	$ 1,115,400,101	$ 1,081,747,268	$ 1,056,200,030	$ 986,717,002
Plan Fiduciary Net Position:						
Contributions - member	$ 16,783,858	$ 16,406,019	$ 16,336,439	$ 16,147,447	$ 15,293,103	$ 14,768,535
Contributions - employer	48,946,089	45,386,253	41,480,630	35,737,280	34,062,068	31,501,412
Contributions - nonemployer contributing entities	6,417,100	6,237,749	6,155,079	6,059,222	5,937,609	5,741,515
Net investment income (loss)	35,840,752	42,327,639	31,251,320	(20,424,673)	(22,780,531)	80,430,073
Benefit payments	(71,299,748)	(67,316,775)	(65,477,729)	(62,293,294)	(58,350,147)	(55,232,429)
Refunds of member contributions	(4,584,449)	(4,508,706)	(3,455,854)	(3,691,857)	(3,607,850)	(3,894,171)
Administrative expenses	(1,583,003)	(1,429,978)	(922,840)	(1,148,300)	(1,367,711)	(1,677,654)
Other	312,893	66,054	(185,316)	2,506,020	(274,719)	712,070
Net change in plan fiduciary net position	30,833,492	37,168,255	25,181,729	(27,108,155)	(31,088,178)	72,349,351
Total fiduciary net position - beginning	734,226,194	697,057,939	671,876,210	698,984,365	730,072,543	657,723,192
Total fiduciary net position - ending (b)	$ 765,059,686	$ 734,226,194	$ 697,057,939	$ 671,876,210	$ 698,984,365	$ 730,072,543
Net pension liability - ending (a) - (b)	417,866,149	414,067,787	418,342,162	409,871,058	357,215,665	256,644,459
Plan fiduciary net position as a percentage of the total pension liability	64.68%	63.94%	62.49%	62.11%	66.18%	73.99%
Covered payroll	$ 188,254,188	$ 183,378,800	$ 182,332,440	$ 180,948,253	$ 172,466,167	$ 168,007,531
Net pension liability as a percentage of covered payroll	221.97%	225.80%	229.44%	226.51%	207.12%	152.76%

See accompanying notes to required supplementary information.

Municipal Employees' Retirement System of Louisiana
Schedules of Changes in Net Pension Liability - Plan B
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	$ 6,469,146	$ 6,249,751	$ 6,045,761	$ 5,950,157	$ 5,703,335	$ 5,558,785
Interest	17,839,818	17,505,988	16,949,121	16,215,425	15,681,899	15,153,572
Differences between expected and actual experience	(2,963,047)	(4,292,673)	(1,895,698)	906,476	(1,826,199)	(1,138,351)
Changes of assumptions	5,625,363	3,003,359	2,325,900	-	8,261,069	-
Benefit payments	(13,132,769)	(12,170,889)	(11,786,964)	(10,863,578)	(13,185,825)	(9,846,376)
Refunds of member contributions	(1,172,865)	(1,117,113)	(1,008,206)	(1,023,784)	(1,113,933)	(864,399)
Other	(181,188)	(301,679)	268,893	(2,325,973)	104,328	(944,055)
Net change in total pension liability	12,484,458	8,876,744	10,898,807	8,858,723	13,624,674	7,919,176
Total pension liability - beginning	245,867,981	236,991,237	226,092,430	217,233,707	203,609,033	195,689,857
Total pension liability - ending (a)	$ 258,352,439	$ 245,867,981	$ 236,991,237	$ 226,092,430	$ 217,233,707	$ 203,609,033
Plan Fiduciary Net Position:						
Contributions - member	$ 3,629,182	$ 3,528,368	$ 3,507,946	$ 3,501,178	$ 3,296,735	$ 3,223,747
Contributions - employer	10,699,641	9,877,010	8,187,348	6,979,682	6,589,957	5,950,944
Contributions - nonemployer contributing entities	2,636,546	2,510,840	2,489,694	2,462,292	2,403,252	2,260,931
Net investment income (loss)	7,795,358	9,065,907	6,661,993	(4,332,169)	(4,932,969)	16,488,707
Benefit payments	(13,132,769)	(12,170,889)	(11,786,964)	(10,863,578)	(13,185,825)	(9,846,376)
Refunds of member contributions	(1,172,865)	(1,117,113)	(1,008,206)	(1,023,784)	(1,113,933)	(864,399)
Administrative expenses	(687,603)	(575,600)	(1,054,332)	(465,057)	(551,946)	(354,166)
Other	(181,188)	(301,679)	268,893	(2,325,973)	104,328	(944,055)
Net change in plan fiduciary	9,586,302	10,816,844	7,266,372	(6,067,409)	(7,390,401)	15,915,333
Total fiduciary net position - beginning	161,284,802	150,467,958	143,201,586	149,268,995	156,659,396	140,744,063
Total fiduciary net position - ending (b)	$ 170,871,104	$ 161,284,802	$ 150,467,958	$ 143,201,586	$ 149,268,995	$ 156,659,396
Net pension liability - ending (a) - (b)	87,481,335	84,583,179	86,523,279	82,890,844	67,964,712	46,949,637
Plan fiduciary net position as a percentage of the total pension liability	66.14%	65.60%	63.49%	63.34%	68.71%	76.94%
Covered payroll	$ 76,426,007	$ 74,543,472	$ 74,430,436	$ 73,470,337	$ 69,367,968	$ 68,010,789
Net pension liability as a percentage of covered payroll	114.47%	113.47%	116.25%	112.82%	97.98%	69.03%

See accompanying notes to required supplementary information.

Municipal Employees' Retirement System of Louisiana
Schedules of Employers' Net Pension Liability - Plan A
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Total pension liability	$ 1,182,925,835	$ 1,148,293,981	$ 1,115,400,101	$ 1,081,747,268	$ 1,056,200,030	$ 986,717,002
Plan fiduciary net position	765,059,686	734,226,194	697,057,939	671,876,210	698,984,365	730,072,543
Net pension liability	$ 417,866,149	$ 414,067,787	$ 418,342,162	$ 409,871,058	$ 357,215,665	$ 256,644,459
Plan fiduciary net position as a percentage of the total pension liability	64.68%	63.94%	62.49%	62.11%	66.18%	73.99%
Covered payroll	$ 188,254,188	$ 183,378,800	$ 182,332,440	$ 180,948,253	$ 172,466,167	$ 168,007,531
Net pension liability as a percentage of covered payroll	221.97%	225.80%	229.44%	226.51%	207.12%	152.76%

Schedules of Contributions
Employer and Non-Employer Contributing Entities - Plan A
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Actuarially determined contribution (determined as of the prior fiscal year)	$ 55,239,349	$ 51,683,094	$ 48,556,690	$ 41,221,565	$ 41,843,813	$ 37,302,561
Contributions in relation to the actuarially determined contribution	55,363,189	51,624,002	47,635,709	41,796,502	39,999,677	37,242,927
Contribution deficiency (excess)	$ (123,840)	$ 59,092	$ 920,981	$ (574,937)	$ 1,844,136	$ 59,634
Covered payroll	$ 188,254,188	$ 183,378,800	$ 182,332,440	$ 180,948,253	$ 172,466,167	$ 168,007,531
Contributions as a percentage of covered payroll	29.41%	28.15%	26.13%	23.10%	23.19%	22.17%

Schedules of Investment Returns - Plan A
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Annual money-weighted rate of return, net of investment expense	2.0%	4.0%	3.5%	-3.1%	-2.80%	13.00%

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

Includes contributions from employers and non-employer contributing entities as well as funds allocated to the Funding Deposit Account. Does not include funds withdrawn from the Funding Deposit Account.

Municipal Employees' Retirement System of Louisiana
Schedules of Employers' Net Pension Liability - Plan B
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Total pension liability	$ 258,352,439	$ 245,867,981	$ 236,991,237	$ 226,092,430	$ 217,233,707	$ 203,609,033
Plan fiduciary net position	170,871,104	161,284,802	150,467,958	143,201,586	149,268,995	156,659,396
Net pension liability	$ 87,481,335	$ 84,583,179	$ 86,523,279	$ 82,890,844	$ 67,964,712	$ 46,949,637
Plan fiduciary net position as a percentage of the total pension liability	66.14%	65.60%	63.49%	63.34%	68.71%	76.94%
Covered payroll	$ 76,426,007	$ 74,543,472	$ 74,430,436	$ 73,470,337	$ 69,367,968	$ 68,010,789
Net pension liability as a percentage of covered payroll	114.47%	113.47%	116.25%	112.82%	97.98%	69.03%

Schedules of Contributions
Employer and Non-Employer Contributing Entities - Plan B
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Actuarially determined contribution (determined as of the prior fiscal year)	$ 13,285,566	$ 12,411,566	$ 10,867,196	$ 9,593,456	$ 9,309,715	$ 8,235,369
Contributions in relation to the actuarially determined contribution	13,336,187	12,387,850	10,677,042	9,441,974	8,993,209	8,211,875
Contribution deficiency (excess)	$ (50,621)	$ 23,716	$ 190,154	$ 151,482	$ 316,506	$ 23,494
Covered payroll	$ 76,426,007	$ 74,543,472	$ 74,430,436	$ 73,470,337	$ 69,367,968	$ 68,010,789
Contributions as a percentage of covered payroll	17.45%	16.62%	14.34%	12.85%	12.96%	12.07%

Schedules of Investment Returns - Plan B
For the Six Years Ended June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	2019*	2018*	2017*	2016*	2015*	2014*
Annual money-weighted rate of return, net of investment expense	4.6%	7.7%	5.4%	-2.2%	-1.50%	13.00%

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

Includes contributions from employers and non-employer contributing entities as well as funds allocated to the Funding Deposit Account. Does not include funds withdrawn from the Funding Deposit Account.

See accompanying notes to required supplementary information.

Municipal Employees' Retirement System of Louisiana
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2019

Total OPEB Liability	
Service cost	$ 476,472
Benefit payments	(7,984)
Net change in total OPEB liability	468,488
Total OPEB liability, beginning	-
Total OPEB liability, ending	$ 468,488
Covered-employee payroll	$ 734,483
Total OPEB liability as a percentage of covered-employee payroll	63.78%

See accompanying notes to required supplementary information.

Municipal Employees' Retirement System of Louisiana
Notes to Required Supplementary Information
June 30, 2019

A. Schedules of Changes in Net Pension Liability

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

B. Schedules of Employers' Net Pension Liability

The schedules of employers' net pension liability show the percentage of the System's employers' net pension liability as a percentage of covered payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered payroll is the payroll on which contributions to the System are based.

C. Schedules of Contributions-Employer and Non-Employer Contributing Entities

The difference between the actuarially determined contributions for employer and the non-employer contributing entities and the contributions reported from employer and the non-employer contributing entities, and the percentage of contributions reported to cover employee payroll is presented in this schedule. Ad valorem taxes and state revenue sharing are support from non-employer contributing entities.

D. Schedules of Investment Returns

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

E. Actuarial Assumptions

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in Note 3 to the financial statements; Contributions, Funding Status and Reserves.

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F. Changes in Actuarial Assumptions

	June 30, 2019	**June 30, 2018**
Valuation date	June 30, 2019	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Expected remaining service lives	3 years	3 years-Plan A and 4 years-Plan B
Investment rate of return	7.00%, net of pension plan investment expense, including inflation	7.275%, net of pension plan investment expense, including inflation
Inflation rate	2.50%	2.60%
Salary increases, including inflation and merit increases:		
-1 to 4 years of service	6.4%-Plan A and 7.4%-Plan B	5.00%
-More than 4 years of service	4.5%-Plan A and 4.9%-Plan B	5.00%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, adjusted using their respective male and female MP2018 scales.	RP-2000 Employee Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale.	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females.

Other Supplementary Information

Municipal Employees' Retirement System of Louisiana
Supplementary Information
Individual Funds' Statements of Fiduciary Net Position
June 30, 2019

	Plan "A"	Plan "B"	Total
Assets			
Cash	$ 8,786,908	$ 9,493,020	$ 18,279,928
Receivables:			
Member/employer contributions	5,127,022	1,104,735	6,231,757
Interest and dividends	194,227	61,411	255,638
Investment receivable	5,000,432	1,060,697	6,061,129
Other receivables	6,443	3,386	9,829
Due to (from) other funds	5,384,747	(5,384,747)	-
Total receivables	15,712,871	(3,154,518)	12,558,353
Investments, at fair value:			
Cash equivalents	18,798,188	10,178,537	28,976,725
Domestic equities	222,962,788	47,438,788	270,401,576
International equities	171,826,440	36,473,842	208,300,282
Fixed income investments	284,759,960	61,405,095	346,165,055
Hedge fund investments	2,687,533	570,083	3,257,616
Real estate investments	20,608,384	4,381,966	24,990,350
Private debt and equity investments	19,591,134	4,159,099	23,750,233
Total investments	741,234,427	164,607,410	905,841,837
Property, plant, and equipment (net of depreciation)	1,578,823	601,321	2,180,144
Total assets	767,313,029	171,547,233	938,860,262
Liabilities			
Accounts payable	137,165	27,280	164,445
Refunds payable	226,788	5,809	232,597
Investment payable	684,352	145,166	829,518
Other payables	872,974	361,450	1,234,424
Other postemployment benefits obligation	332,064	136,424	468,488
Total liabilities	2,253,343	676,129	2,929,472
Net Position Restricted for Pension Benefits	$ 765,059,686	$ 170,871,104	$ 935,930,790

Municipal Employees' Retirement System of Louisiana
Supplementary Information
Individual Funds' Statements of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	Plan "A"	Plan "B"	Total
Additions			
Contributions:			
Members'	$ 16,783,858	$ 3,629,182	$ 20,413,040
Employers'	48,946,089	10,699,641	59,645,730
Ad valorem taxes and revenue sharing	6,417,100	2,636,546	9,053,646
Total contributions	72,147,047	16,965,369	89,112,416
Investment income:			
Interest and dividend income	2,384,748	702,273	3,087,021
Net appreciation in fair value of investments	35,727,692	7,599,651	43,327,343
	38,112,440	8,301,924	46,414,364
Less investment expenses	(2,271,691)	(506,563)	(2,778,254)
Net investment income	35,840,749	7,795,361	43,636,110
Other Additions			
Assets transferred from other retirement systems	1,139,538	396,954	1,536,492
Total additions	109,127,334	25,157,684	134,285,018
Deductions			
Benefits	64,787,222	11,852,841	76,640,063
DROP withdrawals	6,512,526	1,279,928	7,792,454
Refund of contributions	4,584,449	1,172,865	5,757,314
Administrative expenses	1,245,280	548,854	1,794,134
Other postemployment benefits expense	337,723	138,749	476,472
Assets transferred to other retirement systems	826,645	578,142	1,404,787
Total deductions	78,293,845	15,571,379	93,865,224
Net Increase	30,833,489	9,586,305	40,419,794
Net Position Restricted for Pension Benefits			
Beginning of year	734,226,197	161,284,799	895,510,996
End of year	$ 765,059,686	$ 170,871,104	$ 935,930,790

Municipal Employees' Retirement System of Louisiana
Supplementary Information
Schedule of Per Diem Paid to Board Members
Year Ended June 30, 2019

The per diem paid to the trustees is an administrative expense. For fiscal year ended June 30, 2019, the trustees received per diem at the rate of $75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attended. Per diem paid to the trustees for the year ended June 30, 2019 was as follows:

Raymond Harris	$	825
Paid to the City of Crowley on behalf of Greg Jones		300
Greg Jones		225
Andrea Mahfouz		750
Susan Percle		975
Michael Sands		975
Donald Villere		825
Paid to the Town of Vinton on behalf of Mary Vice		225
Phyllis McGraw		525
Total per diem	$	5,625

Municipal Employees' Retirement System of Louisiana
Supplementary Information
Schedules of Administrative Expenses
Years Ended June 30, 2019 and 2018

	2019	2018
Salaries and payroll taxes	$ 769,360	$ 764,018
Professional fees	298,256	552,402
Retirement	193,428	184,893
Depreciation	94,100	99,696
Insurance	67,678	63,871
Hospitalization	76,281	69,012
Office supplies	53,995	35,936
Utilities	26,340	25,697
Travel	40,019	28,260
Equipment and maintenance	107,946	103,834
Building and grounds maintenance	29,302	26,852
Postage	25,942	34,372
Board member-per diem	5,625	4,725
Education	3,446	4,822
Printing	535	-
Miscellaneous	1,339	(1,081)
Loss on disposal of assets	542	332
Total administrative expenses	$ 1,794,134	$ 1,997,641

Municipal Employees' Retirement System of Louisiana
Schedule of Compensation, Benefits, and Other
Payments to Agency Head or Chief Executive Officer
Year Ended June 30, 2019

Agency Head Name: Warren Ponder, Executive Director

Purpose		**Amount**
Salary	$	153,750
Benefits - insurance		10,090
Benefits - retirement		39,975
Car allowance		0
Vehicle provided by agency		0
Per diem		0
Reimbursements		1,362
Travel		693
Registration fees		750
Conference travel		3,278
Continuing professional education fees		1,197
Housing		0
Unvouchered expenses		0
Special meals		0

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

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA
Blaine M. Crochet, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Mr. Warren Ponder, Executive Director,
and the Board of Trustees of
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in G*overnment Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Municipal Employees' Retirement System of Louisiana, which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Municipal Employees' Retirement System of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Municipal Employees' Retirement System of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Municipal Employees' Retirement System of Louisiana'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Municipal Employees' Retirement System of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Municipal Employees' Retirement System of Louisiana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, L.L.P.

December 10, 2019

Municipal Employees' Retirement System of Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2019

Part I - Summary of Audit Results

1) An unmodified opinion has been expressed on the financial statements of Municipal Employees' Retirement System of Louisiana as of and for the year ended June 30, 2019, and the related notes to the financial statements.

2) No deficiencies in internal control over financial reporting that we consider to be material weaknesses were identified.

3) No instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* were identified.

4) A single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* was not required.

5) A management letter was not issued.

Part II - Financial Statement Findings

No findings were noted.

Municipal Employees' Retirement System of Louisiana
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

Part I – Financial Statement Findings

No findings were noted.

Part II – Management Letter

A management letter was not issued for the year ended June 30, 2018.

Municipal Employees’ Retirement System of Louisiana

Agreed-Upon Procedures Report

June 30, 2019

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

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
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Independent Accountant's Report
on Applying Agreed-upon Procedures

To the Board of Trustees of Municipal Employees' Retirement System of Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Municipal Employees' Retirement System of Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedures are stated first, followed by the results of the procedures presented in italics.

Written Policies and Procedures

1. Obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

    a. ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

    The entity does not have written policies and procedures that address disaster recovery/business continuity.

Collections (excluding EFTs)

2. Obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. The entity's only deposit site was used for the procedures in this section.

    No exceptions were found as a result of this procedure.

3. For the entity's only deposit site, obtained a listing of collection locations and management's representation that the listing is complete. The entity's only collection location for the entity's only deposit site was used for the procedures in this section. Obtained and inspected written policies and

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procedures relating to employee job duties at the entity's only collection location and observed that job duties are properly segregated at the entity's only collection location such that:

a. Employees that are responsible for cash collections do not share cash drawers/registers.

   No exceptions were found as a result of this procedure.

b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

   No exceptions were found as a result of this procedure.

c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

   No exceptions were found as a result of this procedure.

d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

   No exceptions were found as a result of this procedure.

4. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   No exceptions were found as a result of this procedure.

5. Randomly selected two deposit dates for each of the entity's five bank accounts (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits were made on the same day). Obtained supporting documentation for each of the 10 deposits and:

   a. Observed that receipts are sequentially pre-numbered.

      No exceptions were found as a result of this procedure.

   b. Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

      No exceptions were found as a result of this procedure.

   c. Traced the deposit slip total to the actual deposit per the bank statement.

      No exceptions were found as a result of this procedure.

d. Observed that the deposit was made within one business day of receipt at the collection location.

For one of the six deposits selected, the supporting documentation does not include sufficient evidence of a collection date. For two of the six deposits selected, the deposit was made four business days after receipt.

e. Traced the actual deposit per the bank statement to the general ledger.

No exceptions were found as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

6. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. The entity's only location that processes payments was used for the procedures in this section.

   No exceptions were found as a result of this procedure.

7. For the location that processes payments, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties and observed that job duties are properly segregated such that:

   a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   No exceptions were found as a result of this procedure.

   b. At least two employees are involved in processing and approving payments to vendors.

   No exceptions were found as a result of this procedure.

   c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

   No exceptions were found as a result of this procedure.

   d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

   No exceptions were found as a result of this procedure.

8. For the location that processes payments, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for the location that processes payments, obtained supporting documentation for each transaction and:

   a. Observed that the disbursement matched the related original invoice/billing statement.

   No exceptions were found as a result of this procedure.

b. Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under # 7, as applicable.

No exceptions were found as a result of this procedure.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Hawthorn, Waymouth & Carroll, L.L.P.

November 21, 2019

MUNICIPAL EMPLOYEES'
RETIREMENT SYSTEM
OF LOUISIANA

November 21, 2019

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

In connection with our engagement of Hawthorn, Waymouth & Carroll, L.L.P. to apply agreed-upon procedures to certain control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), Municipal Employees' Retirement System of Louisiana (MERS) will implement a corrective action plan for each of the exceptions noted in the Agreed-upon Procedures Report.

MERS intention is to comply and implement best practices as is deemed reasonable and realistic for our retirement system. Please contact me if you have any questions or concerns.

Sincerely,

Warren D. Ponder
Executive Director

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