

MERS

LMA

MID-SIZE CITY CONFERENCE

WARREN D. PONDER

MARCH 16, 2017

# MERS

- Number of Member Employers 155
- Number of Members 7,054
- Number of Retirees 4,320
- Monthly Retirement Payroll \$5,800,000
- Total Assets as of 6/30/2016 \$776,100,000
- Total Assets as of 2/28/2017 \$802,402,000

	A	B
• Accrual Rates	3.00%	2.00%
• Employer Rates	22.75% (24.75%)	11.00% (13.25%)
• Employee Rates	9.50%	5.00%
• Social Security	0	6.20%

# PLAN A BENEFITS

## TIER 1

- RETIREMENT ELIGIBILITY

- 25 years at any age
- 10 years at age 60
- 20 years at any age early

- DISABILITY

- 5 years of service

- DROP ELIGIBILITY

- 25 years at any age
- 10 years at age 60

- VESTED

- 10 years – age 60

- REFUND

- Terminated for 30 days
- All contributions received
- Taxes withheld

## TIER 2

- RETIREMENT ELIGIBILITY

- 7 years at 67
- 10 years at 62
- 30 years at any age
- 25 years at any age early

- DISABILITY

- 5 years of service

- DROP ELIGIBILITY

- 7 years at 67
- 10 years at 62
- 30 years at any age

- VESTED

- 7 years - age 67

# PLAN B BENEFITS

## TIER 1

- RETIREMENT ELIGIBILITY
  - 30 years at any age
  - 10 years at age 60
- DISABILITY
  - 10 years of service credit
- DROP ELIGIBILITY
  - 30 years at any age
  - 10 years at age 60
- VESTED
  - 10 years – age 60
- REFUND
  - Terminated for 30 days
  - All contributions received
  - Taxes withheld

## TIER 2

- RETIREMENT ELIGIBILITY
  - 7 years at 67
  - 10 years at 62
  - 30 years at any age
  - 25 years at any age early
- DISABILITY
  - 10 years of service credit
- DROP ELIGIBILITY
  - 7 years at 67
  - 10 years at 62
  - 30 years at any age
  - 25 years at any age early
- VESTED
  - 10 years – age 60

# DROP

## Deferred Retirement Option Plan

- Must be eligible to retire
- Member will discontinue contributions  
Municipality will continue to contribute
- Maximum of 3 years
- May continue to work after completing DROP
- DROP funds cannot be withdrawn until member terminates employment

# FUNDING BASICS

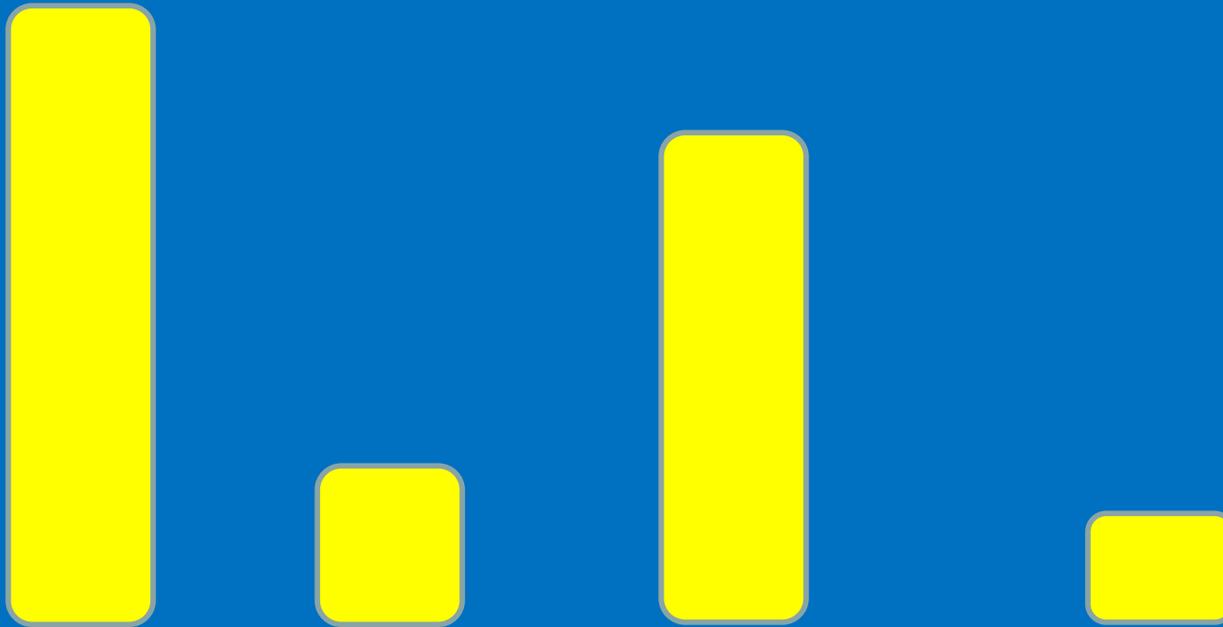
Benefits + Expenses = Contributions + Investment Earnings



# THE PROBLEM

- Instead, we have been seeing this .....

Benefits + Expenses = Contributions + Investment Earnings



# Louisiana Retirement Systems

## ACT 1004 Quarterly Report Summary for the Period Ending 12/31/2016

RETIREMENT SYSTEM	AUM	CURRENT QTLY RET	EQUITY	FIXED	ALTERN.	FYTD	1 YEAR	3 YEAR	5 YEAR
LASERS	\$ 10,389,090,569	1.61%	56.80%	14.10%	29.10%	6.20%	9.10%	3.90%	8.10%
SHERIFFS	\$ 3,029,247,324	1.40%	60.00%	25.00%	15.00%	5.40%	7.30%	4.70%	8.90%
STATE POLICE	\$ 710,906,155	1.26%	62.40%	18.80%	14.00%	5.15%	7.11%	3.90%	8.71%
MUNI POLICE	\$ 1,824,034,258	1.11%	55.60%	20.70%	23.10%	5.30%	7.50%	3.40%	8.50%
ROVERS	\$ 82,868,679	1.06%	53.48%	28.96%	17.56%	4.50%	6.90%	2.49%	5.59%
DISTRICT ATTORNEY	\$ 364,712,015	1.02%	60.51%	31.88%	7.61%	3.80%	5.15%	3.32%	7.99%
FRS	\$ 1,420,662,695	1.02%	57.00%	21.20%	21.20%	5.00%	7.20%	1.70%	4.60%
CLERKS	\$ 521,156,960	0.99%	56.00%	19.00%	25.00%	5.66%	7.97%	5.23%	9.11%
LSERS	\$ 1,747,074,605	0.93%	52.00%	31.00%	17.00%	5.14%	8.55%	3.94%	8.46%
TEACHERS	\$ 17,100,366,153	0.93%	50.10%	18.90%	29.80%	4.20%	8.70%	5.10%	9.30%
<b>MERS</b>	<b>\$ 789,733,713</b>	<b>0.50%</b>	<b>48.00%</b>	<b>31.00%</b>	<b>21.00%</b>	<b>3.70%</b>	<b>5.10%</b>	<b>0.80%</b>	<b>4.20%</b>
ASSESSORS	\$ 330,442,628	0.23%	61.58%	32.90%	5.52%	0.23%	6.95%	4.00%	8.38%
PAROCHIAL	\$ 3,553,024,193	-0.25%	54.31%	36.39%	9.30%	7.65%	7.65%	3.96%	8.97%

1 Year 12<sup>th</sup>

3 Year 13<sup>th</sup>

5 Year 13<sup>th</sup>

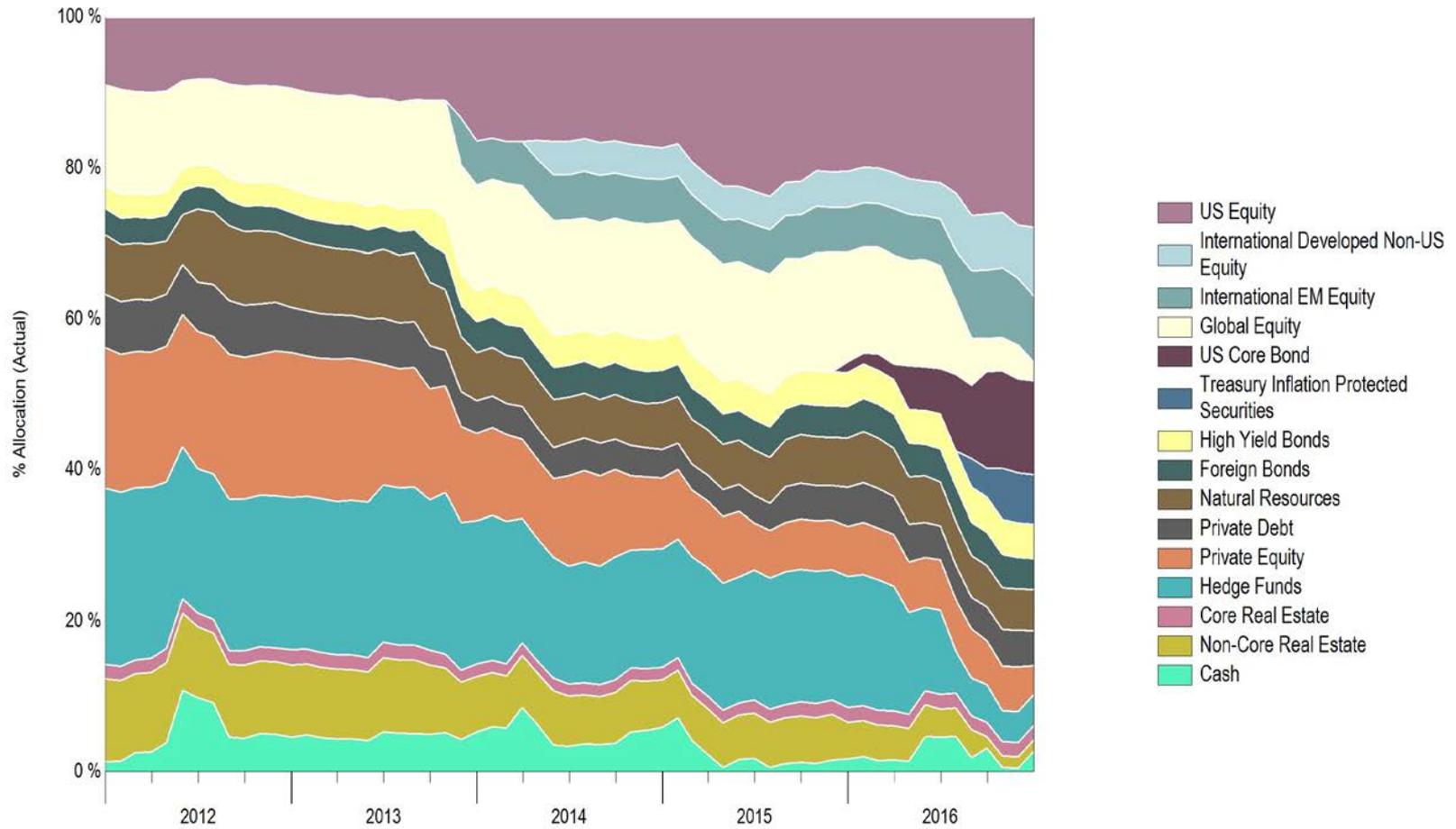
10 Year 11<sup>th\*</sup>

Current Quarter: 11<sup>th</sup>

# FACTORS AFFECTING PLAN COSTS

- Benefit Structure – Paying benefits at a later age
- Asset Performance – Reduced + write offs
- Demographics
- Change in rate of pay increases
- Other

## Asset Allocation History 5 Years Ending December 31, 2016



# CURRENT AND ACTUAL ALLOCATION VERSUS NEW ASSET ALLOCATION TARGETS

	Previous Targets	Actual <sup>1</sup> Allocation 2/29/16	New Asset Allocation	Required Change	Expected Actions
Total Public Equities	50	47	50	+3	
Domestic Equity		22	28	+6	Rebalancing, no new searches
Developed Mkt Equity		5	12	+7	Rebalancing, no new searches
Emerging Mkt Equity		6	10	+4	Rebalancing, no new searches
Global Equity		14	0	-14	All managers can be liquidated by any month end
Total Fixed Income	15	10	35	+25	
US Core Bonds		2	18	+16	Rebalancing, no new searches
TIPS		0	7	+7	Search needed - Recommended Passive
High Yield		4	5	+1	Rebalancing, update Loomis guidelines
Foreign Bonds		4	5	+1	Rebalancing, no new searches
Total Alternatives	35	42	15	-27	
Core Real Estate		2	4	+2	Rebalancing, use non-core RE distributions
Non-core Real Estate		4	0	-4	Self liquidating and/or seek secondary buyers
Natural Resources		7	3	-4	Self liquidating and/or seek secondary buyers
Infrastructure		0	3	+3	Search needed - Open End Fund
Hedge funds		17	0	-17	Liquidation in process
Private Equity		7	2	-3	Self liquidating and/or seek secondary buyers
Private Debt		5	3	-2	Self liquidating and/or seek secondary buyers
<sup>1</sup> May no add to 100% because of rounding					
Prepared by Meketa Investment Group					

# Progress Report

Over the last three and a half years the Board of Trustees has made significant progress in reducing the complexity and fees for the Retirement System.

We estimate the Retirement System will save approximately \$3.7 million per year<sup>1</sup>, in investment management fees as a result of the increase in passive strategies and decrease in hedge funds and other alternative asset classes.

	March 31, 2013	September 30, 2016	Progress Summary
Number of Strategies	52	36 <sup>2</sup>	Decrease in number of strategies
% in Alternatives	52%	25%	Decrease in alternatives
% in Passive	4%	42%	Increase in low cost passive strategies
Estimated Annual Management Fees	\$7.2 million	\$3.5 million	Annual management fees cut in half



**MUNICIPAL EMPLOYEES'**

RETIREMENT SYSTEM  
OF LOUISIANA

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