MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INVESTMENT POLICY STATEMENT

Approved April 18, 2024 .

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

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

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

- To clearly and explicitly establish the objectives and constraints that govern the investment of the System's assets,

- To establish a long-term target asset allocation with a high likelihood of meeting the System's objectives given the explicit constraints, and

- To protect the financial health of the System through the implementation of this stable long-term investment policy.

I. Purpose and Scope

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

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

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

II. Operating Principles

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

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

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

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

III. Investment Objectives

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

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

A. Risk Objectives

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

B. Return Objective

1. In a manner consistent with the goals stated in Section I above, to manage the System's assets so as to target a 6.85% nominal return over long periods of time.

IV. Investment Constraints

A. Legal and Regulatory

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

B. Time Horizon

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

C. Liquidity

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

Further, the Trustees intend to invest at least 80% of the System's assets in liquid vehicles.[1]

D. Tax Considerations

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

V. Risk and Return Considerations

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

VI. Diversification

The Trustees of the System recognize that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for the expected correlation of their returns. Within each asset type, the Trustees will seek to distribute investments across many individual holdings, thus expecting to further reduce volatility. In addition, each investment manager's guidelines (for strategies managed in separate accounts) will specify the largest permissible investment in any one asset, and will set other diversification requirements. Any investment strategy held outside of a separately managed account (e.g. commingled funds, mutual funds, Limited Partnership vehicles, etc.) is expected to follow the guidelines contained in the fund's Prospectus, Offering Memorandum, or similar governing document.

VII. Asset Allocation

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

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

A. Permissible Asset Classes

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

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

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

C. Long-Term Target Allocations

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

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

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

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

D. Rebalancing

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

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

The Executive Director and Chief Investment Officer (together, in agreement) have the authority to approve rebalance recommendations by the Investment Consultant as long as such recommendations are consistent with moving the System's exposure closer to the Trustee approved asset allocation targets.

The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

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

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

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

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

IX. Manager Watch List

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

- Significant change in ownership or control of the investment management firm
- Significant change in investment personnel
- Significant change in the strategy's process or philosophy
- Failure to comply with investment guidelines.
- Evidence of illegal or unethical behavior by the investment manager.
- Any pending litigation or regulatory action against the investment manager
- Loss of confidence in the investment strategy or investment firm.
- Failure to achieve performance objectives over a reasonable measurement period.

X. Investment Costs

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

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

XI. Voting of Proxies

The Trustees recognize that the voting of proxies is important to the overall performance of the System. The Trustees have delegated the responsibility of voting all proxies to the investment managers. The Trustees expect that managers will execute all proxies in a timely fashion. Also, the Trustees expect the managers to provide, upon request, a written explanation of individual voting decisions.

XII. Forbidden Assets and Strategies

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

Appendix A

Permissible Asset Classes[1]

Asset Class
Public Domestic Equity
Public Foreign Equity
Emerging Market Equity
Frontier Market Equity
Private Equity
Private Debt
Real Estate
Investment Grade Bonds
Treasury Inflation-Protected Securities (TIPS)
High Yield Bonds
Bank Loans
Developed Market Bonds
Emerging Market Bonds
Natural Resources
Infrastructure
Commodities
Real Estate Investment Trusts (REITs)
Hedge Funds
Cash

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

APPENDIX B

TWENTY-YEAR, SINGLE ASSET CLASS AND SUB-ASSET CLASS FORECAST[1]

Asset Class	Expected Return (%)	Volatility (%)
Fixed Income		
Cash Equivalents	2.5	1.0
Short-term Investment Grade Bonds	3.7	1.0
Investment Grade Bonds	4.8	4.0
Investment Grade Corporate Bonds	5.4	7.0
Long-term Government Bonds	5.0	12.0
TIPS	4.7	7.0
High Yield Bonds	6.8	11.0
Bank Loans	6.6	10.0
Foreign Bonds	3.9	8.0
Emerging Market Bonds (major)	6.8	12.0
Emerging Market Bonds (local)	6.2	12.0
Equities		
US Equity	8.5	17.0
Developed Market Equity	8.9	18.0
Emerging Market Equity	8.9	22.0
Frontier Market Equity	10.0	20.0
Global Equity	8.7	17.0
Private Equity	11.2	25.0
Buyouts	10.8	24.0
Venture Capital	12.0	34.0
Private Debt	9.2	15.0
Real Assets		
Real Estate	8.0	16.0
REITs	7.8	24.0
Core Private Real Estate	6.9	12.0
Value Added Real Estate	9.0	20.0
Opportunistic Real Estate	10.3	26.0
Natural Resources (Public)	9.2	22.0
Natural Resources (Private)	9.3	22.0
Commodities (naïve)	5.3	17.0
Infrastructure (Public)	9.0	17.0
Core Infrastructure (Private)	8.0	14.0
Non-Core Infrastructure (Private)	10.0	22.0
Other		
Hedge Funds	5.8	7.0
Long-Short	5.3	9.0
Event-Driven	7.6	9.0
Global Macro	5.4	5.0
Risk Parity (10% vol)	7.2	10.0
Tactical Asset Allocation	6.1	11.0
Inflation	2.8	3.0

[1] Expected returns and standard deviations are based on Meketa Investment Group's 2024 Annual Asset Study. Expected returns are annualized compounded returns.

APPENDIX B

EXPECTED CORRELATIONS AMONG ASSET CLASSES AND SUB-ASSET CLASSES[1]

	Inv. Grade Bonds	Long-term Gov't Bonds	TIPS	High Yield Bonds	Private Debt	Foreign Bonds	US Equity	Developed Non-US Equity	Emerging Market Equity	Private Equity	Real Estate	Infrastructure
Inv. Grade Bonds	1.00											
Long-term Gov't Bonds	0.86	1.00										
TIPS	0.77	0.61	1.00									
High Yield Bonds	0.35	-0.04	0.46	1.00								
Private Debt	0.07	-0.35	0.16	0.87	1.00							
Foreign Bonds	0.67	0.44	0.64	0.45	0.14	1.00						
US Equity	0.22	-0.10	0.30	0.76	0.71	0.40	1.00					
Developed Non-US Equity	0.26	-0.09	0.33	0.76	0.69	0.56	0.88	1.00				
Emerging Market Equity	0.27	-0.05	0.36	0.72	0.64	0.54	0.74	0.86	1.00			
Private Equity	0.00	-0.10	0.03	0.66	0.71	0.13	0.90	0.83	0.79	1.00		
Real Estate	0.26	0.06	0.17	0.56	0.53	0.34	0.53	0.49	0.43	0.49	1.00	
Infrastructure	0.31	0.14	0.32	0.65	0.52	0.47	0.64	0.68	0.60	0.51	0.61	1.00

[1] Expected correlations are based on Meketa Investment Group's 2024 Annual Asset Study.

APPENDIX C

ASSET ALLOCATION TARGETS

	Target	Range	Policy Benchmark
Public Equity	**53%**		
Domestic Equity	30	25-40	Russell 3000
Developed Market Equity	13	8-18	MSCI EAFE
Emerging Market Equity	10	7-13	MSCI Emerging Markets
Public Fixed Income	**29%**		
U.S. Core Bonds	20	15-25	Bloomberg Barclays U.S. Aggregate
TIPS	3	0-10	Bloomberg Barclays U.S. TIPS
High Yield	3	0-10	Bloomberg Barclays U.S. Corp. High Yield
Foreign Bonds	3	0-10	Bloomberg Barclays Global Aggregate
Alternatives	**18%**		
Core Real Estate	12	5-15	NCREIF ODCE Equal Weighted (net)
Private Debt	3	0-6	Bloomberg Barclays US High Yield +2%
Private Equity	3	0-6	MSCI ACWI IMI (1Q Lagged) +2%

Appendix D

Louisiana Revised Statutes Title 11, 263. Prudent-man rule; investments; reporting

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

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

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

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

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

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

(a) The availability of public pricing to value each investment.

(b) The ability to liquidate each investment at a fair market price within a reasonable time frame for the size of investment that is being considered.

(c) The degree of transparency that accompanies each investment.

(d) The risk of fluctuations in currency that may accompany each investment.

(e) The experience of the professionals who will manage each investment and the financial soundness of the business entity employing such professionals.

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

(g) Whether leverage is involved.

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

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

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

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

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

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

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

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

(b) The amount of administrative expenses.

(c) The board-approved target asset allocation.

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

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