R E P O R T

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

JUNE 30, 2011 AND 2010

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

December 19, 2011

Board of Trustees of the
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the statements of plan net assets of the Municipal Employees' Retirement System of Louisiana as of June 30, 2011 and 2010 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the management of the Municipal Employees' Retirement System. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Employees' Retirement System of Louisiana as of June 30, 2011 and 2010 and the results of its operations and changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2011 on our consideration of Municipal Employees' Retirement System of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 audit 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipal Employees Retirement System of Louisiana's financial statements as a whole. The supplemental schedules on pages 31 – 42 and the required statistical information on pages 43 - 45 are presented for the purposes of additional analysis and are not a part of the basic financial statements. The required statistical information for the years ending June 30, 2006 - 2011 and supplemental schedules for the years ending June 30, 2011 and 2010, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

The Management's Discussion and Analysis of the Municipal Employees' Retirement System of Louisiana presents a narrative overview and analysis of the System's financial activities for the year ended June 30, 2011. This document focuses on the past year's activities, resulting changes, currently known facts in comparison with the prior year's information. Please read this document in conjunction with the information contained in the Municipal Employees' Retirement System of Louisiana's financial statements, which begins on page 7.

FINANCIAL HIGHLIGHTS

1. The Municipal Employees' Retirement System's net assets held in trust for pension benefits exceeded its liabilities at the close of fiscal year 2011 by $823,612,309 which represents an increase from last year. The net assets held in trust for pension benefits increased by $68,246,760 or 9.03%. The increase was primarily due to the improvement in the financial markets and the strategic diversification of the portfolio.

2. Contributions to the System by members and employers totaled $46,033,448, an increase of $1,598,151 or 3.60%. Contributions from ad valorem taxes and revenue sharing totaled $6,898,671, an increase of $280,781 or 4.24%.

3. Pension benefits paid to retirees and beneficiaries increased by $2,594,192 or 5.42%. This increase is due to an increase in the number of retirees and their benefit amounts.

4. Administrative expenses of the System totaled $1,033,982, an increase of $34,829 or 3.49%.

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. Statement of plan net assets,
2. Statement of changes in plan net assets, and
3. Notes to the financial statements.

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

The statement of plan net assets reports the system's assets, liabilities, and resultant net assets held in trust for pension benefits. It discloses the financial position of the System as of June 30, 2011 and 2010.

The statement of changes in plan net assets reports the results of the system's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

FINANCIAL ANALYSIS OF THE SYSTEM

Municipal Employees' Retirement 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 elected to become members of the System. Member contributions, employer contributions and earnings on investments fund these benefits.

Statement of Plan Net Assets
June 30, 2011 and 2010

	2011	2010
Cash	$ 12,548,867	$ 10,977,420
Receivables	58,509,945	12,001,385
Investments	781,864,808	759,443,176
Collateral held under securities lending	4,313,837	5,775,137
Other assets	1,108,822	1,437,865
Property and equipment	924,695	970,486
Total assets	859,270,974	790,605,469
Total liabilities	7,637,044	14,981,246
Net assets held in trust for pension benefits	823,612,309	755,365,549
Noncontrolling interest	28,021,621	20,258,674
Net assets	$ 851,633,930	$ 775,624,223

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Plan net assets increased by $68,246,760 or 9.03%. The increase in plan net assets was a result of the improvement in the financial markets and the strategic diversification of the portfolio.

Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2011 and 2010

	2011	2010
Additions:		
Contributions	$ 52,932,119	$ 51,053,184
Investment income	78,737,630	74,854,373
Other	950,446	560,773
Total additions	132,620,195	126,468,330
Total deductions	64,373,435	57,011,872
Net increase	$ 68,246,760	$ 69,456,458

Additions to Plan Net Assets

Additions to the System's plan net assets were derived from member and employer contributions, ad valorem taxes, state revenue sharing funds and investment income. Employer contributions increased $1,515,962 or 5.64%, primarily due to an increase in salaries and contribution rate. The System experienced a net investment income of $78,737,630 as compared to a net investment income of $74,854,373 in the previous year. The increase in investment return over prior year was due to the improvement in the financial markets and the strategic diversification of the portfolio.

	2011	2010	Increase (Decrease) Percentage
Member contributions	$ 17,618,288	$ 17,536,099	.47%
Employer contributions	28,415,160	26,899,195	5.64%
Ad valorem and state revenue sharing	6,898,671	6,617,890	4.24%
Net investment income	78,737,630	74,854,373	5.19%
Other	950,446	560,773	69.49%
	$ 132,620,195	$ 126,468,330	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Deductions from Plan Net Assets

Deductions from plan net assets include mainly retirement, death and survivor benefits, administrative expenses and transfers to other systems. Deductions from plan net assets totaled $64,373,435 in fiscal year 2011. The increase of $7,361,563 from the previous year is primarily due to an increase in retirement benefits, DROP benefits and refunds.

	2011	2010	Increase (Decrease) Percentage
Retirement benefits	$ 57,603,606	$ 52,105,910	10.55%
Refunds of contributions	4,489,560	2,925,661	53.45%
Administrative expenses	1,033,982	999,153	3.49%
Depreciation	47,066	54,537	(13.70)%
Transfer to other systems	1,199,221	926,611	29.42%
	$ 64,373,435	$ 57,011,872	

Investments

Municipal Employees' Retirement System of Louisiana is responsible for the prudent management of funds held in trust for the exclusive benefits of their members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total market value of investments less non-controlling interests in the amount of $28,021,621 at June 30, 2011 amounted to $753,843,187 as compared to $739,184,502 at June 30, 2010, which is an increase of $14,658,685. The major contributing factor to this increase was the improvement in the financial markets and the strategic diversification of the portfolio. The System's investments in various asset classes at the end of the 2011 and 2010 fiscal years are indicated in the following table:

	2011	2010	Increase (Decrease) Percentage
Cash equivalents	$ 30,513,203	$ 72,335,253	(57.82)%
Bonds	22,671,846	24,933,414	(9.07)%
Convertible notes	2,065,362	--	100.00%
Equities	147,416,356	65,513,906	125.02%
Mutual funds	133,450,903	116,699,444	14.35%
Commingled funds	185,197,741	238,120,039	(22.23)%
Limited Partnerships	128,728,475	112,337,111	14.59%
Limited Liability Companies	33,117,733	5,305,361	524.23%
Mitigation credits	52,612,983	57,996,698	(9.28)%
Notes receivable	14,137,456	15,979,900	(11.53)%
Line of credit	10,128,785	7,309,061	38.58%
Real estate-mitigation banks and LLC	21,823,965	42,912,989	(49.14)%
	$ 781,864,808	$ 759,443,176	

Requests for Information

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS:		
Cash	$ 12,548,867	$ 10,977,420
Receivables:		
Member contributions	1,290,926	1,200,323
Employer contributions	2,064,499	1,824,172
Accrued alternative investment income	4,431,053	3,561,078
Investment receivable	49,940,223	1,825,964
Miscellaneous receivable	340,345	446,458
Accrued interest and dividends	442,899	3,143,390
Total	58,509,945	12,001,385
Investments (At fair value):		
Cash equivalents	30,513,203	72,335,253
Bonds	22,671,846	24,933,414
Convertible notes	2,065,362	-
Equities	147,416,356	65,513,906
Equity mutual funds	100,705,513	79,118,895
Fixed income mutual funds	32,745,390	37,580,549
Investments in commingled funds	185,197,741	238,120,039
Investments in limited liability companies	33,117,733	5,305,361
Investments in limited partnerships	128,728,475	112,337,111
Investments in mitigation credits	52,612,983	57,996,698
Investments in notes receivable	14,137,456	15,979,900
Investments in line of credit	10,128,785	7,309,061
Investment in real estate-mitigation banks and LLC	21,823,965	42,912,989
Total	781,864,808	759,443,176
Collateral held under securities lending program	4,313,837	5,775,137
Other assets:		
Mitigation bank capitalized project costs	994,607	1,258,795
Prepaid expenses	69,872	151,515
Other	44,343	27,555
Total	1,108,822	1,437,865
Property, plant and equipment:		
Land	389,547	389,547
Building	784,330	784,330
Office furnishings and equipment	351,656	361,583
	1,525,533	1,535,460
Less: Accumulated depreciation	(600,838)	(564,974)
Total	924,695	970,486
Total assets	859,270,974	790,605,469
LIABILITIES:		
Bank overdraft	-	1,183,309
Accounts payable	294,641	294,528
Refunds payable	298,976	278,658
Other payables	1,398,846	176,855
Mitigation bank unearned revenue	564,388	376,888
Notes payable	-	6,194,658
Investment payable	606,049	579,445
Obligations under securities lending program	4,313,837	5,775,137
Long-term maintenance mitigation liability	160,307	121,768
Total liabilities	7,637,044	14,981,246
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	823,612,309	755,365,549
NONCONTROLLING INTERESTS	28,021,621	20,258,674
NET ASSETS	$ 851,633,930	$ 775,624,223

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
ADDITIONS:		
Contributions:		
Members'	$ 17,618,288	$ 17,536,099
Employers'	28,415,160	26,899,195
Ad valorem taxes and state revenue sharing funds	6,898,671	6,617,890
Total contributions	52,932,119	51,053,184
Investment income:		
Interest income	3,398,583	7,935,040
Dividend income	953,773	1,682,077
Securities lending income	166,551	84,549
Alternative investment income	7,932,187	1,631,316
Net appreciation in fair value of investments	72,963,947	75,412,201
	85,415,041	86,745,183
Less investment expense:		
Investment advisory fees	6,126,284	6,474,787
Securities lending expense	25,097	34,185
Custodian bank fees	60,000	60,000
	6,211,381	6,568,972
Net investment income	79,203,660	80,176,211
Net investment income attributable to noncontrolling interest	(466,030)	(5,321,838)
Net investment income attributable to the Pension Fund	78,737,630	74,854,373
Other additions:		
Interest-other	14,189	20,141
Transfers from other retirement systems	936,257	540,632
	950,446	560,773
Total additions	132,620,195	126,468,330
DEDUCTIONS:		
Benefits	57,603,606	52,105,910
Refund of contributions	4,489,560	2,925,661
Administrative expenses	1,033,982	999,153
Depreciation	47,066	54,537
Transfers to other retirement systems	1,199,221	926,611
Total deductions	64,373,435	57,011,872
NET INCREASE	68,246,760	69,456,458
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	755,365,549	685,909,091
END OF YEAR	$ 823,612,309	$ 755,365,549

See accompanying notes.

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

The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the 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 Retirement Committee; and one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana.

Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970.

Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

The System's financial statements are prepared 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.

Consolidation:

The consolidated financial statements include the accounts of Municipal Employees’ Retirement System, 30% ownership in four mitigation banks, 61.60% ownership in a limited liability company, 80% ownership in a limited liability company, 59.495% ownership in a commingled fund, and 99.9% ownership in a partnership. The System is allocated 70% of the income, gain and net cash flows of the mitigation banks until they have received their capital contributions to the Banks. The System is allocated their ownership percentage of the income, gain and net cash flows on all other consolidated entities. All significant intercompany balances have been eliminated in the consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 price at current exchange rates. Investments in commingled funds, limited liability companies, limited partnerships and the notes receivable are reported at fair value. Investments in mitigation banks is reported at fair value which is reflected as the present value of projected cash flows from the sale of mitigation credits less related project cost. Capitalized project cost related to the mitigation banks include costs related to the acquisition, formation engineering and reforestation and maintenance of the mitigation banks. Land related to the mitigation banks is reported at estimated recreational value.

Property, Plant and Equipment:

Property, plant and equipment acquired prior to June 30, 1991 are accounted for based on historical cost and capitalized in the Expense Fund. Property, plant and equipment acquired subsequent to June 30, 1991 is accounted for based on historical cost and capitalized as follows: All property and plant additions will be allocated between the two plans based on each plans' member earnings. All operating equipment additions will be recorded in the expense fund. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight line method.

2. PLAN DESCRIPTION:

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

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the years ended June 30, 2011 and 2010, respectively, there were 87 and 82 contributing municipalities in Plan A and 67 and 66 in Plan B.

The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. At June 30, 2011 and 2010 statewide retirement membership consists of:

	2011			2010		
	PLAN A	PLAN B	TOTAL	PLAN A	PLAN B	TOTAL
Active members	4,785	2,096	6,881	5,068	2,197	7,265
Retirees and survivors	3,001	865	3,866	2,907	836	3,743
“Drop Plan” participants	244	79	323	229	84	313
Terminated due deferred benefits	174	62	236	183	72	255
Terminated due refunds	2,594	1,062	3,656	2,590	1,062	3,652
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	10,798	4,164	14,962	10,977	4,251	15,228

2. PLAN DESCRIPTION: (Continued)

Eligibility Requirements:

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

Retirement Benefits:

Any member of Plan A 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. Under age 60 with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Any member of Plan B 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.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

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

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

Survivor Benefits:

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

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

Any member of Plan A who is eligible for normal retirement at time of death, surviving spouse or, if none, surviving minor children shall receive benefits for as long as he/she lives as outlined in the statutes.

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

1. Surviving spouse who is not eligible for social security survivorship or retirement benefits, married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or

2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

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.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

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.

2. PLAN DESCRIPTION: (Continued)

DROP Benefits: (Continued)

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 the 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.

Disability Benefits:

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

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

Cost of Living Increases:

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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JUNE 30, 2011 AND 2010

2. PLAN DESCRIPTION: (Continued)

Deferred Benefits:

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

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by statute at 9.25% of earnable compensation for Plan A and 5% of earnable compensation for Plan B for the years ended June 30, 2011 and 2010, respectively. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the years ended June 30, 2011 and 2010, the actuarially determined employer contribution rates were 16.41% and 13.78%, respectively, of member's earnings for Plan A. The actual contribution rates were 14.25% and 13.50% for the years ended June 30, 2011 and 2010, respectively. The actuarially determined employer contribution rates for Plan B for the fiscal years ending June 30, 2011 and 2010 were 7.78% and 5.95%, respectively. The actual contribution rates were 6.75% and 6.75% for the years ended June 30, 2011 and 2010, respectively. For Plan B for the year ending June 30, 2011 the actual rates are greater than the actuarially required rates due to the System's ability to elect to maintain the net direct employer contribution rate at the higher current contribution rate and allocate additional funds collected to reduce the System's frozen unfunded actuarial accrued liability.

According to state statute, the System also receives 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 Municipal Employees' Retirement System and the Employees' Retirement System of the City of 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.

Administrative costs of the retirement system are financed through employer contributions.

Reserves:

Use of the term "reserve" by the retirement 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:

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

A) Expense:

The Expense Fund Reserve provides for general and administrative expenses of the System and those expenses not funded through other specific legislative appropriations. Funding consists of transfers from the retirement funds and is made as needed.

B) 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. The Annuity Savings as of June 30, 2011 and 2010 is $108,062,749 and $106,847,756 respectively, for Plan A and $22,623,068 and $21,746,193 respectively, for Plan B. The Annuity Savings is fully funded for both plans.

C) 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. The Pension Accumulation Reserve as of June 30, 2011 and 2010 is $264,059,845 and $271,419,703 respectively, for Plan A and $60,043,814 and $61,492,342 respectively, for Plan B. The Pension Accumulation Reserve is 54.57% and 42.76% funded for Plan A and 77.85% and 65.71% funded for Plan B as of June 30, 2011 and 2010, respectively.

D) 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. The Annuity Reserve as of June 30, 2011 and 2010 is $395,850,573 and $370,322,472 respectively, for Plan A and $67,247,233 and $61,543,343 respectively, for Plan B. The Annuity Reserve is fully funded for both plans.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

E) 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. The Deferred Retirement Option Account as of June 30, 2011 and 2010 is $24,161,214 and $24,615,750, respectively, for Plan A and $4,905,783 and $4,589,462, respectively, for Plan B. The Deferred Retirement Option Account is fully funded for both plans.

F) Funding Deposit Account:

The Funding Deposit Account consists of excess contribution 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, 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 and has a balance as of June 30, 2011 and 2010 of $7,121,966 and $6,594,413, respectively for Plan A and $2,493,464 and $2,308,763, respectively, for Plan B.

4. ACTUARIAL COST METHOD:

The Frozen Attained Age Normal Cost Method was used to calculate the funding requirements of the System. Funding of pension plans under this method consists of two components. The first of these components is the Employer Normal Cost of the plan. In addition, amortization payments on the System's unfunded liability must be made. The actuarial present value of future normal cost is called the actuarial accrued liability. Act 81 of the 1988 legislative session requires that the unfunded accrued liability be amortized over a forty year period beginning on July 1, 1989 with payments increasing at 4.25% per year in Plan A and decreasing at 2% per year in Plan B.

5. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits and is presented on pages 43 - 45.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2011 and 2010:

	2011	2010
Deposits (bank balance)	$ 7,886,789	$ 7,685,518
Cash equivalents	30,513,203	72,335,253
Investments	751,351,605	687,107,923
	$ 789,751,597	$ 767,128,694

Deposits:

The Retirement 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.

The System's consolidating entities maintain cash balances at various banks. Cash accounts are insured by the FDIC for up to $250,000. For the years ended June 30, 2011 and 2010, bank balances in excess of insured limits were $3,532,569 and $2,929,172, respectively.

Cash Equivalents:

For the years ended June 30, 2011 and 2010, cash equivalents in the amount of $11,577,756 and $52,503,382, 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 Retirement System's custodian's trust department.

For the years ended June 30, 2011 and 2010, cash equivalents in the amount of $18,935,447 and $19,831,871, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP), held by a custodial bank and are in the name of the Retirement System.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-RS 33:2955. LAMP is rated AAAm by Standard & Poor's.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Cash Equivalents: (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

The System's cash equivalents were rated AAA by Standard and Poors.

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 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. Notwithstanding the Prudent-Man Rule, the 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 total portfolio is invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

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.

The System's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry. The equity holdings in any single corporation shall not exceed 10% of the market value of the equity portfolio at any time. In addition, no more than 5% of the aggregate long-term debt portfolio at cost may be invested in any one issuer's securities (exclusive of issues of the U.S. Treasury or other Federal agencies). At June 30, 2011, the System had two investments in notes receivable in the amount of $6,250,000 and $7,029,900 that exceeded the 5% criteria.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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JUNE 30, 2011 AND 2010

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

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, 2011 and 2010.

2011

	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association.	Corporate Bonds	Total Bonds	Convertible Notes
BBB+	$ --	$ --	$ --	$ --	$ --	$ --
BBB	--	--	--	--	--	--
BBB-	--	--	--	1,184,505	1,184,505	--
BB-	--	--	--	1,281,680	1,281,680	--
B+	--	--	--	4,916,643	4,916,643	--
BB+	--	--	--	--	--	--
B	--	--	--	3,741,083	3,741,083	--
B-	--	--	--	2,445,445	2,445,445	--
CCC+	--	--	--	1,232,505	1,232,505	--
CCC	--	--	--	1,196,002	1,196,002	--
CCC-	--	--	--	1,178,415	1,178,415	--
CC	--	--	--	--	--	--
D	--	--	--	334,163	334,163	--
Not Rated	39,502	409,582	389,271	4,323,050	5,161,405	2,065,362
	$ 39,502	$ 409,582	$ 389,271	$ 21,833,491	$ 22,671,846	$ 2,065,362

2010

	Federal Home Loan Mortgage Corp.	Federal National Mortgage Assn.	Government National Mortgage Assn.	Corporate Bonds	Total
BBB+	$ --	$ --	$ --	$ --	$ --
BBB	--	--	--	--	--
BBB-	--	--	--	--	--
BB-	--	--	--	1,338,420	1,338,420
B+	--	--	--	3,047,099	3,047,099
BB+	--	--	--	1,385,337	1,385,337
B	--	--	--	5,085,646	5,085,646
B-	--	--	--	3,496,940	3,496,940
CCC+	--	--	--	2,510,102	2,510,102
CCC	--	--	--	1,069,942	1,069,942
CCC-	--	--	--	--	--
CC	--	--	--	637,500	637,500
D	--	--	--	1,660,043	1,660,043
Not Rated	78,702	497,138	503,691	3,622,854	4,702,385
	$ 78,702	$ 497,138	$ 503,691	$ 23,853,883	$ 24,933,414

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

At June 30, 2011, the System invested in three fixed income mutual funds in the amount of $32,745,390. The weighted average credit rating of holdings in the funds are as follows: Loomis Sayles in the amount of $15,734,190 has a credit rating ranging from Aaa to Caa and lower with the majority of assets rated at Aaa or Baa, Brandywine Global Opportunistic Fixed Income Fund in the amount of $16,497,116 has a credit rating ranging from AAA to BB or lower with an average credit rating of AA-, and Pimco Income Strategy Fund II in the amount of $514,084 has a credit rating ranging from A to CCC+ with the majority of assets rated at B.

At June 30, 2010, the System invested in five fixed income mutual funds in the amount of $37,580,549. The weighted average credit rating of holdings in the funds are as follows: Loomis Sayles in the amount of $20,765,170 has a credit rating ranging from Aaa to Caa and lower with the majority of assets rated at Aaa or Baa, Brandywine Global Opportunistic Fixed Income Fund in the amount of $16,213,128 has a credit rating ranging from AAA to BB or lower with an average credit rating of A-, Nuveen Senior Income Fund in the amount of $129,694 has a credit rating ranging from AAA to CC with the majority of assets rated at BB or B, and Pimco Income Strategy Fund II in the amount of $472,557 has a credit rating ranging from A to CCC+ with the majority of assets rated at B.

Cash collateral invested under the securities lending program may be invested in securities issued or fully guaranteed by the U.S. Government or its agencies, high-grade commercial paper, notes, bonds and other debt obligations, asset-backed securities which carry the highest rating by Standard and Poors or Moody’s, Certificates of deposit, time deposits, repurchase and reverse repurchase agreements, money market funds, or short-term investment funds, pools or trusts. The System is in compliance with the investment policy regarding cash collateral invested under the securities lending program.

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 is not exposed to custodial credit risk at June 30, 2011 and 2010 for investments in the amounts of $770,287,052 and $706,939,794, respectively, since the investments are in the name of the System. At June 30, 2011 and 2010, for cash collateral held under the securities lending program in the amounts of $4,313,837 and $5,775,137, respectively, the System is exposed to custodial credit risk since the investments are not in the name of the System.

The System has no formal investment policy regarding custodial credit risk.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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JUNE 30, 2011 AND 2010

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

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, 2011 and 2010, the System had the following investments in long-term debt securities and maturities:

2011	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Investment Type					
Corporate Bonds	$ 21,833,491	$ 334,163	$ 13,502,951	$ 4,378,465	$ 3,617,912
Federal Home Loan Mortgage Corporation	39,502	--	12,968	8,577	17,957
Federal National Mortgage Assn.	409,582	--	--	132,957	276,625
Government National Mortgage Assn.	389,271	--	106,301	143,219	139,751
	$ 22,671,846	$ 334,163	$ 13,622,220	$ 4,663,218	$ 4,052,245
Convertible Notes	$ 2,065,362	$ 1,415,117	$ 650,245	$ --	$ --
Collateral Held Under Securities Lending Program	$ 4,313,837	$ 4,313,837	$ --	$ --	$ --

2010	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Investment Type					
Corporate Bonds	$ 23,853,883	$ --	$ 14,845,797	$ 5,091,805	$ 3,916,281
Federal Home Loan Mortgage Corporation	78,702	--	8,896	48,342	21,464
Federal National Mortgage Assn.	497,138	--	--	173,035	324,103
Government National Mortgage Assn.	503,691	--	74,105	249,196	180,390
	$ 24,933,414	$ --	$ 14,928,798	$ 5,562,378	$ 4,442,238
Collateral Held Under Securities Lending Program	$ 5,775,137	$ 5,775,137	$ --	$ --	$ --

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

At June 30, 2011 and 2010, the System has committed to invest an additional $71,039,886 and $53,333,174, respectively, in various investments.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2011, the System invested in two international equity mutual funds and one international fixed income mutual fund as follows: Thornburg Global Equity Fund in the amount of $52,323,384 invests in domestic and foreign equity securities with thirty-four percent in domestic companies and sixty percent in foreign countries with United Kingdom, Switzerland, and Australia comprising of the top three foreign countries; Tradewinds Global All-Cap Value Fund in the amount of $43,484,828 invests in domestic and equity securities with twenty-four percent in domestic countries and seventy-six percent in foreign countries with Japan, Canada, and France comprising of the top three foreign countries; Brandywine Global Opportunistic Fixed Income Fund in the amount of $16,497,116 invests in fixed income with sixty-five percent in domestic countries and forty percent in foreign countries with Japan, France, and Germany comprising of the top three foreign countries.

7. INVESTMENT - MITIGATION CREDITS:

At June 30, 2008, the System has an investment in a variable interest entity which consist of four limited liability companies. The limited liability companies are mitigation banking entities ("the Banks"). The Banks acquire land in the state of Louisiana, restore original wetland features and protect the land in perpetuity. As a result of the land restoration and protection, the Banks are granted land mitigation credits by the U.S. Army Corps of Engineers. These credits are sold to developers and landowners in need of habitat to substitute for those being lost to development. The System has a 30% ownership in each Bank. However, the System is allocated 70% of the income, gain and net cash flows until they have received their capital contributions to the Banks. The System has committed to invest $23,404,500 in the Banks over the next few years. As of June 30, 2011 and 2010, the System has invested $24,205,942 and $23,590,853 , respectively, in the Banks.

The Banks' net assets have been consolidated with the net assets of the System and is reported as an investment on the statement of net assets. The System's share of the market value of the net assets of the mitigation banks as of June 30, 2011 and 2010 is $52,499,387 and $55,497,399, respectively.

The Bank's creditors lack recourse against the System as the Banks were set up as limited liability companies.

8. SECURITY LENDING AGREEMENTS:

The Board of Trustees of the System authorized the System to enter into a securities lending program. These agreements consist of the loan of stocks with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The System requires the dealer to transfer cash or collateral of 102% of the market value of the loaned securities.

At June 30, 2011 and 2010, the fair value of the securities on loan was $4,205,334 and $5,616,696, respectively.

In cases of security loans in which the collateral received by the System is cash, the System is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the System receives collateral other than cash, it may not reinvest the collateral. When this occurs, the System does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet. The cash collateral was invested in a money market fund at June 30, 2011 and 2010. The maturities of these investments match the maturities of the securities loans. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The System cannot pledge or sell collateral securities received unless the borrower defaults.

9. VACATION AND SICK LEAVE:

The employees of the Municipal Employees' Retirement System accumulate limited amounts of vacation and unlimited amounts of sick leave. For the year ended June 30, 2011, upon resignation or retirement, unused vacation leave up to 300 hours is payable to employees (who were employed by the System on December 31, 2004) at the employee’s rate of pay as of December 31, 2004. Effective January 1, 2005, unused vacation and sick leave will accumulate but will not be paid upon termination. Upon retirement, unused vacation leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits. The liability for accumulated vacation leave of up to 300 hours, payable at June 30, 2011 and 2010, is estimated to be $15,723 and $15,723, respectively. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

10. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2011 and 2010, are as follows:

2011

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 389,547	$ --	$ --	$ 389,547
Building	784,330	--	--	784,330
Equipment	361,581	1,484	(11,411)	351,654
Accumulated depreciation	(564,972)	(47,064)	11,200	(600,836)
	$ 970,486	$ (45,580)	$ (211)	$ 924,695

2010

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 389,547	$ --	$ --	$ 389,547
Building	770,871	13,459	--	784,330
Equipment	348,806	12,775	--	361,581
Accumulated depreciation	(510,435)	(54,537)	- -	(564,972)
	$ 998,789	$ (28,303)	$ --	$ 970,486

The cost of the property, plant and equipment is being depreciated over its useful life using the straight-line method. Depreciation expense for the years ended June 30, 2011 and 2010 is $47,066 and $54,537, respectively.

11. TAX QUALIFICATION:

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

12. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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13. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

PLAN A

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	$723,942,801	$799,256,347	$75,313,546	90.58%	$164,262,655	45.85%

PLAN B

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	$152,966,837	$157,313,362	$4,346,525	97.24%	$65,427,477	6.64%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of the Plan's assets are increasing or decreasing over time relative to the AALs for benefits.

Valuation Date	June 30, 2011
Actuarial Cost Method	Frozen Attained Age Normal Cost Method
Amortization Method	In accordance with state statute, the payment amounts increase at 4.25% each year for the remaining amortization period for Plan A and the payment amounts decrease at 2% each year for the remaining amortization period for Plan B. The amortization period is for a specific number of years (Closed Basis).
Remaining Amortization Period	Plan A 18 years Plan B 12 years

13. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN: (Continued)

Asset Valuation Method	Market Value of investment securities adjusted to phase in asset earnings above or below the assumed rate of return over a five-year period with limits set at 85% and 115% of the market value of assets. When the adjusted value falls outside of the limits, the actuarial value is set equal to the average of the limited and adjusted value.
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increases	6% (3.25% Inflation, 2.75 Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. Future cost of living increases are only granted if specific target ratios are met and excess interest earnings are available to fund the cost of the benefit increase.
Changes in Normal Costs	For the year ended June 30, 2011, Plan A and Plan B incurred an increase in normal cost in the amount of $4,464,298 and $1,006,440, respectively, due to an asset experience loss. For the year ended June 30, 2011, Plan A and Plan B incurred a decrease in normal cost in the amount of $2,358,990 and $693,049, respectively, due to a liability experience. The effect of the change in normal cost for the years subsequent to June 30, 2011 has not been determined.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

All employees are eligible for postemployment health care benefits when they reach normal retirement age while working for the System. At June 30, 2011, six retirees were receiving post-employment benefits.

Plan Description

The System's employees participate in the Louisiana Municipal Risk Management Agency II Plan (the Plan), an agent multiple-employer defined benefit health plan that provides medical benefits to eligible active employees, retirees and their beneficiaries. The Plan administrator is the Louisiana Municipal Association. The Louisiana Municipal Association is established and sponsored by Louisiana Municipal Risk Management Agency II. The LA Municipal Association through its Risk Management Division has the authority to establish and amend plan provisions.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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14. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Funding Policy

The System recognizes the cost of providing postemployment medical benefits (the System's portion of the retiree medical benefit premiums) as an expense when the benefit premiums are due and thus finances the cost of the postemployment benefits on a pay-as-you-go basis. For the year ended June 30, 2011, the System's portion of health care premiums for retired employees totaled $14,222. Effective for the fiscal year beginning July 1, 2008, the System implemented Government Accounting Standards Board Number 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (GASB 45) prospectively.

The contribution requirements of plan members and the System are established and may be amended by the Louisiana Municipal Association through its Risk Management Division. Retired employees have access to two Preferred Provider Organization Plans (PPO), depending on the years of service. The System contributes 50% of the individual and family employee monthly premiums for both types of PPO plans. For retirees with a minimum of 20 years of service and under 65 years of age, the employer and retiree portion of the monthly premium for an individual retiree and family is $225.22 and $330.17, respectively. For retirees with a minimum of 20 years of service and over 65 years of age, the employer and retiree portion of the monthly premium for an individual retiree and family is $155.70 and $159.97, respectively. For retirees with a minimum of 10 years of service and a minimum of 60 years of age, the employer and retiree portion of the monthly premium for an individual retiree under 65 years of age and family is $225.22 and $330.17, respectively. For retirees with a minimum of 10 years of service and a minimum of 60 years of age, the employer and retiree portion of the monthly premium for an individual retiree over 65 years of age and family is $155.70 and $159.97, respectively.

Annual Required Contribution

The System's Annual Required Contribution (ARC) is an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for the fiscal year beginning July 1, 2010 is $66,265, as set forth below:

Normal Cost	$ 15,242
30-year UAAL amortization amount	51,023
Annual required contribution (ARC)	$ 66,265

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Net Other Postemployment (OPEB) Obligation

The table below shows the System's Net Other Postemployment Benefit (OPEB) obligation for fiscal year ended June 30, 2011:

Annual required contribution	$ 66,265
Interest on net OPEB obligation	475
ARC Adjustment	(453)
Annual OPEB cost	66,287
Current year retiree premium	(14,222)
Increase in net OPEB obligation	52,065
Beginning Net OPEB Obligation – 7/1/2010	11,867
Ending Net OPEB Obligation – 06/30/2011	$ 63,932

The Net OPEB Obligation at June 30, 2011 is not material and therefore not accrued (reflected) in the accompanying financial statements.

The following table shows the System's annual other postemployment benefits (OPEB) cost, percentage of the cost contributed utilizing the pay-as-you-go method, and the net unfunded other postemployment benefits (OPEB) liability:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$31,257	83.03%	$5,306
June 30, 2010	31,266	79.02%	11,867
June 30, 2011	66,287	21.46%	63,932

Funded Status and Funding Progress

In the fiscal year ending June 30, 2011, the System made no contributions to its other post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of June 30, 2011, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was $517,589, which is defined as that portion, as determined by a particular actuarial cost method (the System uses the Entry Age Actuarial Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2011, the entire actuarial accrued liability of $517,589 was unfunded.

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Actuarial Accrued Liability (AAL)	$ 517,589
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 517,589
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (annual payroll of active employee employee covered by the plan)	$ 326,148
UAAL as a percentage of covered payroll	158.70%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial valuation for other postemployment benefits includes estimates and assumptions regarding (1) turnover and retirement rates; (2) medical inflation and claims costs; (3) mortality; and (4) discount rate (investment return assumption). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the substantive plan (the plan as understood by the System and plan members) at the time of the valuation and on the pattern of sharing costs between the System and plan members to that point. The projection of benefits for financial statement purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the System and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

In the June 30, 2011actuarial valuation, the Alternative Measurement Method (AMM) was used in determining the annual required contribution and unfunded actuarial accrued liability. Under this method, the Entry Age Actuarial Cost Method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a closed amortization period of 30 years in developing the annual required contribution.

Turnover and Retirement Rates Assumption

This assumption is used in determining how likely it is that an employee will qualify for post-employment benefits and when will benefits start. A standard turnover assumption has been used.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

14. OTHER POSTEMPLOYMENT BENEFITS (OPEB): (Continued)

Healthcare Cost Trend Rate

This assumption is used in determining how much will postemployment benefits cost each year and how rapidly will the cost grow when an employee starts receiving postemployment benefits. The expected rate of increase in medical cost is based on projections performed by Getzen model promulgated by Society of Actuaries. Per the model, the rates for health care cost range from 9% in year 1 to 4.7% in year 10 and over.

Mortality Rate

This assumption is used in determining how long a retiree is likely to receive the benefits. The RP2000 Mortality Table for Males and Females Projected 10 years has been used.

Discount Rate (Investment Return Assumption)

This assumption is used in determining what the present value is of those future benefit payments in terms of today’s dollars. The discount rate is based on the long-term earnings potential of any investments set up in a trust to prefund these benefits. If the benefits are not prefunded, the discount rate must be set based on the expected earnings of the general fund. A 3% annual investment return has been used in the valuation. The discount rate baseline was calculated using a 0% plan asset return rate, a 3% employer asset return rate and funds irrevocably set aside for OPEB.

15. NOTE PAYABLE:

During 2006, Sol Sista, L.L.C. (86.21% owned by the System) signed a note with a financial institution in the amount of $6,507,150. The note was incurred to acquire 141.283 acres of raw land. Principal and interest payments were due on August 5, 2007. The note bore interest at a rate of 9.75% through the date of maturity and 18% after maturity until unpaid principal balance is paid in full. The note was never modified or extended. Sol Sista, L.L.C. is currently in maturity default. The note is secured by a deed of trust on related property. For the year ended June 30, 2010, the unpaid principal balance is $6,194,658. As of June 30, 2011 Sol Sista L.L.C. has no market value as such the entity was not consolidated with the System’s financial statements.

16. INVESTMENT RECEIVABLE:

During the year, the System requested redemption of all shares credited to its account in the FIA Leveraged Fund. As of June 30, 2011, the System has not received funds on the redemption of shares. As a result, an investment receivable in the amount of $57,812,160 is reported on the financial statements of the System. An allowance has been established in the amount of $8,676,888. The net balance in the investment receivable from FIA Leveraged Fund is $49,135,272.

17. RECLASSIFICATION:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS
JUNE 30, 2011

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	$ 8,944,210	$ 3,272,143	$ 332,514	$ 12,548,867
Receivables:				
Member contributions	1,022,921	268,005	-	1,290,926
Employer contributions	1,683,869	380,630	-	2,064,499
Accrued alternative investment income	3,693,457	737,596	-	4,431,053
Investment receivable	41,323,408	8,616,815	-	49,940,223
Miscellenous receivable	269,087	70,748	510	340,345
Due to (from) other funds	33,131	(33,131)	-	-
Accrued interest and dividends	370,868	72,031	-	442,899
Total	48,396,741	10,112,694	510	58,509,945
Investments:				
Cash equivalents	25,407,912	5,105,291	-	30,513,203
Bonds	18,739,835	3,932,011	-	22,671,846
Convertible notes	1,708,054	357,308	-	2,065,362
Equities	121,700,653	25,715,703	-	147,416,356
Equity mutual funds	83,218,093	17,487,420	-	100,705,513
Fixed income mutual funds	27,079,612	5,665,778	-	32,745,390
Investments in commingled funds	152,973,189	32,224,552	-	185,197,741
Investments in limited liability companies	27,378,658	5,739,075	-	33,117,733
Investments in limited partnerships	106,361,447	22,367,028	-	128,728,475
Investments in mitigation credits	43,510,937	9,102,046	-	52,612,983
Investments in notes receivable	11,686,365	2,451,091	-	14,137,456
Investments in line of credit	8,365,368	1,763,417	-	10,128,785
Investment in real estate-mitigation banks and LLC	18,048,419	3,775,546	-	21,823,965
Total investments	646,178,542	135,686,266	-	781,864,808
Collateral held under securities lending program	3,567,543	746,294	-	4,313,837
Other Assets:				
Mitigation bank capitalized project costs	822,540	172,067	-	994,607
Prepaid expenses	57,784	12,088	-	69,872
Other	36,663	7,680	-	44,343
Total	916,987	191,835	-	1,108,822
Property, plant, and equipment:				
Land	296,248	93,299	-	389,547
Building	591,555	192,775	-	784,330
Office furnishings and equipment	83,196	32,344	236,116	351,656
	970,999	318,418	236,116	1,525,533
Less: Accumulated depreciation	(300,107)	(94,007)	(206,724)	(600,838)
	670,892	224,411	29,392	924,695
Total assets	708,674,915	150,233,643	362,416	859,270,974
LIABILITIES:				
Accounts payable	193,613	37,587	63,441	294,641
Refunds payable	224,001	74,975	-	298,976
Other payables	1,154,798	244,048	-	1,398,846
Mitigation bank unearned revenue	466,749	97,639	-	564,388
Investment payable	502,371	103,678	-	606,049
Obligation under securities lending program	3,567,543	746,294	-	4,313,837
Long-term maintenance mitigation liability	132,574	27,733	-	160,307
Total liabilities	6,241,649	1,331,954	63,441	7,637,044
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	679,285,311	144,028,023	298,975	823,612,309
NON CONTROLLING INTERESTS	23,147,955	4,873,666	-	28,021,621
NET ASSETS	$ 702,433,266	$ 148,901,689	$ 298,975	$ 851,633,930

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS
JUNE 30, 2010

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	$ 7,084,913	$ 3,530,671	$ 361,836	$ 10,977,420
Receivables:				
Member contributions	951,335	248,988	-	1,200,323
Employer contributions	1,470,140	354,032	-	1,824,172
Accrued alternative investment income	2,973,987	587,091	-	3,561,078
Investment receivable	1,512,747	313,217	-	1,825,964
Miscelleneous receivable	358,599	87,859	-	446,458
Due to (from) other funds	61,778	(61,778)	-	-
Accrued interest and dividends	2,604,185	539,205	-	3,143,390
Total	9,932,771	2,068,614	-	12,001,385
Investments:				
Cash equivalents	60,619,517	11,715,736	-	72,335,253
Bonds	20,656,429	4,276,985	-	24,933,414
Equities	54,275,893	11,238,013	-	65,513,906
Equity mutual funds	65,546,638	13,572,257	-	79,118,895
Fixed income mutual funds	31,133,871	6,446,678	-	37,580,549
Investments in commingled funds	197,249,959	40,870,080	-	238,120,039
Investments in limited liability companies	4,412,180	893,181	-	5,305,361
Investments in limited partnerships	93,085,034	19,252,077	-	112,337,111
Investments in mitigation credits	48,048,159	9,948,539	-	57,996,698
Investments in notes receivable	13,237,190	2,742,710	-	15,979,900
Investments in line of credit	6,055,241	1,253,820	-	7,309,061
Investment in real estate-mitigation banks and LLC	35,551,854	7,361,135	-	42,912,989
Total	629,871,965	129,571,211	-	759,443,176
Collateral held under securities lending program	4,784,491	990,646	-	5,775,137
Other Assets:				
Mitigation bank capitalized project costs	1,042,866	215,929	-	1,258,795
Prepaid expenses	125,525	25,990	-	151,515
Other	22,828	4,727	-	27,555
Total	1,191,219	246,646	-	1,437,865
Property, plant, and equipment:				
Land	296,248	93,299	-	389,547
Building	591,555	192,775	-	784,330
Office furnishings and equipment	83,196	32,344	246,043	361,583
	970,999	318,418	246,043	1,535,460
Less: Accumulated depreciation	(272,063)	(84,116)	(208,795)	(564,974)
	698,936	234,302	37,248	970,486
Total assets	653,564,295	136,642,090	399,084	790,605,469
LIABILITIES:				
Bank overdraft	980,289	203,020	-	1,183,309
Accounts payable	198,506	38,205	57,817	294,528
Refunds payable	218,190	60,468	-	278,658
Other payables	146,518	30,337	-	176,855
Mitigation bank unearned revenue	312,238	64,650	-	376,888
Investment payable	480,053	99,392	-	579,445
Note payable	5,132,049	1,062,609	-	6,194,658
Obligation under securities lending program	4,784,491	990,646	-	5,775,137
Long-term maintenance mitigation liability	100,880	20,888	-	121,768
Total liabilities	12,353,214	2,570,215	57,817	14,981,246
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	624,427,505	130,596,777	341,267	755,365,549
NONCONTROLLING INTERESTS	16,783,576	3,475,098	-	20,258,674
NET ASSETS	$ 641,211,081	$ 134,071,875	$ 341,267	$ 775,624,223

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ADDITIONS:				
Contributions:				
Members'	$ 14,477,389	$ 3,140,899	$ -	$ 17,618,288
Employers'	23,943,771	4,471,389	-	28,415,160
Ad valorem taxes and state revenue sharing funds	4,925,651	1,973,020	-	6,898,671
Total contributions	43,346,811	9,585,308	-	52,932,119
Investment income:				
Interest income	2,812,338	585,425	820	3,398,583
Dividend income	790,643	163,130	-	953,773
Securities lending income	137,757	28,794	-	166,551
Alternative investment income	6,480,511	1,451,676	-	7,932,187
Net appreciation in fair value of investments	60,317,080	12,646,867	-	72,963,947
	70,538,329	14,875,892	820	85,415,041
Less investment expense:				
Investment advisory fees	5,067,733	1,058,551	-	6,126,284
Securities lending expense	20,755	4,342	-	25,097
Custodian bank fees	49,634	10,366	-	60,000
	5,138,122	1,073,259	-	6,211,381
Net investment income	65,400,207	13,802,633	820	79,203,660
Less: Net investment income attributable to noncontrolling interest	(385,407)	(80,623)	-	(466,030)
Net investment income attributable to the Pension Fund	65,014,800	13,722,010	820	78,737,630
Other additions:				
Interest-other	8,442	5,747	-	14,189
Transfers from other retirement systems	594,574	341,683	-	936,257
Total other additions	603,016	347,430	-	950,446
TOTAL ADDITIONS	108,964,627	23,654,748	820	132,620,195
DEDUCTIONS:				
Benefits	48,929,062	8,674,544	-	57,603,606
Refund of contributions	3,523,239	966,321	-	4,489,560
Administrative expenses	-	-	1,033,982	1,033,982
Depreciation	28,044	9,892	9,130	47,066
Transfers to other retirement systems	929,448	269,773	-	1,199,221
Transfers to/from Plans	(13,972)	13,972	-	-
Transfers to expense fund from pension funds	711,000	289,000	(1,000,000)	-
TOTAL DEDUCTIONS	54,106,821	10,223,502	43,112	64,373,435
NET INCREASE (DECREASE)	54,857,806	13,431,246	(42,292)	68,246,760
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	624,427,505	130,596,777	341,267	755,365,549
END OF YEAR	$ 679,285,311	$ 144,028,023	$ 298,975	$ 823,612,309

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	$ 14,387,827	$ 3,148,272	$ -	$ 17,536,099
Employers'	22,451,338	4,447,857	-	26,899,195
Ad valorem taxes and state revenue sharing funds	4,685,471	1,932,419	-	6,617,890
Total contributions	41,524,636	9,528,548	-	51,053,184
Investment income:				
Interest income	6,572,962	1,360,987	1,091	7,935,040
Dividend income	1,393,851	288,226	-	1,682,077
Securities lending income	70,094	14,455	-	84,549
Alternative investment income	1,353,329	277,987	-	1,631,316
Net depreciation in fair value of investments	62,529,432	12,882,769	-	75,412,201
	71,919,668	14,824,424	1,091	86,745,183
Less investment expense:				
Investment advisory fees	5,364,376	1,110,411	-	6,474,787
Securities lending expense	28,343	5,842	-	34,185
Custodian bank fees	49,710	10,290	-	60,000
	5,442,429	1,126,543	-	6,568,972
Net investment income	66,477,239	13,697,881	1,091	80,176,211
Less: Net appreciation in fair value attributable to noncontrolling interest	(4,408,950)	(912,888)	-	(5,321,838)
Net investment income attributable to the Pension Fund	62,068,289	12,784,993	1,091	74,854,373
Other additions:				
Interest-other	12,487	7,654	-	20,141
Transfers from other retirement systems	486,594	54,038	-	540,632
Total other additions	499,081	61,692	-	560,773
TOTAL ADDITIONS	104,092,006	22,375,233	1,091	126,468,330
DEDUCTIONS:				
Benefits	44,169,747	7,936,163	-	52,105,910
Refund of contributions	2,188,212	737,449	-	2,925,661
Administrative expenses	-	-	999,153	999,153
Depreciation	27,351	9,557	17,629	54,537
Transfers to other retirement systems	870,202	56,409	-	926,611
Transfers to/from Plans	(45,554)	45,554	-	-
Transfers to expense fund from pension funds	622,356	251,734	(874,090)	-
TOTAL DEDUCTIONS	47,832,314	9,036,866	142,692	57,011,872
NET INCREASE (DECREASE)	56,259,692	13,338,367	(141,601)	69,456,458
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	568,167,813	117,258,410	482,868	685,909,091
END OF YEAR	$ 624,427,505	$ 130,596,777	$ 341,267	$ 755,365,549

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATON
CONSOLIDATED SCHEDULE OF INVESTMENTS
JUNE 30, 2011 AND 2010

	2011 MARKET VALUE	2010 MARKET VALUE
PLAN "A"		
Cash equivalents	$ 25,407,912	$ 60,619,517
Bonds:		
U.S. Government Agency	$ 693,005	$ 894,354
Corporate Bonds	15,419,670	16,752,754
Convertible corporate bonds	2,627,160	3,009,322
Total Bonds	$ 18,739,835	$ 20,656,430
Investment in convertible notes	$ 1,708,054	$ -
Equities:		
U.S. Equities	$ 101,937,395	$ 47,610,067
Foreign Equities	19,763,258	6,665,826
Total Equities	$ 121,700,653	$ 54,275,893
Equity mutual funds:		
U.S. Equity Mutual Fund	$ 4,046,889	$ 2,994,862
International Equity Mutual Funds	79,171,204	62,551,776
Total Equity Mutual Funds	83,218,093	65,546,638
Fixed income mutual funds:		
U.S. Fixed Income Mutual Fund	13,436,912	17,701,294
International Fixed Income Mutual Funds	13,642,700	13,432,577
Total mutual funds	$ 27,079,612	$ 31,133,871
Investment - commingled funds	$ 152,973,189	$ 197,249,959
Investment - limited liability companies	$ 27,378,658	$ 4,412,180
Investment - limited partnerships	$ 106,361,447	$ 93,085,034
Investment - mitigation credits	$ 43,510,937	$ 48,048,159
Investment - notes receivable	$ 11,686,365	$ 13,237,190
Investment - line of credit	$ 8,365,368	$ 6,055,241
Investment in real estate-mitigation banks and LLC	$ 18,048,419	$ 35,551,854

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATON
SCHEDULE OF INVESTMENTS
JUNE 30, 2011 AND 2010

	2011 MARKET VALUE	2010 MARKET VALUE
PLAN "B"		
Cash equivalents	$ 5,105,291	$ 11,715,736
Bonds:		
U.S. Government Agency	$ 145,350	$ 185,179
Corporate Bonds	3,236,846	3,468,716
Convertible corporate bonds	549,815	623,090
Total Bonds	$ 3,932,011	$ 4,276,985
Investment in convertible notes	$ 357,308	$ -
Equities:		
U.S. Equities	$ 21,544,664	$ 9,857,830
Foreign Equities	4,171,039	1,380,183
Total Equities	$ 25,715,703	$ 11,238,013
Equity Mutual Funds		
U.S. Equity Mutual Fund	$ 850,412	$ 620,694
International Equity Mutual Funds	16,637,008	12,951,563
Total Equity Mutual Funds	17,487,420	13,572,257
Fixed income mutual funds:		
U.S. Fixed Income Mutual Fund	2,811,361	3,666,127
International Fixed Income Mutual Fund	2,854,417	2,780,551
Total fixed income mutual funds	$ 5,665,778	$ 6,446,678
Investment - commingled funds	$ 32,224,552	$ 40,870,080
Investment - limited liability companies	$ 5,739,075	$ 893,181
Investment - limited partnerships	$ 22,367,028	$ 19,252,077
Investment - mitigation credits	$ 9,102,046	$ 9,948,539
Investment - notes receivable	$ 2,451,091	$ 2,742,710
Investments - line of credit	$ 1,763,417	$ 1,253,820
Investment in real estate-mitigation banks and LLC	$ 3,775,546	$ 7,361,135

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2011

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2010	$ 370,322,472	$ 106,847,756	$ 24,615,750	$ 6,594,413	$ 271,419,703	$ (155,372,589)	$ 624,427,505
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	14,477,389	-	-	-	-	14,477,389
Employers	-	-	-	-	23,943,771	-	23,943,771
Ad valorem taxes and state revenue sharing funds	-	-	-	-	4,925,651	-	4,925,651
Net income from investments and other sources	-	-	-	527,553	64,495,689	-	65,023,242
Transfer from annuity savings	9,768,199	-	-	-	-	-	9,768,199
Pensions transferred from annuity reserve	-	-	5,714,693	-	-	-	5,714,693
Transfers from other systems	-	234,869	-	-	359,705	-	594,574
Transfers to/from Plans	-	-	-	-	13,972	-	13,972
Actuarial transfer	64,234,428	-	-	-	-	35,401,553	99,635,981
Total revenues	74,002,627	14,712,258	5,714,693	527,553	93,738,788	35,401,553	224,097,472
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	42,759,833	-	6,169,229	-	-	-	48,929,062
Refunds to members	-	3,523,239	-	-	-	-	3,523,239
Refund to Municipality	-	-	-	-		-	-
Transfers to annuity reserve	-	9,768,199	-	-	-	-	9,768,199
Pensions transferred to DROP	5,714,693	-	-	-	-	-	5,714,693
Transfers to other systems	-	205,827	-	-	723,621	-	929,448
Transfer to expense fund	-	-	-	-	711,000	-	711,000
Depreciation	-	-	-	-	28,044	-	28,044
Actuarial transfer	-	-	-	-	99,635,981	-	99,635,981
Total expenditures	48,474,526	13,497,265	6,169,229	-	101,098,646	-	169,239,666
NET INCREASE (DECREASE)	25,528,101	1,214,993	(454,536)	527,553	(7,359,858)	35,401,553	54,857,806
BALANCES, JUNE 30, 2011	$ 395,850,573	$ 108,062,749	$ 24,161,214	$ 7,121,966	$ 264,059,845	$ (119,971,036)	$ 679,285,311

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2010

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2009	$ 344,755,409	$ 103,219,853	$ 22,964,790	$ 6,105,938	$ 268,480,647	$ (177,358,824)	$ 568,167,813
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	14,387,827	-	-	-	-	14,387,827
Employers	-	-	-	-	22,451,338	-	22,451,338
Ad valorem taxes and state revenue sharing funds	-	-	-	-	4,685,471	-	4,685,471
Net income from investments and other sources	-	-	-	488,475	61,592,301	-	62,080,776
Transfer from annuity savings	8,393,009	-	-	-	-	-	8,393,009
Pensions transferred from annuity reserve	-	-	5,260,895	-	-	-	5,260,895
Transfers from other systems	-	56,559	-	-	430,035	-	486,594
Transfers to/from Plans	-	-	-	-	45,554	-	45,554
Actuarial transfer	62,994,761	-	-	-	-	21,986,235	84,980,996
Total revenues	71,387,770	14,444,386	5,260,895	488,475	89,204,699	21,986,235	202,772,460
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	40,559,812	-	3,609,935	-	-	-	44,169,747
Refunds to members	-	2,188,212	-	-	-	-	2,188,212
Transfers to municpality	-	-	-	-	-	-	-
Transfers to annuity reserve	-	8,393,009	-	-	-	-	8,393,009
Pensions transferred to DROP	5,260,895	-	-	-	-	-	5,260,895
Transfers to other systems	-	235,262	-	-	634,940	-	870,202
Transfer to expense fund	-	-	-	-	622,356	-	622,356
Depreciation	-	-	-	-	27,351	-	27,351
Actuarial transfer	-	-	-	-	84,980,996	-	84,980,996
Total expenditures	45,820,707	10,816,483	3,609,935	-	86,265,643	-	146,512,768
NET INCREASE	25,567,063	3,627,903	1,650,960	488,475	2,939,056	21,986,235	56,259,692
BALANCES, JUNE 30, 2010	$ 370,322,472	$ 106,847,756	$ 24,615,750	$ 6,594,413	271,419,703	$ (155,372,589)	$ 624,427,505

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2011

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Surplus (Unfunded) Actuarial Liability	Total
BALANCES, JULY 1, 2010	$ 61,543,343	$ 21,746,193	$ 4,589,462	$ 2,308,763	$ 61,492,342	$ (21,083,326)	$ 130,596,777
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	3,140,899	-	-	-	-	3,140,899
Employers	-	-	-	-	4,471,389	-	4,471,389
Ad valorem taxes and state revenue sharing funds	-	-	-	-	1,973,020	-	1,973,020
Net income from investments and other sources	-	-	-	184,701	13,543,056	-	13,727,757
Transfer from annuity savings	1,312,701	-	-	-	-	-	1,312,701
Pensions transferred from annuity reserve	-	-	1,316,397	-	-	-	1,316,397
Transfers from other systems	-	63,161	-	-	278,522	-	341,683
Actuarial transfer	13,382,054	-	-	-	-	7,797,987	21,180,041
Total revenues	14,694,755	3,204,060	1,316,397	184,701	20,265,987	7,797,987	47,463,887
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	7,674,468	-	1,000,076	-	-	-	8,674,544
Refunds to members	-	966,321	-	-	-	-	966,321
Transfers to annuity reserve	-	1,312,701	-	-	-	-	1,312,701
Pensions transferred to DROP	1,316,397	-	-	-	-	-	1,316,397
Transfers to other systems	-	48,163	-	-	221,610	-	269,773
Transfer to expense fund	-	-	-	-	289,000	-	289,000
Transfer to from Plans	-	-	-	-	13,972	-	13,972
Depreciation	-	-	-	-	9,892	-	9,892
Actuarial transfer	-	-	-	-	21,180,041	-	21,180,041
Total expenditures	8,990,865	2,327,185	1,000,076	-	21,714,515	-	34,032,641
NET INCREASE (DECREASE)	5,703,890	876,875	316,321	184,701	(1,448,528)	7,797,987	13,431,246
BALANCES, JUNE 30, 2011	$ 67,247,233	$ 22,623,068	$ 4,905,783	$ 2,493,464	$ 60,043,814	$ (13,285,339)	$ 144,028,023

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2010

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Surplus (Unfunded) Actuarial Liability	Total
BALANCES, JULY 1, 2009	$ 58,060,771	$ 20,576,851	$ 4,036,451	$ 1,806,555	$ 58,873,040	$ (26,095,258)	$ 117,258,410
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	3,148,272	-		-	-	3,148,272
Employers	-	-	-	357,684	4,090,173	-	4,447,857
Ad valorem taxes and state revenue sharing funds	-	-	-	144,524	1,932,419	-	2,076,943
Net income from investments and other sources	-	-	-	-	12,648,123	-	12,648,123
Transfer from annuity savings	1,249,144	-	-	-	-	-	1,249,144
Pensions transferred from annuity reserve	-	-	1,208,877	-	-	-	1,208,877
Transfers from other systems	-	28,275	-	-	25,763	-	54,038
Actuarial transfer	10,722,602	-	-		-	5,011,932	15,734,534
Total revenues	11,971,746	3,176,547	1,208,877	502,208	18,696,478	5,011,932	40,567,788
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	7,280,297	-	655,866	-	-	-	7,936,163
Refunds to members	-	737,449	-	-	-	-	737,449
Transfers to annuity reserve	-	1,249,144	-	-	-	-	1,249,144
Pensions transferred to DROP	1,208,877	-	-	-	-	-	1,208,877
Transfers to other systems	-	20,612	-	-	35,797	-	56,409
Transfer to expense fund	-	-	-	-	251,734	-	251,734
Transfer to from Plans	-	-	-	-	45,554	-	45,554
Depreciation	-	-	-	-	9,557	-	9,557
Actuarial transfer	-	-	-	-	15,734,534	-	15,734,534
Total expenditures	8,489,174	2,007,205	655,866	-	16,077,176	-	27,229,421
NET INCREASE	3,482,572	1,169,342	553,011	502,208	2,619,302	5,011,932	13,338,367
BALANCES, JUNE 30, 2010	$ 61,543,343	$ 21,746,193	$ 4,589,462	$ 2,308,763	61,492,342	$ (21,083,326)	$ 130,596,777

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011 Expense Fund	2010 Expense Fund
Building and yard maintenance	$ 19,122	$ 16,536
Hospitalization	51,042	59,332
Insurance	19,600	19,559
Miscellaneous	4,076	3,972
Office equipment maintenance	32,285	34,480
Office supplies	16,037	19,031
Travel	51,157	43,179
Board member - per diem	4,875	5,625
Postage	12,556	12,231
Printing	4,573	5,691
Professional fees	223,810	209,889
Retirement - employer portion	71,078	64,752
Salaries	507,265	489,381
Telephone	4,571	5,536
Utilities	11,935	9,959
Total	$ 1,033,982	$ 999,153

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM TO BOARD MEMBERS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011 PER DIEM	2010 PER DIEM
Johnny Berthelot	$ 525	$ 825
Dudley Dixon	675	750
Ronnie Harris	750	900
Susan Menard	75	525
Marshal Picard	75	-
Michael Sands	750	900
Claire Sarradet	675	900
Bobby Washington	675	-
Mary Vice	675	825
TOTAL	$ 4,875	$ 5,625

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2006 THROUGH 2011

PLAN A

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
2006	25,397,814	3,339,890	91.36 %	107.61 %
2007	19,945,082	3,673,051	120.95	100.45
2008	16,244,037	3,807,874	126.42	105.21
2009	15,549,446	4,276,524	132.06	93.68
2010	22,162,542	4,936,292	101.30	94.92
2011	27,443,695	5,130,645	87.25	96.00

PLAN B

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
2006	4,918,376	1,178,793	101.46 %	98.56 %
2007	3,711,669	1,332,285	140.49	100.41
2008	2,863,722	1,471,382	148.17	105.20
2009	2,722,215	1,704,162	155.87	90.83
2010	3,964,345	2,036,859	112.20	94.87
2011	5,218,025	2,059,304	85.69	95.81

For Plan A for the years ending June 30, 2007 - 2009 and for Plan B for the years ending June 30, 2007 - 2010 the actuarially required contribution differs from actual contributions made due to the System's ability to elect to maintain the net direct employer contribution rate at the higher current contribution rate and allocate additional funds collected to reduce the System's frozen unfunded actuarial accrued liability.

For Plan A for the years ending June 30, 2011, 2010, 2006, and 2005 and for Plans B for the years ending June 30, 2011, 2006, and 2005, the actuarially required contribution differs from actual contributions due to state statute requires the contribution rate to be calculated and set two years prior to the year effective.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2006 THROUGH 2011

PLAN A

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
June 30, 2006	565,604,518	637,909,978	72,305,460	88.67%	140,773,796	51.36%
June 30, 2007	624,442,059	697,658,641	73,216,582	89.51%	141,232,448	51.84%
June 30, 2008	671,721,084	745,714,562	73,993,478	90.08%	148,644,512	49.78%
June 30, 2009	670,910,030	745,526,637	74,616,607	89.99%	157,082,727	47.50%
June 30, 2010	704,735,602	779,800,094	75,064,492	90.37%	162,546,523	46.18%
June 30, 2011	723,942,801	799,256,347	75,313,546	90.58%	164,262,655	45.85%

PLAN B

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
June 30, 2006	111,404,638	117,108,583	5,703,945	95.13%	51,055,201	11.17%
June 30, 2007	124,483,332	129,930,047	5,446,715	95.81%	54,572,935	10.00%
June 30, 2008	136,207,119	141,390,296	5,183,177	96.33%	59,233,705	8.75%
June 30, 2009	138,441,127	143,353,668	4,912,541	96.57%	64,816,945	7.58%
June 30, 2010	147,046,143	151,680,103	4,633,960	96.94%	65,241,810	7.10%
June 30, 2011	152,966,837	157,313,362	4,346,525	97.24%	65,427,477	6.64%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM'S OPEB PLAN
JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b-a/c)]
June 30, 2009	$ -	$ 489,571	$ 489,571	- %	$ 298,673	163.92%
June 30, 2010	$ -	$ 489,571	$ 489,571	- %	$ 313,605	156.11%
June 30, 2011	$ -	$ 517,589	$ 517,589	- %	$ 326,148	158.70%

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 19, 2011

Board of Trustees of the
Municipal Employees' Retirement System of Louisiana
Baton Rouge, Louisiana

We have audited the financial statements of the Municipal Employees' Retirement System of Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipal Employees' Retirement System of Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Employees' Retirement System of Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipal Employees' Retirement System of Louisiana's internal control over financial reporting.

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.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompany schedule of findings, we identified finding 11-01 as a deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Employees' Retirement System of Louisiana 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended for the use of the Board of Trustees, Office of the Legislative Auditor of the State of Louisiana, and management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Employees' Retirement System of Louisiana for the years ended June 30, 2011 and 2010 was unqualified.

2. Internal Control:

   Significant Deficiency

   (11-01) Due to unforeseen circumstances, the System hired an accounting firm to assist with reconciling their investments for the fiscal year ended June 30, 2011. The firm had a very short period of time to complete their services in order to meet the start of the year-end audit. As a result, excel spreadsheets were used as sub-ledgers which resulted in providing a limited audit trail. It was difficult to follow the flow of investment transactions through the sub-ledgers. The System should have an effective accounting system in order to report all investment transactions. Not implementing such a system could result in incorrect reporting of investment transactions. We recommend that the System establish an effective and permanent accounting system over investment accounting in order to properly report investment transactions and provide a clear audit trail of those transactions.

3. Compliance and Other Matters:

   None.

4. Status of Prior Year Comments:

   (10-01) During testing of investments, we found several mispostings of investment transactions by the custodial bank. For example, cash received was recorded by the custodial bank as income and should have been recorded as a return of capital for several investment transactions. In addition, there were instances in which capital calls or distributions were recorded to incorrect investments. These types of mispostings could result in a misstatement to investment assets. We recommended that the System obtain monthly or quarterly statements from the investment money managers and compare to the custodial bank statements to ensure that activity for individual investments are being posted correctly by the custodial bank. During the fiscal year ended June 30, 2011, the System began obtaining money manager statements to ensure transactions are posted correctly to the System's general ledger.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

SUMMARY OF AUDITOR'S RESULTS:

(10-02) During the audit, it was noted that the System overfunded their investment commitment in two of the mitigation banks in the amount of $727,338 and $1,105,889. The System should invest funds as dictated by the board approved contract. Funding in excess of the approved contract could result in a loss of funds and is in non-compliance with the contract. The investment contributions should be monitored at least quarterly to evaluate adherence to the investment commitments as decided by the System's board. This practice will greatly assist the board in maintaining control over the investment commitments throughout the year. During the fiscal year ended June 30, 2011, the System amended the agreement with the mitigation banks and is now in compliance with the agreement.