R E P O R T

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

JUNE 30, 2012 AND 2011

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2012 AND 2011

INDEPENDENT AUDITOR'S REPORT

December 10, 2012

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, 2012 and 2011 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

As more fully disclosed in footnote 16, the System has an investment receivable in the amount of $41,540,180 at June 30, 2012 whose value was not audited due to the lack of current financial information. The receivable is included on the consolidated statement of plan assets and represents 5.13% of total assets.

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In our opinion, except for the effects of such adjustments in the fiscal year ending June 30, 2012, if any, as might have been determined to be necessary had the investment receivable been audited, 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, 2012 and 2011 and the results of its operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2012 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 and the required supplementary information, as listed in the table of contents 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 information schedules as listed in the table of contents are presented for the purposes of additional analysis and are not a part of the basic financial statements. The supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 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, 2012

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, 2012. 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 2012 by $776,626,867 which represents a decrease from last year. The net assets held in trust for pension benefits decreased by $46,985,442 or (5.71)%. The decrease was primarily due to weaker financial markets.

2. Contributions to the System by members and employers totaled $51,303,607, an increase of $5,270,159 or 11.45%. Contributions from ad valorem taxes and revenue sharing totaled $7,206,703, an increase of $308,032 or 4.47%.

3. Pension benefits paid to retirees and beneficiaries increased by $1,584,216 or 2.75%. This increase is due to an increase in the number of retirees and their benefit amounts.

4. Administrative expenses of the System totaled $1,537,522, an increase of $503,540 or 48.70%.

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, 2012

The consolidated 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, 2012 and 2011.

The consolidated 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.

Consolidated Statement of Plan Net Assets
June 30, 2012 and 2011

	2012	2011
Cash	$ 12,290,162	$ 12,548,867
Receivables	54,151,790	58,509,945
Investments	737,566,187	781,864,808
Collateral held under securities lending	4,160,763	4,313,837
Other assets	532,121	1,108,822
Property and equipment	886,725	924,695
Total assets	809,587,748	859,270,974
Total liabilities	7,518,697	7,637,044
Net assets held in trust for pension benefits	776,626,867	823,612,309
Noncontrolling interest	25,442,184	28,021,621
Net assets	$ 802,069,051	$ 851,633,930

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

Plan net assets decreased by $46,985,442 or (5.71)%. The decrease in plan net assets was a result of weaker financial markets.

Consolidated Statement of Changes in Plan Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Additions:		
Contributions	$ 58,510,310	$ 52,932,119
Investment income (loss)	(39,282,674)	78,737,630
Other	496,230	950,446
Total additions	19,723,866	132,620,195
Total deductions	66,709,308	64,373,435
Net increase (decrease)	$ (46,985,442)	$ 68,246,760

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 $5,263,266 or 18.52%, primarily due to an increase in salaries and contribution rate. The System experienced a net investment loss of $(39,282,674) as compared to a net investment income of $78,737,630 in the previous year. The decrease in investment return over prior year was due to weaker financial markets.

	2012	2011	Increase (Decrease) Percentage
Member contributions	$ 17,625,182	$ 17,618,288	.04%
Employer contributions	33,678,425	28,415,160	18.52%
Ad valorem and state revenue sharing	7,206,703	6,898,671	4.47%
Net investment income (loss)	(39,282,674)	78,737,630	(149.89)%
Other	496,230	950,446	(47.79)%
	$ 19,723,866	$ 132,620,195	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

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 $66,709,308 in fiscal year 2012. The increase of $2,335,873 from the previous year is primarily due to an increase in retirement benefits, DROP benefits and refunds.

	2012	2011	Increase (Decrease) Percentage
Retirement benefits	$ 59,187,822	$ 57,603,606	2.75%
Refunds of contributions	4,674,347	4,489,560	4.12%
Administrative expenses	1,537,522	1,033,982	48.70%
Depreciation	47,264	47,066	.42%
Transfer to other systems	1,262,353	1,199,221	5.26%
	$ 66,709,308	$ 64,373,435	

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 $25,442,184 at June 30, 2012 amounted to $712,124,003 as compared to $753,843,187 at June 30, 2011, which is a decrease of $(41,719,184). The major contributing factor to this decrease was due to weaker financial markets. The System's investments in various asset classes at the end of the 2012 and 2011 fiscal years are indicated in the following table:

	2012	2011	Increase (Decrease) Percentage
Cash equivalents	$ 81,025,805	$ 30,513,203	165.54%
Bonds	25,004,107	22,671,846	10.29%
Convertible notes	2,892,862	2,065,362	40.07%
Equities	137,795,794	147,416,356	(6.53)%
Mutual funds	80,839,920	133,450,903	(39.42)%
Commingled funds	155,153,080	185,197,741	(16.22)%
Limited Partnerships	122,569,396	128,728,475	(4.78)%
Limited Liability Companies	26,725,418	33,117,733	(19.30)%
Mitigation credits	47,529,168	52,612,983	(9.66)%
Notes receivable	17,953,666	14,137,456	26.99%
Line of credit	16,438,897	10,128,785	62.30%
Real estate-mitigation banks and LLC	23,638,074	21,823,965	8.31%
	$ 737,566,187	$ 781,864,808	

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, 2012 AND 2011

	2012	2011
ASSETS:		
Cash	$ 12,290,162	$ 12,548,867
Receivables:		
Member contributions	1,539,763	1,290,926
Employer contributions	2,941,768	2,064,499
Accrued alternative investment income	6,762,323	4,431,053
Investment receivable	42,176,278	49,940,223
Miscellaneous receivable	203,913	340,345
Accrued interest and dividends	527,745	442,899
Total	54,151,790	58,509,945
Investments (At fair value):		
Cash equivalents	81,025,805	30,513,203
Bonds	25,004,107	22,671,846
Convertible notes	2,892,862	2,065,362
Equities	137,795,794	147,416,356
Equity mutual funds	46,379,563	100,705,513
Fixed income mutual funds	34,460,357	32,745,390
Investments in commingled funds	155,153,080	185,197,741
Investments in limited liability companies	26,725,418	33,117,733
Investments in limited partnerships	122,569,396	128,728,475
Investments in mitigation credits	47,529,168	52,612,983
Investments in notes receivable	17,953,666	14,137,456
Investments in line of credit	16,438,897	10,128,785
Investment in real estate-mitigation banks and LLC	23,638,074	21,823,965
Total	737,566,187	781,864,808
Collateral held under securities lending program	4,160,763	4,313,837
Other assets:		
Mitigation bank capitalized project costs	453,318	994,607
Prepaid expenses	78,503	69,872
Other	300	44,343
Total	532,121	1,108,822
Property, plant and equipment:		
Land	389,547	389,547
Building	784,330	784,330
Office furnishings and equipment	301,740	351,656
	1,475,617	1,525,533
Less: Accumulated depreciation	(588,892)	(600,838)
Total	886,725	924,695
Total assets	809,587,748	859,270,974
LIABILITIES:		
Accounts payable	1,363,774	294,641
Refunds payable	555,667	298,976
Other payables	679,294	1,398,846
Mitigation bank unearned revenue	-	564,388
Investment payable	68,364	606,049
Obligations under securities lending program	4,357,934	4,313,837
Long-term maintenance mitigation liability	493,664	160,307
Total liabilities	7,518,697	7,637,044
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	776,626,867	823,612,309
NONCONTROLLING INTERESTS	25,442,184	28,021,621
NET ASSETS	$ 802,069,051	$ 851,633,930

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
ADDITIONS:		
Contributions:		
Members'	$ 17,625,182	$ 17,618,288
Employers'	33,678,425	28,415,160
Ad valorem taxes and state revenue sharing funds	7,206,703	6,898,671
Total contributions	58,510,310	52,932,119
Investment income:		
Interest income	3,420,024	3,398,583
Dividend income	1,622,400	953,773
Securities lending income	263,930	166,551
Alternative investment income	13,909,162	7,932,187
Net appreciation (depreciation) in fair value of investments	(53,375,518)	72,963,947
	(34,160,002)	85,415,041
Less investment expense:		
Investment advisory fees	3,596,831	6,126,284
Securities lending expense	93,264	25,097
Custodian bank fees	57,563	60,000
	3,747,658	6,211,381
Net investment income (loss)	(37,907,660)	79,203,660
Net investment income attributable to noncontrolling interest	(1,375,014)	(466,030)
Net investment income (loss) attributable to the Pension Fund	(39,282,674)	78,737,630
Other additions:		
Interest-other	11,018	14,189
Transfers from other retirement systems	485,212	936,257
	496,230	950,446
Total additions	19,723,866	132,620,195
DEDUCTIONS:		
Benefits	59,187,822	57,603,606
Refund of contributions	4,674,347	4,489,560
Administrative expenses	1,537,522	1,033,982
Depreciation	47,264	47,066
Transfers to other retirement systems	1,262,353	1,199,221
Total deductions	66,709,308	64,373,435
NET INCREASE (DECREASE)	(46,985,442)	68,246,760
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	823,612,309	755,365,549
END OF YEAR	$ 776,626,867	$ 823,612,309

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, a variable interest entity with a 30% ownership in four mitigation banks, 61.60% ownership in a limited liability company which owns investment property, 80% ownership in a limited liability company land development, 71% ownership in a commingled fund, which is a mutual fund, 54.35% ownership in a partnership which invests venture capital in early and later stage cleantech companies, and 99.9% ownership in a partnership, which identifies partnership investments to acquire, hold, and dispose. 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 that do not have an established market value are reported at estimated fair value using valuation techniques such as present value estimated future cash flows, matrix pricing, and fundamental analysis. 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, 2012 and 2011, respectively, there were 91 and 87 contributing municipalities in Plan A and 62 and 67 in Plan B.

The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. At June 30, 2012 and 2011 statewide retirement membership consists of:

	2012			2011		
	PLAN A	PLAN B	TOTAL	PLAN A	PLAN B	TOTAL
Active members	4,762	2,065	6,827	4,785	2,096	6,881
Retirees and survivors	3,040	879	3,919	3,001	865	3,866
“Drop Plan” participants	259	90	349	244	79	323
Terminated due deferred benefits	181	61	242	174	62	236
Terminated due refunds	2,632	1,100	3,732	2,594	1,062	3,656
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	10,874	4,195	15,069	10,798	4,164	14,962

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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, 2012 and 2011, 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, 2012 and 2011, the actuarially determined employer contribution rates were 17.08% and 16.41% respectively, of member's earnings for Plan A. The actual contribution rates were 16.75% and 14.25% for the years ended June 30, 2012 and 2011, respectively. The actuarially determined employer contribution rates for Plan B for the fiscal years ending June 30, 2012 and 2011 were 7.89% and 7.78%, respectively. The actual contribution rates were 8.00% and 6.75% for the years ended June 30, 2012 and 2011, respectively. For Plan B for the year ending June 30, 2012 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, 2012 and 2011 is $108,730,956 and $108,062,749, respectively, for Plan A and $22,767,786 and $22,623,068, 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, 2012 and 2011 is $232,334,452 and $264,059,845 respectively, for Plan A and $55,642,943 and $60,043,814, respectively, for Plan B. The Pension Accumulation Reserve is 32.16% and 54.57% funded for Plan A and 61.68% and 77.85% funded for Plan B as of June 30, 2012 and 2011, 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, 2012 and 2011 is $422,263,952 and $395,850,573, respectively, for Plan A and $71,522,525 and $67,247,233, 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, 2012 and 2011 is $25,792,087 and $24,161,214, respectively, for Plan A and $5,874,933 and $4,905,783, 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, 2012 and 2011 of $7,691,723 and $7,121,966, respectively for Plan A and $2,692,941 and $2,493,464, 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 45 - 47.

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2012 and 2011:

	2012	2011
Deposits (bank balance)	$ 13,251,416	$ 13,492,905
Cash equivalents	81,025,805	30,513,203
Investments	656,540,382	751,351,605
	$ 750,817,603	$ 795,357,713

Deposits:

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

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, 2012 and 2011, bank balances in excess of insured limits were $3,826,322 and $3,532,569, respectively.

Cash Equivalents:

For the years ended June 30, 2012 and 2011, cash equivalents in the amount of $61,255,803 and $11,577,756, 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, 2012 and 2011, cash equivalents in the amount of $19,770,002 and $18,935,447, 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, 2012, the System had three investments in notes receivable in the amount of $9,500,000, $5,957,036, and $7,029,900 that exceeded the 5% criteria. 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, 2012 AND 2011

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, 2012 and 2011.

2012	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association.	Corporate Bonds	Total Bonds	Convertible Notes
BBB+	$ --	$ --	$ --	$ --	$ --	$ --
BBB	--	--	--	--	--	--
BBB-	--	--	--	1,408,277	1,408,277	--
BB-	--	--	--	360,685	360,685	--
B+	--	--	--	8,985,078	8,985,078	--
BB+	--	--	--	--	--	--
B	--	--	--	3,294,683	3,294,683	--
B-	--	--	--	3,133,115	3,133,115	--
CCC+	--	--	--	1,315,035	1,315,035	--
CCC	--	--	--	--	--	--
CCC-	--	--	--	2,268,233	2,268,233	--
CC	--	--	--	--	--	--
D	--	--	--	633,150	633,150	--
Not Rated	30,583	340,236	266,182	2,968,850	3,605,851	2,892,862
	$ 30,583	$ 340,236	$ 266,182	$ 24,367,106	$ 25,004,107	$ 2,892,862

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

The System has no formal investment policy regarding credit risk.

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

At June 30, 2012, the System invested in three fixed income mutual funds in the amount of $34,460,357. The weighted average credit rating of holdings in the funds are as follows: Loomis Sayles in the amount of $16,404,118 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 $17,906,128 has a credit rating ranging from AAA to CCC or lower with an average credit rating of BBB, and Calloway Real Estate Investment Trust in the amount of $150,111 has a credit rating of BBB.

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.

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, 2012 and 2011 for investments in the amounts of $676,310,384 and $770,287,052, respectively, since the investments are in the name of the System. At June 30, 2012 and 2011, for cash collateral held under the securities lending program in the amounts of $4,160,763 and $4,313,837, 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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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, 2012 and 2011, the System had the following investments in long-term debt securities and maturities:

2012	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Investment Type					
Corporate Bonds	$ 24,367,106	$ 2,862,715	$ 13,528,120	$ 5,283,450	$ 2,692,821
Federal Home Loan Mortgage Corporation	30,583	135	16,325	52	14,071
Federal National Mortgage Assn.	340,236	--	--	108,864	231,372
Government National Mortgage Assn.	266,182	--	164,168	62,857	39,157
	$ 25,004,107	$ 2,862,850	$ 13,708,613	$ 5,455,223	$ 2,977,421
Convertible Notes	$ 2,892,862	$ 1,659,124	$ 1,233,738	$ --	$ --
Collateral Held Under Securities Lending Program	$ 4,160,763	$ 4,160,763	$ --	$ --	$ --

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	$ --	$ --	$ --

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

At June 30, 2012 and 2011, the System has committed to invest an additional $49,063,976 and $71,039,886, 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, 2012, 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 $41,599,135 invests in domestic and foreign equity securities with forty-two percent in domestic companies and fifty-two percent in foreign countries with Switzerland, Brazil, and Canada comprising of the top three foreign countries; Tradewinds Global All-Cap Value Fund in the amount of $186,236 invests in domestic and equity securities with twenty-eight percent in domestic countries and fifty-eight 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 $17,906,128 invests in fixed income with thirty-eight percent in domestic countries and sixty-two percent in foreign countries with Mexico, Australia, and United Kingdom comprising of the top three foreign countries

At June 30, 2011, the System invested in two international equity mutual funds and one international fixed income 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.

The System has no formal investment policy regarding foreign currency risk.

7. INVESTMENT - MITIGATION CREDITS:

At June 30, 2012, the System had an investment in a variable interest entity which consists 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 $25,000,000 in the Banks over the next few years. The System has invested $24,205,942 in the Banks as of June 30, 2012 and 2011.

7. INVESTMENT - MITIGATION CREDITS: (Continued)

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, 2012 and 2011 is $49,747,607 and $52,499,387, 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, 2012 and 2011, the fair value of the securities on loan was $4,253,562 and $4,205,334, 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, 2012 and 2011. 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, 2012, 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, 2012 and 2011, 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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
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10. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2012 and 2011, are as follows:

2012

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 389,547	$ --	$ --	$ 389,547
Building	784,330	--	--	784,330
Equipment	351,654	9,294	(59,209)	301,739
Accumulated depreciation	(600,836)	(47,264)	59,209	(588,891)
	$ 924,695	$ (37,970)	$ --	$ 886,725

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

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, 2012 and 2011 is $47,264 and $47,066, 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.

13. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Plan as of June 30, 2012, 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, 2012	$721,475,280	$796,813,170	$75,337,890	90.55%	$167,511,550	44.97%

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, 2012	$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, 2012
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, 2012, Plan A and Plan B incurred an increase in normal cost in the amount of $10,753,385 and $2,074,215, respectively, due to an asset experience loss and change in assumptions. For the year ended June 30, 2012, Plan A and Plan B incurred a decrease in normal cost in the amount of $6,096,302 and $1,170,412, respectively, due to a change in benefits and liability experience. The effect of the change in normal cost for the years subsequent to June 30, 2012 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, 2012, 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.

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, 2012, the System's portion of health care premiums for retired employees totaled $13,177. 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, 2011 is $66,265, as set forth below:

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

Net Other Postemployment (OPEB) Obligation

The table below shows the System's Net Other Postemployment Benefit (OPEB) obligation for fiscal year ended June 30, 2012:

Annual required contribution	$ 66,265
Interest on net OPEB obligation	2,557
ARC Adjustment	(2,443)
Annual OPEB cost	66,379
Current year retiree premium	(13,177)
Increase in net OPEB obligation	53,202
Beginning Net OPEB Obligation – 7/1/2011	63,932
Ending Net OPEB Obligation – 06/30/2012	$ 117,134

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

Net Other Postemployment (OPEB) Obligation (Continued)

The Net OPEB Obligation at June 30, 2012 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, 2010	$31,266	79.02%	$11,867
June 30, 2011	66,287	21.46%	63,932
June 30, 2012	66,379	19.85%	117,134

Funded Status and Funding Progress

In the fiscal year ending June 30, 2012, 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 2012, the entire actuarial accrued liability of $517,589 was unfunded.

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)	$ 339,194
UAAL as a percentage of covered payroll	152.59%

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.

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

Actuarial Methods and Assumptions (Continued)

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, 2011 actuarial 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 benefits will start. A standard turnover assumption has been used.

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. INVESTMENT IN NOTES RECEIVABLE:

During the year ended June 30, 2012, the System had notes receivable as follows:

a) On June 27, 2008, the System loaned $6,250,000 to Baron Builder Fund, LLC. So long as no event of default exists, interest shall accrue on the principal balance from time to time and bear interest at 12% per annum. In the event of default, the interest rate shall be increased by 2%, 14% per annum. Interest shall be due for the actual number of days elapsed during each period for which interest is being charged and shall be calculated based on a year of 360 calendar days having twelve thirty day months. Interest shall accrue, but not compound, daily. Payments of principal and interest shall be made only from the proceeds of a sale or refinance of part or all of the property. The loan is due on demand. The loan is secured by a deed of trust recorded against real property consisting of approximately thirty acres, on which are located 268 residential lots and 3 fully furnished model homes in Las Vegas, Nevada. The balance of the loan at June 30, 2012 and 2011 is $5,957,036 and $6,250,000, respectively. For the year ended June 30, 2012, the System earned interest of $282,214 which is recorded in investment income. The note was paid in full subsequent to the year end.

b) On October 28, 2008, the System loaned $2,700,000 to Baron Builder Madison Grove, LLC. So long as no event of default exists, interest shall accrue on the principal balance from time to time and bear interest at 12% per annum. In the event of default, the interest rate shall be increased by 2%, 14% per annum. Interest shall be due for the actual number of days elapsed during each period for which interest is being charged and shall be calculated based on a year of 360 calendar days having twelve thirty day months. Interest shall accrue, but not compound, daily. Payments of principal and interest shall be made only from the proceeds of a sale or refinance of part or all of the property. The loan is due on October 30, 2013. The note is secured by a deed of trust recorded against twenty-five acres of partially developed real property, on which are located 108 residential lots located in Las Vegas, Nevada. The note agreement was amended in July 2011. Per the amendment, the System agreed to retroactively reduce the interest rate on the loan to 8% annually. Beginning June 4, 2011, the loan will accrue interest at the original interest rate of 12% annually. The balance of the loan at June 30, 2012 and 2011 is $718,395 and $857,557, respectively. For the year ended June 30, 2012, the System earned interest of $98,659 which is recorded in investment income. The note was paid in full subsequent to the year end.

c) On August 17, 2011, the System loaned $3,000,000 to SNTech,Inc. The loan bears interest at 8% per annum. Interest on the note shall be computed on the basis of a 365-day year and the actual number of days elapsed, and shall compound annually. The unpaid principal balance and interest was due on December 31, 2011. The loan is currently in default. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the company. The balance of the loan is $3,000,000 at June 30, 2012. For the year ended June 30, 2012, the System earned interest of $290,096 which is recorded in investment income.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

15. INVESTMENT IN NOTES RECEIVABLE: (Continued)

d) The System made various loans to PMAT Cocowalk Holdings, LLC during the period 2008 through 2010 totaling $7,029,899. The loan bears interest at 6% plus the prime rate. The loan is not collateralized but the System is senior to their original capital investment. The loan is due at the sale or refinance date of the property. The balance of the loan at June 30, 2012 and 2011 is $7,029,899 and $7,029,899, respectively. For the year ended June 30, 2012, the System earned interest of $650,266 which is recorded in investment income.

e) During the year ended June 30, 2012, Bedico Creek Preserve, LLC (80% owned by the System) had various notes receivable for the sale of lots totaling $1,248,336. The notes range from $40,000 to $1,026,735 and bear interest at a rate of 0% to 8%. The notes are due between 3-10 years. The balance of the notes receivable at June 30, 2012 is $1,248,336.

16. INVESTMENT RECEIVBABLE:

On March 31, 2008, the System invested $40 million into the FIA Leveraged Fund (“Leverage Fund”), an open ended investment fund registered in the Cayman Islands. The Leverage Fund in turn invested in other feeder funds that ultimately invested in the Master Fund, Fletcher International, Ltd. (“FILB”). Fletcher Asset Management (“FAM”) served as the investment manager to all of the funds in the master-feeder structure. In April 2011, the System requested a partial redemption followed by a full redemption request in June 2011. These redemption requests were not met resulting in the System filing a winding up petition with the Grand Court in the Cayman Islands to force the liquidation of the fund. In April 2012, the Cayman Court awarded the System a winding up judgment and official liquidators were appointed to oversee the fund and wind up its affairs. In response to this judgment, FAM filed for bankruptcy protection for the Master Fund, FILB. In October, 2012, the bankruptcy court issued an order for the appointment of a US Trustee to investigate the assets of the fund and manage the liquidation of the fund. Due to the Trustee beginning the investigation within the last 30 days, information regarding the value of the assets remaining in the fund and any potential recovery was not available. As of June 30, 2012, the System has recorded a reserve of $16,271,980 against a receivable balance of $57,812,160. As the Trustee progresses in his investigation and asset values are determined, the System will make adjustments to the value of the receivable.

17. INVESTMENT IN LINE OF CREDIT:

During the year ended June 30, 2012, the System had Investments in line of credit as follows:

a) On August 15, 2006, the System agreed to loan funds to LEM Investors, LP under a line of credit up to the principal amount of $10,000,000. The term of the line of credit shall be from the date of the agreement through December 31, 2020, unless terminated earlier according to is terms because an event of default occurs. Interest on the outstanding principal balance of the line of credit shall accrue and be payable at the fixed, per annum rate of 10.5% (or during the continuance of an event of default, 13.5%) computed on the basis of a 365-day year and the actual number of days elapsed. The line of credit is secured by a Security Agreement and Pledges. The Pledge Agreement is intended to provide collateral security for the existing and future debt, liabilities and obligations of LEM Investors, LP to the System. The balance of the line of credit at June 30, 2012 and 2011 is $6,938,897 and $7,128,785, respectively. For the year ended June 30, 2012, the System earned interest of $695,067 which is recorded in investment income.

b) On December 22, 2010, the System agreed to loan funds to Republic Business Credit, LLC under a line of credit up to the principal amount of $15,000,000. All outstanding principal and accrued and unpaid interest under the note shall be due on the first business day that is five years from the date of the note; provided that, by mutual written consent of the System and Republic Business Credit, LLC, the maturity date of the note may be extended for successive one-year periods. Interest shall accrue on the outstanding principal balance of the line of credit at the fixed rate of 8% per annum, calculated on the number of days elapsed in a 360-day year. The first payment of accrued and outstanding interest under this note shall be due on January 30, 2012, with subsequent interest payments due 30 days after the end of each calendar quarter thereafter. The line of credit is secured. Republic Business Credit, LLC pledges, assigns, and grants a continuing security interest in favor of the System in all of its right, title, and interest in and to any accounts, inventory, equipment, investment property, and general intangibles. The balance of the line of credit at June 30, 2012 and 2011 is $9,500,000 and $3,000,000, respectively. For the year ended June 30, 2012, the System earned interest of $721,778 which is recorded in investment income.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF PLAN NET ASSETS
JUNE 30, 2012

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	$ 7,977,877	$ 4,032,832	$ 279,453	$ 12,290,162
Receivables:				
Member contributions	1,255,775	283,988	-	1,539,763
Employer contributions	2,458,313	483,455	-	2,941,768
Accrued alternative investment income	5,618,851	1,143,472	-	6,762,323
Investment receivable	34,898,358	7,277,920	-	42,176,278
Miscellenous receivable	154,780	46,168	2,965	203,913
Due to (from) other funds	50,324	(50,324)	-	-
Accrued interest and dividends	433,790	93,955	-	527,745
Total	44,870,191	9,278,634	2,965	54,151,790
Investments:				
Cash equivalents	66,564,715	14,461,090	-	81,025,805
Bonds	20,668,407	4,335,700	-	25,004,107
Convertible notes	2,391,576	501,286	-	2,892,862
Equities	113,669,862	24,125,932	-	137,795,794
Equity mutual funds	38,322,069	8,057,494	-	46,379,563
Fixed income mutual funds	28,496,012	5,964,345	-	34,460,357
Investments in commingled funds	128,150,761	27,002,319	-	155,153,080
Investments in limited liability companies	22,064,566	4,660,852	-	26,725,418
Investments in limited partnerships	101,275,414	21,293,982	-	122,569,396
Investments in mitigation credits	39,320,881	8,208,287	-	47,529,168
Investments in notes receivable	14,844,603	3,109,063	-	17,953,666
Investments in line of credit	13,575,020	2,863,877	-	16,438,897
Investment in real estate-mitigation banks and LLC	19,575,179	4,062,895	-	23,638,074
Total investments	608,919,065	128,647,122	-	737,566,187
Collateral held under securities lending program	3,442,199	718,564	-	4,160,763
Other Assets:				
Mitigation bank capitalized project costs	375,030	78,288	-	453,318
Prepaid expenses	65,066	13,437	-	78,503
Other	248	52	-	300
Total	440,344	91,777	-	532,121
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	186,200	301,740
	970,999	318,418	186,200	1,475,617
Less: Accumulated depreciation	(328,151)	(103,899)	(156,842)	(588,892)
	642,848	214,519	29,358	886,725
Total assets	666,292,524	142,983,448	311,776	809,587,748
LIABILITIES:				
Accounts payable	984,158	320,700	58,916	1,363,774
Refunds payable	435,010	120,657	-	555,667
Other payables	561,586	117,708	-	679,294
Investment payable	56,880	11,484	-	68,364
Obligation under securities lending program	3,605,319	752,615	-	4,357,934
Long-term maintenance mitigation liability	408,408	85,256	-	493,664
Total liabilities	6,051,361	1,408,420	58,916	7,518,697
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	639,207,850	137,166,157	252,860	776,626,867
NON CONTROLLING INTERESTS	21,033,313	4,408,871	-	25,442,184
NET ASSETS	$ 660,241,163	$ 141,575,028	$ 252,860	$ 802,069,051

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
Miscelleneous 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	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
NONCONTROLLING 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 CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	$ 14,457,911	$ 3,167,271	$ -	$ 17,625,182
Employers'	28,214,136	5,464,289	-	33,678,425
Ad valorem taxes and state revenue sharing funds	5,153,599	2,053,104	-	7,206,703
Total contributions	47,825,646	10,684,664	-	58,510,310
Investment income:				
Interest income	2,819,208	600,081	735	3,420,024
Dividend income	1,337,726	284,674	-	1,622,400
Securities lending income	219,079	44,851	-	263,930
Alternative investment income	11,511,317	2,397,845	-	13,909,162
Net depreciation in fair value of investments	(44,160,336)	(9,215,182)	-	(53,375,518)
	(28,273,006)	(5,887,731)	735	(34,160,002)
Less investment expense:				
Investment advisory fees	2,936,006	660,825	-	3,596,831
Securities lending expense	77,157	16,107	-	93,264
Custodian bank fees	35,386	22,177	-	57,563
	3,048,549	699,109	-	3,747,658
Net investment income (loss)	(31,321,555)	(6,586,840)	735	(37,907,660)
Less: Net investment income attributable to noncontrolling interest	(1,137,386)	(237,628)	-	(1,375,014)
Net investment income (loss) attributable to the Pension Fund	(32,458,941)	(6,824,468)	735	(39,282,674)
Other additions:				
Interest-other	6,374	4,644	-	11,018
Transfers from other retirement systems	418,837	66,375	-	485,212
Total other additions	425,211	71,019	-	496,230
TOTAL ADDITIONS	15,791,916	3,931,215	735	19,723,866
DEDUCTIONS:				
Benefits	50,647,651	8,540,171	-	59,187,822
Refund of contributions	3,765,929	908,418	-	4,674,347
Administrative expenses	-	-	1,537,522	1,537,522
Depreciation	28,044	9,892	9,328	47,264
Transfers to other retirement systems	1,200,555	61,798	-	1,262,353
Transfers to/from Plans	(844,807)	844,807	-	-
Transfers to expense fund from pension funds	1,072,005	427,995	(1,500,000)	-
TOTAL DEDUCTIONS	55,869,377	10,793,081	46,850	66,709,308
NET (DECREASE)	(40,077,461)	(6,861,866)	(46,115)	(46,985,442)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	679,285,311	144,028,023	298,975	823,612,309
END OF YEAR	$ 639,207,850	$ 137,166,157	$ 252,860	$ 776,626,867

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, 2011

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
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 depreciation 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 appreciation in fair value 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
SUPPLEMENTARY INFORMATON
CONSOLIDATED SCHEDULE OF INVESTMENTS
JUNE 30, 2012 AND 2011

	2012 MARKET VALUE	2011 MARKET VALUE
PLAN "A"		
Cash equivalents	$ 66,564,715	$ 25,407,912
Bonds:		
U.S. Government Agency	$ 526,561	$ 693,005
Foreign bonds	298,247	-
Corporate bonds	17,388,535	15,419,670
Convertible corporate bonds	2,455,064	2,627,160
Total Bonds	$ 20,668,407	$ 18,739,835
Investment in convertible notes	$ 2,391,576	$ 1,708,054
Equities:		
U.S. equities	$ 99,752,372	$ 101,937,395
Foreign equities	13,917,490	19,763,258
Total Equities	$ 113,669,862	$ 121,700,653
Equity mutual funds:		
U.S. Equity Mutual Fund	$ 3,796,050	$ 4,046,889
International Equity Mutual Funds	34,526,019	79,171,204
Total Equity Mutual Funds	38,322,069	83,218,093
Fixed income mutual funds:		
U.S. Fixed Income Mutual Fund	22,736,104	13,436,912
International Fixed Income Mutual Funds	5,759,908	13,642,700
Total mutual funds	$ 28,496,012	$ 27,079,612
Investment - commingled funds	$ 128,150,761	$ 152,973,189
Investment - limited liability companies	$ 22,064,566	$ 27,378,658
Investment - limited partnerships	$ 101,275,414	$ 106,361,447
Investment - mitigation credits	$ 39,320,881	$ 43,510,937
Investment - notes receivable	$ 14,844,603	$ 11,686,365
Investment - line of credit	$ 13,575,020	$ 8,365,368
Investment in real estate-mitigation banks and LLC	$ 19,575,179	$ 18,048,419

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATON
SCHEDULE OF INVESTMENTS
JUNE 30, 2012 AND 2011

	2012 MARKET VALUE	2011 MARKET VALUE
PLAN "B"		
Cash equivalents	$ 14,461,090	$ 5,105,291
Bonds:		
U.S. Government Agency	$ 110,440	$ 145,350
Foreign bonds	62,439	-
Corporate Bonds	3,649,035	3,236,846
Convertible corporate bonds	513,786	549,815
Total Bonds	$ 4,335,700	$ 3,932,011
Investment in convertible notes	$ 501,286	$ 357,308
Equities:		
U.S. Equities	$ 21,167,399	$ 21,544,664
Foreign Equities	2,958,533	4,171,039
Total Equities	$ 24,125,932	$ 25,715,703
Equity Mutual Funds		
U.S. Equity Mutual Fund	$ 798,142	$ 850,412
International Equity Mutual Funds	7,259,352	16,637,008
Total Equity Mutual Funds	8,057,494	17,487,420
Fixed income mutual funds:		
U.S. Fixed Income Mutual Fund	4,761,770	2,811,361
International Fixed Income Mutual Fund	1,202,575	2,854,417
Total fixed income mutual funds	$ 5,964,345	$ 5,665,778
Investment - commingled funds	$ 27,002,319	$ 32,224,552
Investment - limited liability companies	$ 4,660,852	$ 5,739,075
Investment - limited partnerships	$ 21,293,982	$ 22,367,028
Investment - mitigation credits	$ 8,208,287	$ 9,102,046
Investment - notes receivable	$ 3,109,063	$ 2,451,091
Investments - line of credit	$ 2,863,877	$ 1,763,417
Investment in real estate-mitigation banks and LLC	$ 4,062,895	$ 3,775,546

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2012

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2011	$ 395,850,573	$ 108,062,749	$ 24,161,214	$ 7,121,966	$ 264,059,845	$ (119,971,036)	$ 679,285,311
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	14,457,911	-	-	-	-	14,457,911
Employers	-	-	-	-	28,214,136	-	28,214,136
Ad valorem taxes and state revenue sharing funds	-	-	-	-	5,153,599	-	5,153,599
Net income/(loss) from investments and other sources	-	-	-	569,757	(33,022,324)	-	(32,452,567)
Transfer from annuity savings	9,828,476	-	-	-	-	-	9,828,476
Pensions transferred from annuity reserve	-	-	6,921,545	-	-	-	6,921,545
Transfers from other systems	-	92,658	-	-	326,179	-	418,837
Transfers to/from Plans	-	-	-	-	844,807	-	844,807
Actuarial transfer	68,863,427	-	-	-	-	-	68,863,427
Total revenues	78,691,903	14,550,569	6,921,545	569,757	1,516,397	-	102,250,171
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	45,356,979	-	5,290,672	-	-	-	50,647,651
Refunds to members	-	3,765,929	-	-	-	-	3,765,929
Refund to Municipality	-	-	-	-		-	-
Transfers to annuity reserve	-	9,828,476	-	-	-	-	9,828,476
Pensions transferred to DROP	6,921,545	-	-	-	-	-	6,921,545
Transfers to other systems	-	287,957	-	-	912,598	-	1,200,555
Transfer to expense fund	-	-	-	-	1,072,005	-	1,072,005
Depreciation	-	-	-	-	28,044	-	28,044
Actuarial transfer	-	-	-	-	31,229,143	37,634,284	68,863,427
Total expenditures	52,278,524	13,882,362	5,290,672	-	33,241,790	37,634,284	142,327,632
NET INCREASE (DECREASE)	26,413,379	668,207	1,630,873	569,757	(31,725,393)	(37,634,284)	(40,077,461)
BALANCES, JUNE 30, 2012	$ 422,263,952	$ 108,730,956	$ 25,792,087	$ 7,691,723	$ 232,334,452	$ (157,605,320)	$ 639,207,850

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
Transfers to municpality	-	-	-	-	-	-	-
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	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 B
FOR THE YEAR ENDED JUNE 30, 2012

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Surplus (Unfunded) Actuarial Liability	Total
BALANCES, JULY 1, 2011	$ 67,247,233	$ 22,623,068	$ 4,905,783	$ 2,493,464	$ 60,043,814	$ (13,285,339)	$ 144,028,023
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	3,167,271	-	-	-	-	3,167,271
Employers	-	-	-	-	5,464,289	-	5,464,289
Ad valorem taxes and state revenue sharing funds	-	-	-	-	2,053,104	-	2,053,104
Net income from investments and other sources	-	-	-	199,477	(7,019,301)	-	(6,819,824)
Transfer from annuity savings	2,125,998	-	-	-	-	-	2,125,998
Pensions transferred from annuity reserve	-	-	1,501,417	-	-	-	1,501,417
Transfers from other systems	-	17,747	-	-	48,628	-	66,375
Actuarial transfer	11,658,615	-	-	-	-	-	11,658,615
Total revenues	13,784,613	3,185,018	1,501,417	199,477	546,720	-	19,217,245
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	8,007,904	-	532,267	-	-	-	8,540,171
Refunds to members	-	908,418	-	-	-	-	908,418
Transfers to annuity reserve	-	2,125,998	-	-	-	-	2,125,998
Pensions transferred to DROP	1,501,417	-	-	-	-	-	1,501,417
Transfers to other systems	-	5,884	-	-	55,914	-	61,798
Transfer to expense fund	-	-	-	-	427,995	-	427,995
Transfer to from Plans	-	-	-	-	844,807	-	844,807
Depreciation	-	-	-	-	9,892	-	9,892
Actuarial transfer	-	-	-	-	3,608,983	8,049,632	11,658,615
Total expenditures	9,509,321	3,040,300	532,267	-	4,947,591	8,049,632	26,079,111
NET INCREASE (DECREASE)	4,275,292	144,718	969,150	199,477	(4,400,871)	(8,049,632)	(6,861,866)
BALANCES, JUNE 30, 2012	$ 71,522,525	$ 22,767,786	$ 5,874,933	$ 2,692,941	$ 55,642,943	$ (21,334,971)	$ 137,166,157

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	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
SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012 Expense Fund	2011 Expense Fund
Building and yard maintenance	$ 14,618	$ 19,122
Hospitalization	53,036	51,042
Insurance	19,111	19,600
Miscellaneous	-	4,076
Office equipment maintenance	40,982	32,285
Office supplies	18,245	16,037
Travel	52,548	51,157
Board member - per diem	6,675	4,875
Postage	12,620	12,556
Printing	5,363	4,573
Professional fees	231,754	195,705
Professional/legal fees-special	452,551	28,105
Retirement - employer portion	86,889	71,078
Salaries	526,518	507,265
Telephone	4,815	4,571
Utilities	11,797	11,935
Total	$ 1,537,522	$ 1,033,982

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM TO BOARD MEMBERS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012 PER DIEM	2011 PER DIEM
Johnny Berthelot	$ -	$ 525
Glenn Brasseaux	975	-
Dudley Dixon	975	675
Ronnie Harris	975	750
Susan Menard	-	75
Marshal Picard	825	75
Michael Sands	975	750
Claire Sarradet	975	675
Bobby Washington	-	675
Mary Vice	975	675
TOTAL	$ 6,675	$ 4,875

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2007 THROUGH 2012

PLAN A

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
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
2012	28,894,493	5,228,362	97.65	98.57

PLAN B

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
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
2012	5,308,997	2,082,510	102.93	98.59

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, 2012, 2011, and 2010 and for Plans B for the years ending June 30, 2012 and 2011, 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, 2007 THROUGH 2012

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, 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%
June 30, 2012	721,475,280	796,813,170	75,337,890	90.55%	167,511,550	44.97%

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, 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%
June 30, 2012	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, 2012

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, 2010	$ -	$ 489,571	$ 489,571	- %	$ 313,605	156.11%
June 30, 2011	$ -	$ 517,589	$ 517,589	- %	$ 326,148	158.70%
June 30, 2012	$ -	$ 517,589	$ 517,589	- %	$ 339,194	152.59%

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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 10, 2012

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, 2012, and have issued our report thereon dated December 10, 2012. The report was qualified because the System has an investment receivable in the amount of $41,540,180 whose value was not audited due to the lack of current financial information. The receivable is included on the consolidated statement of plan net assets and represents 5.13% of total assets. Except as discussed in the preceding sentence, 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

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 accompanying schedule of findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings, identified as finding 12-01, to be a material weakness.

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, 2012 AND 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Employees' Retirement System of Louisiana for the year ended June 30, 2012 was qualified. The opinion issued on the financial statements of Municipal Employees' Retirement System of Louisiana for the year ended June 30, 2011 was unqualified.

2. Internal Control:

   Deficiency-Material Weakness

   (12-01) During the audit, we noted that the cash trust account was not reconciled to the general ledger. It is important to reconcile cash trust to the general ledger to ensure accuracy of financial information and minimize the risk of misstatement or misappropriation. Failure to reconcile the cash trust account could result in a misstatement of the System's financial statements. As a result of the System not reconciling the cash trust account, cash was misstated. We recommend that the cash trust account be reconciled to the general ledger to ensure all the cash activity is posted to the System's general ledger. In order to enforce the checks and balances necessary for strong controls over cash, we also recommend that a member of management review the cash trust reconciliation for unusual items, investigate and fully resolve any such items, and document his or her approval. The cash trust account has since been reconciled to the general ledger.

3. Compliance and Other Matters:

   None.

4. Status of Prior Year Comments:

   (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 recommended 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. This item was resolved during the current year.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

December 4, 2012

Mr. Daryl G. Purpera
Louisiana Legislative Auditor's Office
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Purpera:

Problems with reconciling cash trust account for fiscal year end 6/30/12.

Response:

We understand the importance of reconciling the cash trust account to the general ledger to prevent misstatements to the system's financial statements. While this reconciliation was incomplete as of 6/30/12, the reconciliation has since been completed.

We will take all necessary steps to correct the issue and ensure accurate financial reporting. To prevent this from occurring in the future, we have added a C.P.A. to our staff to oversee this and all of our accounting functions.

Sincerely,

Robert L. Rust
Director

RLR/ss

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