R E P O R T

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

JUNE 30, 2014

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2014

DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

January 12, 2015

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

We have audited the accompanying financial statements of the Municipal Employees' Retirement System of Louisiana (the System) as of and for the year ended June 30, 2014 and the related notes to the financial statements which collectively comprise the System's basic financial statements as listed in the index to report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Employees' Retirement System of Louisiana as of June 30, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for Municipal Employees' Retirement System for Plan A and Plan B was $986,717,002 and $203,609,032, respectively at June 30, 2014. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2014 could be understated or overstated.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the index to report, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Municipal Employees' Retirement System of Louisiana's basic financial statements. The supplementary information as listed in the index to report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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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, 2014

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, 2014. 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 8.

FINANCIAL HIGHLIGHTS

1. The Municipal Employees' Retirement System’s fiduciary net position restricted for pension benefits exceeded its liabilities at the close of fiscal year 2014 by $887,230,134 which represents an increase from last year. The net position restricted for pension benefits increased by $88,395,392 or 11.07%. The increase was primarily due to stronger financial markets.

2. Contributions to the System by members and employers totaled $55,771,776, an increase of $4,075,438 or 7.88%. Contributions from ad valorem taxes and revenue sharing totaled $8,002,446, an increase of $326,344 or 4.25%.

3. Pension benefits paid to retirees and beneficiaries increased by $2,003,679 or 3.18%. This increase is due to an increase in the number of retirees and their benefit amounts.

4. Administrative expenses of the System totaled $1,849,818, a decrease of $1,041,995 or 36.03%. The decrease is due to prior year attorney fees associated with an investment in litigation.

5. Investment income of the System totaled $96,919,567, an increase of $62,694,040 or 183.18%. The increase was primarily due to stronger financial markets.

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 fiduciary net position,
2. Statement of changes in fiduciary net position, 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, 2014

The consolidated statement of fiduciary net position reports the System's assets, liabilities, and resultant net position restricted for pension benefits. It discloses the financial position of the System as of June 30, 2014.

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

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 elect to become members of the System. Member contributions, employer contributions and earnings on investments fund these benefits.

Consolidated Statements of Fiduciary Net Position
June 30, 2014 and 2013

	2014	2013 (restated)
Cash	$ 17,417,653	$ 13,586,955
Receivables	11,586,185	14,913,147
Investments	871,863,559	783,522,130
Collateral held under securities lending	--	11,951,707
Other assets	183,126	621,808
Property and equipment	819,865	862,203
Total assets	901,870,388	825,457,950
Total liabilities	4,983,126	15,185,276
Total Net Position	896,887,262	810,272,674
Noncontrolling interest	(9,657,128)	(11,437,932)
Net position restricted for pension benefits	$ 887,230,134	$ 798,834,742

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

The net position restricted for pension benefits increased by $88,395,392 or 11.07%. The increase was primarily due to stronger financial markets.

Consolidated Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2014 and 2013

	2014	2013
Additions:		
Contributions	$ 63,774,222	$ 59,372,439
Investment income	96,919,567	34,225,527
Other	602,036	903,668
Total additions	161,295,825	94,501,634
Total deductions	72,900,433	72,293,759
Net increase	$ 88,395,392	$ 22,207,875

Additions to Fiduciary Net Position

Additions to the System's fiduciary net position were derived from member and employer contributions, ad valorem taxes, state revenue sharing funds and investment income. Employer contributions increased $3,620,627 or 10.61% primarily due to an increase in salaries and contribution rate. The System experienced net investment income of 96,919,567 as compared to a net investment income of $34,225,527 in the previous year. The increase in investment return over prior year was due to stronger financial markets.

	2014	2013	Increase (Decrease) Percentage
Member contributions	$ 18,027,891	$ 17,573,080	2.59%
Employer contributions	37,743,885	34,123,258	10.61%
Ad valorem and state revenue sharing	8,002,446	7,676,101	4.25%
Net investment income	96,919,567	34,225,527	183.18%
Other	602,036	903,668	(33.38)%
	$ 161,295,825	$ 94,501,634	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Deductions from Fiduciary Net Position

Deductions from fiduciary net position include mainly retirement, death and survivor benefits, DROP withdrawals, administrative expenses and transfers to other systems. Deductions from fiduciary net position totaled $72,900,433 in fiscal year 2014. The increase of $606,674 from the previous year is primarily due to an increase in retirement benefits and DROP withdrawals but was offset by a decrease in administrative expenses and transfers to other systems.

	2014	2013	Increase (Decrease) Percentage
Retirement benefits	$ 65,078,805	$ 63,075,126	3.18%
Refunds of contributions	4,758,571	4,624,012	2.91%
Administrative expenses	1,849,818	2,891,813	(36.03)%
Depreciation	52,080	49,681	4.83%
Transfer to other systems	1,161,159	1,653,127	(29.76)%
	$ 72,900,433	$ 72,293,759	

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 at June 30, 2014 was $862,206,431 as compared to $772,084,198 at June 30, 2013, which is an increase of $90,122,233. The major contributing factor to this increase was due to stronger financial markets. The System's investments in various asset classes at the end of the 2014 and 2013 fiscal years are indicated in the following table:

	2014	2013	Increase (Decrease) Percentage
Cash equivalents	$ 53,984,407	$ 57,385,542	(5.93)%
Domestic equities	152,518,348	228,575,501	(33.37)%
International equities	207,809,693	28,710,690	623.80%
Fixed income investments	81,533,686	81,255,315	.34%
Hedge fund investments	128,078,149	138,417,261	(7.47)%
Real estate investments	135,597,010	145,326,445	(6.69)%
Private equity investments	112,342,266	103,851,376	8.18%
	$ 871,863,559	$ 783,522,130	

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 STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS:	
Cash	$ 17,417,653
Receivables:	
Member/Employer contributions	3,928,143
Interest and dividend	6,823,178
Investment receivable	425,550
Miscellaneous receivable	409,314
Total	11,586,185
Investments:	
Cash equivalents	53,984,407
Domestic equities	152,518,348
International equities	207,809,693
Fixed income investments	81,533,686
Hedge fund investments	128,078,149
Real estate investments	135,597,010
Private equity investments	112,342,266
Total investments	871,863,559
Other Assets:	183,126
Property, plant, and equipment (net of depreciation)	819,865
Total assets	901,870,388
LIABILITIES:	
Accounts payable	1,280,114
Refunds payable	512,774
Other payables	1,984,602
Investment payable	97,491
Long-term maintenance mitigation liability	1,108,145
Total liabilities	4,983,126
TOTAL NET POSITION	896,887,262
NONCONTROLLING INTERESTS	(9,657,128)
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 887,230,134

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS:	
Contributions:	
Members'	$ 18,027,891
Employers'	37,743,885
Ad valorem taxes and state revenue sharing funds	8,002,446
Total contributions	63,774,222
Investment income:	
Interest income	1,107,865
Dividend income	1,058,630
Miscelleaneous investment income	245,960
Alternative investment income	14,533,318
Net appreciation in fair value of investments	85,783,752
	102,729,525
Less investment expense:	
Investment advisory fees	5,163,555
Miscellaneous investment expense	1,374,359
	6,537,914
Net investment income	96,191,611
Net investment loss attributable to noncontrolling interest	727,956
Net investment income attributable to the Pension Fund	96,919,567
Other additions:	
Transfers from other retirement systems	602,036
	602,036
Total additions	161,295,825
DEDUCTIONS:	
Benefits	58,999,943
DROP withdrawals	6,078,862
Refund of contributions	4,758,571
Administrative expenses	1,849,818
Depreciation	52,080
Transfers to other retirement systems	1,161,159
Total deductions	72,900,433
NET INCREASE	88,395,392
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	798,834,742
END OF YEAR	$ 887,230,134

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 of Louisiana, 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.

During the year ended June 30, 2014, the System adopted the provisions of GASB Statement Number 67, Financial Reporting for Pension Plans. GASB Statement No. 67 established new standards of financial reporting for defined benefit pension plans. Significant changes included an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, increased the note disclosure requirements, and provided for additional required supplementary information schedules.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 62% ownership in a limited liability company which owns investment property, 80% ownership in a limited liability company land development. 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.

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. Fair value of mutual funds not traded on a national or international exchange is calculated using the net asset value reported by the mutual funds. Fair value of investments in limited partnerships (which include private equities and hedge funds) is calculated as the System's percentage of ownership of the partner's capital reported by the partnership. Fair value of real estate investment trusts is calculated based on MERS' share of income and expenses as reported by the trust. Investments that do not have an established market value are reported at estimated fair value using valuation techniques such as present value 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 is recorded at cost, capitalized and depreciated over its estimated useful life. Property, plant and equipment acquired prior to June 30, 1991 is recorded in the expense fund. Property, plant and equipment acquired subsequent to June 30, 1991 is allocated between the two plans based on each plans' member earnings and all operating equipment additions will be recorded in the expense fund. Depreciation is computed using the straight line method.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 year ended June 30, 2014, there were 85 contributing municipalities in Plan A and 69 in Plan B. At June 30, 2014 statewide retirement membership consists of:

	PLAN A	PLAN B	TOTAL
Inactive plan members or beneficiaries receiving benefits	3,177	916	4,093
Inactive plan members entitled to but not yet receiving benefits	2,851	1,244	4,095
Active plan members	4,894	2,168	7,062
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	10,922	4,328	15,250

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:

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

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.

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

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.

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.

2. PLAN DESCRIPTION: (Continued)

Survivor Benefits: (Continued)

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.

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.

2. PLAN DESCRIPTION: (Continued)

Disability Benefits: (Continued)

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; 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.

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. For members hired prior to January 1, 2013 member contributions are at 9.25% of earnable compensation for Plan A and 5% of earnable compensation for Plan B. For members hired on or after January 1, 2013 member contributions are 9.5% of earnable compensation for Plan A and 5% of earnable compensation for Plan B. 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 year ended June 30, 2014, the actuarially determined employer contribution rate and the actual employer contribution rate was 20.62% and 18.75%, respectively, of member's earnings for Plan A. The actuarially determined employer contribution rate and the actual employer contribution rate for Plan B for the year ending June 30, 2014 was 9.82% and 8.75%, respectively.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

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 and considered support from non-employer contributing entities.

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:

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, 2014 is $111,201,868 for Plan A and $25,139,576 for Plan B.

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, 2014 is $108,036,016 for Plan A and $43,384,670 for Plan B.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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, 2014 is $472,147,098 for Plan A and $78,454,477 for Plan B.

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, 2014 is $29,757,422 for Plan A and $6,554,182 for Plan B.

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, 2014 of $8,930,139 for Plan A and $3,126,521 for Plan B.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers for Plan A and Plan B determined in accordance with GASB No. 67 as of June 30, 2014 are as follows:

	Plan A	Plan B
Total Pension Liability	$ 986,717,002	$ 203,609,032
Plan Fiduciary Net Position	730,072,543	156,659,396
Employers' Net Pension Liability	256,644,459	46,949,636
Plan Fiduciary Net Position as a % of the Total Pension Liability	73.99%	76.94%

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

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

The actuarial assumptions used in the June 30, 2014 valuation was based on the results of an experience study, for the period July 1, 2006 through June 30, 2010. The required Schedules of Employers' Net Pension Liability located in required supplementary information following the Notes *to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2014 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.75%
Inflation Rate	3.00%
Mortality	Mortality rates based on the RP-2000 Sex Distinct Mortality Table.
Salary increases	5.75%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.80% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 8.30% for the year ended June 30, 2014.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014 are summarized in the following table:

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.75%
Public fixed income	15%	0.83%
Alternatives	35%	1.92%
Totals	100%	5.50%
Inflation		2.80%
Expected Arithmetic Nominal Return		8.30%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated as of June 30, 2014 using the discount rate of 7.75%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.75% or one percentage point higher 8.75% than the current rate.

PLAN A
Changes in Discount Rate 2014

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	$ 356,341,875	$ 256,644,459	$ 171,337,044

PLAN B
Changes in Discount Rate 2014

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net Pension Liability	$ 68,675,080	$ 46,949,636	$ 28,397,103

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2014:

Deposits (bank balance)	$ 19,205,957
Cash equivalents	53,984,407
Investments	817,879,152
	$ 891,069,516

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 year ended June 30, 2014, bank balances in excess of insured limits were $7,621,656.

Cash Equivalents:

For the year ended June 30, 2014, cash equivalents in the amount of $31,013,827 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. At June 30, 2014, these cash equivalents were unrated.

For the year ended June 30, 2014, cash equivalents in the amount of $22,970,580, 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.

5. 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.

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.

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 has no formal investment policy regarding concentration of credit risk.

The System’s investment policy specifies that 35% to 65% of the investment portfolio can be invested in public equities, 5% to 25% of the investment portfolio can be invested in public fixed income and 20% to 50% of the investment portfolio can be invested in alternatives. At June 30, 2014, the components of the System’s investment portfolio fell within the allowable ranges.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. 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, 2014.

2014	Federal Home Loan Mortgage	Federal National Mortgage	Government National Mortgage	Corporate Bonds	Total Bonds
AA+	$ 11,117	$ 211,246	$ 154,693	$ -	$ 377,056
Not Rated	-	-	-	2,444,105	2,444,105
	$ 11,117	$ 211,246	$ 154,693	$ 2,444,105	$ 2,821,161

The System has no formal investment policy regarding credit risk.

At June 30, 2014, the System was invested in two fixed income mutual funds in the amount of $69,152,734. The weighted average credit rating of holdings in the funds are as follows: Brandywine Global Opportunistic Fixed Income Fund in the amount of $34,590,766 has a credit rating ranging from AAA to CCC or lower with the majority of holdings rated from AAA to BBB and Loomis Sayles in the amount of $34,561,968 has a credit rating ranging from Aaa to Caa and lower with the majority of holdings rated from Aaa to Baa.

At June 30, 2014, the System was invested in an emerging market corporate high yield fund in the amount of $9,559,791. The weighted average credit rating of holdings in the fund were either below investment grade or were not rated.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The System has no formal investment policy regarding custodial credit risk.
At June 30, 2014, the System was not exposed to custodial credit risk.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5. 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, 2014, the System had the following investments in long-term debt securities and maturities:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Corporate Bonds	$ 2,444,105	$ -	$ -	$ -	$ 2,444,105
Federal Home Loan Mortgage Corporation	11,117	-	2,833	8,284	-
Federal National Mortgage Association	211,246	-	-	70,615	140,631
Government National Mortgage Association	154,693	-	95,208	34,609	24,876
	2,821,161	-	98,041	113,508	2,609,612

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

At June 30, 2014, the System has committed to invest an additional $43,942,324 in various investments.

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, 2014, the System invested in the following international mutual funds:

		Holdings Percentage	
Mutual Fund	Amount	Domestic	Foreign
Market Vector Gaming ETF	249,035	60.00%	40.00%
Thornburg Global Opportunities Fund	74,109,384	52.00%	48.00%
Vontobel Fund Emerging Markets Equtiy Fund	26,211,088	--	100.00%
DFA Emerging Markets Value Fund	23,275,539	--	100.00%
First Eagle International Value Fund	20,227,275	23.00%	77.00%
WCM Focused International Growth	15,337,916	23.00%	77.00%
KBI Water Fund	48,648,491	49.00%	51.00%
Brandywing Global Opportunistic Fixed Income Fund	34,590,766	39.00%	61.00%
Loomis Sayles Fixed Income Fund	34,561,968	74.00%	26.00%
Ashmore Emerging Markets Corporate High Yield Fund	9,559,791	--	100.00%

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

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

Money-Weighted Rate of Return:

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.00%. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

6. REAL ESTATE INVESTMENTS:

Investment in Mitigation Banks:

At June 30, 2014, the System held investments which invest in a variable interest entity which consists of four mitigation banking entities (“the Banks”). The investment is reported as a real estate investment. 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, 2014.

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, 2014 is $41,843,048.

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

Investment in Notes Receivable:

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, 2014 is $7,029,899 and is reported as an investment in real estate. For the year ended June 30, 2014, the System earned interest of $650,266 which is recorded in investment income.

During the year ended June 30, 2014, Bedico Creek Preserve, LLC (80% owned by the System) had various notes receivable for the sale of lots. The notes range from $40,000 to $560,000 and bear interest at a rate of 0% to 8%. The notes are due between 1.5-10 years. The balance of the notes receivable at June 30, 2014 is $1,063,798.

7. PRIVATE EQUITY INVESTMENTS:

Investment in Line of Credit:

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 its 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, 2014 is $4,210,959 and is reported as an investment in real estate. For the year ended June 30, 2014, the System earned interest of 447,086 which is recorded in investment income.

Investment in Notes Receivable:

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. During the year ended June 30, 2013, the System increased the loan amount to Republic Business Credit LLC to $20,000,000. 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, 2014 is $18,000,000 and is reported as an investment in private equity. For the year ended June 30, 2014, the System earned interest of $1,400,333 which is recorded in investment income.

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. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the company. During the year ended June 30, 2014, an amendment to the original note agreement (the amendment) was executed. The amendment capitalized $330,083 of existing accrued interest and modified the loan’s interest payment terms and maturity date. Interest is payable on a quarterly basis. The loan principal balance and any unpaid accrued interest is due and payable 30 days after demand is made. The balance of the loan is $3,330,083 at June 30, 2014 and is reported as an investment in private equity. For the year ended June 30, 2014, the System earned interest of $524,048 which is recorded in investment income.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. 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, 2014, 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, 2014 is estimated to be $15,723. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

9. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2014, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 389,547	$ --	$ --	$ 389,547
Building	784,330	7,638	--	791,968
Furnishings and equipment	326,898	2,103	(5,773)	323,228
Accumulated depreciation	(638,572)	(52,080)	5,773	(684,879)
	$ 862,203	$ (42,339)	$ --	$ 819,864

The cost of the property, plant and equipment is being depreciated over its useful life using the straight-line method. Depreciation expense for the year ended June 30, 2014 is $52,080.

10. TAX QUALIFICATION:

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

11. 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.

12. 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, 2014, four retirees were receiving post-employment benefits. At June 30, 2014, information regarding the Actuarial Accrued Liability and Net OPEB Obligation was not available.

13. COMPOSITION OF THE BOARD OF TRUSTEES:

The Board consists of eleven members: six (6) members elected by the members of the system, the President of the Louisiana Municipal Association, the chairman of the Louisiana Senate Retirement Committee, the chairman of the Louisiana House Retirement Committee, the Louisiana State Treasurer, and the Commissioner of Administration of the State of Louisiana.

REQUIRED SUPPLEMENTARY INFORMATOIN

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - PLAN A
FOR THE YEAR ENDED JUNE 30, 2014

Total Pension Liability		
Service cost	$	23,140,535
Interest		74,566,028
Changes of benefit terms		-
Differences between expected and actual experience		(20,239,083)
Changes of assumptions		-
Benefit payments		(55,232,429)
Refunds of member contributions		(3,894,171)
Other		712,070
Net change in total pension liability		19,052,950
Total pension liability - beginning		967,664,052
Total pension liability - ending (a)	$	986,717,002
Plan Fiduciary Net Position		
Regular contributions - employer	$	31,501,412
Regular contributions - member		14,768,535
Contributions - non employer contributing entities		5,741,515
Net investment income		80,430,073
Benefit payments		(55,232,429)
Refunds of member contributions		(3,894,171)
Administrative expenses		(1,677,654)
Other		712,070
Net change in plan fiduciary net position		72,349,351
Plan fiduciary net position - beginning		657,723,192
Plan fiduciary net position - ending (b)		730,072,543
Net pension liability - ending (a) - (b)		256,644,459
Plan fiduciary net position as a percentage of total pension liability		73.99%
Covered employee payroll		168,007,531
Net pension liability as a percentage of covered employee payroll		152.76%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - PLAN B
FOR THE YEAR ENDED JUNE 30, 2014

Total Pension Liability		
Service cost	$	5,558,785
Interest		15,153,571
Changes of benefit terms		-
Differences between expected and actual experience		(1,138,350)
Changes of assumptions	3w	
Benefit payments		(9,846,376)
Refunds of members contributions		(864,400)
Other		(944,055)
Net change in total pension liability		7,919,175
Total pension liability - beginning		195,689,857
Total pension liability - ending (a)	$	203,609,032
Plan Fiduciary Net Position		
Regular contributions - employer	$	5,950,944
Regular contributions - member		3,223,747
Contributions - non employer contributing entities		2,260,931
Net investment income		16,488,707
Benefit payments		(9,846,376)
Refunds of member contributions		(864,400)
Administrative expenses		(354,165)
Other		(944,055)
Net change in plan fiduciary net position		15,915,333
Plan fiduciary net position - beginning		140,744,063
Plan fiduciary net position - ending (b)	$	156,659,396
Net pension liability - ending (a) - (b)	$	46,949,636
Plan fiduciary net position as a percentage of total pension liability		76.94%
Covered employee payroll	$	68,010,789
Net pension liability as a percentage of covered employee payroll		69.03%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY - PLAN A
FOR THE YEAR ENDED JUNE 30, 2014

	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2014	$ 986,717,002	$ 730,072,543	$ 256,644,459	73.99%	$ 168,007,531	152.76%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY - PLAN B
FOR THE YEAR ENDED JUNE 30, 2014

	Total Pension Liability	Plan Fiduciary Net Postion	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Employee Payroll	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
2014	$ 203,609,032	$ 156,659,396	$ 46,949,636	76.94%	$ 68,010,789	69.03%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS - PLAN A
EMPLOYER AND NON EMPLOYER CONTRIBUTING ENTITIES
FOR THE YEAR ENDED JUNE 30, 2014

Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 37,302,561	$ 37,242,927	$ 59,634	$ 168,007,531	$ 22.17%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS - PLAN B
EMPLOYER AND NON EMPLOYER CONTRIBUTING ENTITIES
FOR THE YEAR ENDED JUNE 30, 2014

Date	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 8,235,369	$ 8,211,875	$ 23,494	$ 68,010,789	$ 12.07%

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

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2014

Fiscal Year End	Annual Money-Weighted Rate of Return*	
	Plan A	Plan B
2014	13.00%	13.00%

* Annual money-weighted rates of return are presented net of investment expense.

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

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

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

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

The schedule of employers' net pension liability shows the percentage of the System's employers' net pension liability as a percentage of covered employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered employee payroll is the payroll of all employees that are provided with benefits through the System.

3. SCHEDULE OF CONTRIBUTIONS-EMPLOYERS AND NON-EMPLOYER CONTRIBUTING ENTITES:

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

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS NET PENSION LIABILITY:

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements footnote 4, Net Pension Liability of Employers.

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	$ 11,948,655	$ 5,012,173	$ 456,825	$ 17,417,653
Receivables:				
Member/Employer contributions	3,263,332	664,811	-	3,928,143
Interest and dividend	5,641,479	1,181,699	-	6,823,178
Investment receivable	373,272	52,278	-	425,550
Miscellaneous receivable	310,405	78,661	20,248	409,314
Due to (from) other funds	(484,907)	484,907	-	-
Total	9,103,581	2,462,356	20,248	11,586,185
Investments:				
Cash and cash equivalents	44,333,947	9,650,460	-	53,984,407
Domestic equities	126,106,178	26,412,170	-	152,518,348
International equities	171,851,348	35,958,345	-	207,809,693
Fixed income investments	67,420,848	14,112,838	-	81,533,686
Hedge fund investments	105,795,843	22,282,306	-	128,078,149
Real estate investments	112,145,032	23,451,978	-	135,597,010
Private equity investments	92,763,289	19,578,977	-	112,342,266
Total investments	720,416,485	151,447,074	-	871,863,559
Other Assets:	151,445	31,681		183,126
Property, plant, and equipment (net of depreciation)	599,122	199,621	21,122	819,865
Total assets	742,219,288	159,152,905	498,195	901,870,388
LIABILITIES:				
Accounts payable	1,053,139	226,975	-	1,280,114
Refunds payable	460,902	51,872	-	512,774
Other payables	1,641,266	343,336	-	1,984,602
Investment payable	88,557	8,934	-	97,491
Long-term maintenance mitigation liability	916,436	191,709	-	1,108,145
Total liabilities	4,160,300	822,826	-	4,983,126
TOTAL NET POSITION	738,058,988	158,330,079	498,195	896,887,262
NONCONTROLLING INTERESTS	(7,986,445)	(1,670,683)	-	(9,657,128)
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 730,072,543	$ 156,659,396	$ 498,195	$ 887,230,134

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	$ 14,782,508	$ 3,245,383	$ -	$ 18,027,891
Employers'	31,584,090	6,159,795	-	37,743,885
Ad valorem taxes and state revenue sharing funds	5,741,515	2,260,931	-	8,002,446
Total contributions	52,108,113	11,666,109	-	63,774,222
Investment income:				
Interest income	912,119	194,959	787	1,107,865
Dividend income	875,487	183,143	-	1,058,630
Miscellaneous investment income	203,409	42,551	-	245,960
Alternative investment income	12,019,054	2,514,264	-	14,533,318
Net appreciation in fair value of investments	71,224,905	14,558,847	-	85,783,752
	85,234,974	17,493,764	787	102,729,525
Less investment expense:				
Investment advisory fees and custodian fees	4,286,126	877,429	-	5,163,555
Miscellaneous investment expense	1,120,795	253,564	-	1,374,359
	5,406,921	1,130,993	-	6,537,914
Net investment income	79,828,053	16,362,771	787	96,191,611
Plus: Net investment loss attributable to noncontrolling interest	602,020	125,936	-	727,956
Net investment income attributable to the Pension Fund	80,430,073	16,488,707	787	96,919,567
Other additions:				
Transfers from other retirement systems	403,385	198,651	-	602,036
Total other additions	403,385	198,651	-	602,036
TOTAL ADDITIONS	132,941,571	28,353,467	787	161,295,825
DEDUCTIONS:				
Benefits	50,055,134	8,944,809	-	58,999,943
DROP withdrawals	5,177,295	901,567		6,078,862
Refund of contributions	3,894,171	864,400	-	4,758,571
Administrative expenses	-	-	1,849,818	1,849,818
Depreciation	29,134	10,323	12,623	52,080
Transfers to other retirement systems	1,125,551	35,608	-	1,161,159
Transfers to/from Plans	(1,337,585)	1,337,585	-	-
Transfers to expense fund from pension funds	1,648,520	343,842	(1,992,362)	-
TOTAL DEDUCTIONS	60,592,220	12,438,134	(129,921)	72,900,433
NET INCREASE	72,349,351	15,915,333	130,708	88,395,392
NET POSITION RESTRICTED FOR PENSION BENEFITS				
Beginning of year	657,723,192	140,744,063	367,487	798,834,742
END OF YEAR	$ 730,072,543	$ 156,659,396	$ 498,195	$ 887,230,134

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2014

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Total
BALANCES, JULY 1, 2013	$ 447,685,487	$ 110,114,111	$ 27,307,028	$ 8,287,832	$ 64,328,734	$ 657,723,192
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	14,782,508	-	-	-	14,782,508
Employers	-	-	-	-	31,584,090	31,584,090
Ad valorem taxes and state revenue sharing funds	-	-	-	-	5,741,515	5,741,515
Net income/(loss) from investments and other sources	-	-	-	642,307	79,787,766	80,430,073
Transfer from annuity savings	9,635,699	-	-	-	-	9,635,699
Pensions transferred from annuity reserve	-	-	7,627,689	-	-	7,627,689
Transfers from other systems	-	130,653	-	-	272,732	403,385
Transfers to/from Plans	-	-	-	-	1,337,585	1,337,585
Actuarial transfer	72,508,735	-	-	-	-	72,508,735
Total revenues	82,144,434	14,913,161	7,627,689	642,307	118,723,688	224,051,279
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	50,055,134	-	5,177,295	-	-	55,232,429
Refunds to members	-	3,894,171	-	-	-	3,894,171
Transfers to annuity reserve	-	9,635,699	-	-	-	9,635,699
Pensions transferred to DROP	7,627,689	-	-	-	-	7,627,689
Transfers to other systems	-	295,534	-	-	830,017	1,125,551
Transfer to expense fund	-	-	-	-	1,648,520	1,648,520
Depreciation	-	-	-	-	29,134	29,134
Actuarial transfer	-	-	-	-	72,508,735	72,508,735
Total expenditures	57,682,823	13,825,404	5,177,295	-	75,016,406	151,701,928
NET INCREASE	24,461,611	1,087,757	2,450,394	642,307	43,707,282	72,349,351
BALANCES, JUNE 30, 2014	$ 472,147,098	$ 111,201,868	$ 29,757,422	$ 8,930,139	$ 108,036,016	$ 730,072,543

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2014

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Total
BALANCES, JULY 1, 2013	$ 75,886,303	$ 23,990,641	$ 6,137,212	$ 2,901,644	$ 31,828,263	$ 140,744,063
REVENUES AND TRANSFERS:						
Contributions:						
Members	-	3,245,383	-	-	-	3,245,383
Employers	-	-	-	-	6,159,795	6,159,795
Ad valorem taxes and state revenue sharing funds	-	-	-	-	2,260,931	2,260,931
Net income from investments and other sources	-	-	-	224,877	16,263,830	16,488,707
Transfer from annuity savings	1,265,236	-	-	-	-	1,265,236
Pensions transferred from annuity reserve	-	-	1,318,537	-	-	1,318,537
Transfers from other systems	-	39,688	-	-	158,963	198,651
Actuarial transfer	11,566,254	-	-	-	-	11,566,254
Total revenues	12,831,490	3,285,071	1,318,537	224,877	24,843,519	42,503,494
EXPENDITURES AND TRANSFERS:						
Retirement allowances paid	8,944,809	-	901,567	-	-	9,846,376
Refunds to members	-	864,400	-	-	-	864,400
Transfers to annuity reserve	-	1,265,236	-	-	-	1,265,236
Pensions transferred to DROP	1,318,537	-	-	-	-	1,318,537
Transfers to other systems	-	6,500	-	-	29,108	35,608
Transfer to expense fund	-	-	-	-	343,842	343,842
Transfer to from Plans	-	-	-	-	1,337,585	1,337,585
Depreciation	-	-	-	-	10,323	10,323
Actuarial transfer	-	-	-	-	11,566,254	11,566,254
Total expenditures	10,263,346	2,136,136	901,567	-	13,287,112	26,588,161
NET INCREASE	2,568,144	1,148,935	416,970	224,877	11,556,407	15,915,333
BALANCES, JUNE 30, 2014	$ 78,454,447	$ 25,139,576	$ 6,554,182	$ 3,126,521	$ 43,384,670	$ 156,659,396

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	EXPENSE FUND
Building and yard maintenance	$ 22,726
Hospitalization	88,813
Insurance	86,847
Miscellaneous	1,731
Office equipment maintenance	73,571
Office supplies	24,463
Travel	68,538
Board member - per diem	5,850
Postage	17,732
Printing	4,037
Professional fees	155,933
Professional/legal fees-special	361,190
Retirement - employer portion	143,586
Salaries	777,169
Telephone	5,561
Utilities	12,021
Total	$ 1,849,768

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2014

Hilda Curry	$ 75
Clarence Fields	675
Ronnie Harris	900
Andrea Mahfouz	825
Vern Breland	750
Michael Sands	825
Claire Sarradet	900
Mary Vice	900
TOTAL	$ 5,850

The board members can receive $75 per diem for each meeting attended.

WILLIAM G. STAMM, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

HEATHER M. JOVANOVICH, C.P.A.
TERRI L. KITTO, C.P.A.

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FELIX J. HRAPMANN, JR, C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

January 12, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Employees' Retirement System of Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Municipal Employees' Retirement System of Louisiana's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Municipal Employees' Retirement System of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Employees' Retirement System of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipal Employees' Retirement System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipal Employees' Retirement System of Louisiana 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipal Employees' Retirement System of Louisiana ’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipal Employees’ Retirement System of Louisiana’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 was unmodified.

2. Internal Control:

   None.

3. Compliance and Other Matters:

   None.

4. Status of Prior Year Comments:

   None.