R E P O R T

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
OF LOUISIANA

JUNE 30, 2013

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

January 13, 2014

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, 2013 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.

Unmodified 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, 2013 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.

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 (supplementary information) 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 13, 2014 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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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 net position restricted for pension benefits exceeded its liabilities at the close of fiscal year 2013 by $798,834,742 which represents an increase from last year. The net position restricted for pension benefits increased by $22,207,875 or 2.86%. The increase was primarily due to stronger financial markets.

2. Contributions to the System by members and employers totaled $51,696,338, an increase of $392,731 or .077%. Contributions from ad valorem taxes and revenue sharing totaled $7,676,101, an increase of $469,398 or 6.51%.

3. Pension benefits paid to retirees and beneficiaries increased by $3,887,304 or 6.57%. This increase is due to an increase in the number of retirees and their benefit amounts.

4. Administrative expenses of the System totaled $2,891,813, an increase of $1,354,291 or 88.08%. Increase is due to attorney fees associated with an investment in litigation.

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 position,
2. Statement of changes in plan 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, 2013

The consolidated statement of plan 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, 2013.

The consolidated statement of changes in plan net position reports the results of the System's operations during the year disclosing the additions to and deductions from the plan net position. It supports the change that has occurred to the prior year's net position value on the statement of plan 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 Plan Net Position
June 30, 2013 and 2012

	2013	2012
Cash	$ 13,849,655	$ 12,290,162
Receivables	14,913,147	54,151,790
Investments	794,072,412	737,566,187
Collateral held under securities lending	11,951,707	4,160,763
Other assets	621,808	532,121
Property and equipment	862,203	886,725
Total assets	836,270,932	809,587,748
Total liabilities	15,412,073	7,518,697
Net Position	820,858,859	802,069,051
Noncontrolling interest	(22,024,117)	(25,442,184)
Net position restricted for pension benefits	$ 798,834,742	$ 776,626,867

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

The net position restricted for pension benefits increased by $22,207,875 or 2.86%. The increase was primarily due to stronger financial markets.

Consolidated Statements of Changes in Plan Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
Additions:		
Contributions	$ 59,372,439	$ 58,510,310
Investment income (loss)	34,225,527	(39,282,674)
Other	903,668	496,230
Total additions	94,501,634	19,723,866
Total deductions	72,293,759	66,709,308
Net increase (decrease)	$ 22,207,875	$ (46,985,442)

Additions to Plan Net Assets

Additions to the System's plan net position were derived from member and employer contributions, ad valorem taxes, state revenue sharing funds and investment income. Employer contributions increased $444,833 or 1.32%, primarily due to an increase in salaries and contribution rate. The System experienced net investment income of $34,225,527as compared to a net investment loss of $(39,282,674) in the previous year. The increase in investment return over prior year was due to stronger financial markets.

	2013	2012	Increase (Decrease) Percentage
Member contributions	$ 17,573,080	$ 17,625,182	(.03)%
Employer contributions	34,123,258	33,678,425	1.32%
Ad valorem and state revenue sharing	7,676,101	7,206,703	6.51%
Net investment income (loss)	34,225,527	(39,282,674)	187.13%
Other	903,668	496,230	82.11%
	$ 94,501,634	$ 19,723,866	

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Deductions from Plan Net Position

Deductions from plan net position include mainly retirement, death and survivor benefits, administrative expenses and transfers to other systems. Deductions from plan net position totaled $72,293,759 in fiscal year 2013. The increase of $5,584,451 from the previous year is primarily due to an increase in retirement benefits, and administrative expenses.

	2013	2012	Increase (Decrease) Percentage
Retirement benefits	$ 63,075,126	$ 59,187,822	6.57%
Refunds of contributions	4,624,012	4,674,347	(1.08)%
Administrative expenses	2,891,813	1,537,522	88.08%
Depreciation	49,681	47,264	5.11%
Transfer to other systems	1,653,127	1,262,353	30.96%
	$ 72,293,759	$ 66,709,308	

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 $22,024,117 at June 30, 2013 amounted to $772,048,295 as compared to $712,124,003 at June 30, 2012, which is a increase of $59,924,292. 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 2013 and 2012 fiscal years are indicated in the following table:

	2013	2012	Increase (Decrease) Percentage
Cash equivalents	$ 57,385,542	$ 81,025,805	(29.18)%
Bonds	27,359,507	25,004,107	9.42%
Convertible notes	1,236,564	2,892,862	(57.25)%
Equities	150,309,294	137,795,794	9.08%
Mutual funds	127,124,589	80,839,920	57.25%
Commingled funds	179,752,139	155,153,080	15.85%
Limited Partnerships	126,278,302	122,569,396	3.03%
Limited Liability Companies	22,993,432	26,725,418	(1.40)%
Mitigation credits	42,404,683	47,529,168	(10.78)%
Notes receivable	11,999,405	17,953,666	(33.16)%
Line of credit	21,240,009	16,438,897	29.21%
Real estate-mitigation banks and LLC	25,988,946	23,638,074	9.95%
	$ 794,072,412	$ 737,566,187	

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 PLAN NET POSITION
JUNE 30, 2013

	2013
ASSETS:	
Cash	$ 13,849,655
Receivables:	
Member contributions	1,264,882
Employer contributions	2,462,236
Accrued alternative investment income	9,864,239
Investment receivable	611,733
Miscellaneous receivable	125,980
Accrued interest and dividends	584,077
Total	14,913,147
Investments (At fair value):	
Cash equivalents	57,385,542
Bonds	27,359,507
Convertible notes	1,236,564
Equities	150,309,294
Equity mutual funds	90,065,199
Fixed income mutual funds	37,059,390
Investments in commingled funds	179,752,139
Investments in limited liability companies	22,993,432
Investments in limited partnerships	126,278,302
Investments in mitigation credits	42,404,683
Investments in notes receivable	11,999,405
Investments in line of credit	21,240,009
Investment in real estate-mitigation banks and LLC	25,988,946
Total	794,072,412
Collateral held under securities lending program	11,951,707
Other assets:	
Mitigation bank capitalized project costs	570,328
Prepaid expenses	10,180
Other	41,300
Total	621,808
Property, plant and equipment:	
Land	389,547
Building	784,330
Office furnishings and equipment	326,898
	1,500,775
Less: Accumulated depreciation	(638,572)
Total	862,203
Total assets	836,270,932
LIABILITIES:	
Accounts payable	366,725
Refunds payable	296,135
Other payables	1,012,461
Mitigation bank unearned revenue	148,750
Investment payable	820,284
Obligations under securities lending program	12,123,895
Long-term maintenance mitigation liability	643,823
Total liabilities	15,412,073
TOTAL NET POSITION	820,858,859
NONCONTROLLING INTERESTS	(22,024,117)
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 798,834,742

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	2013
ADDITIONS:	
Contributions:	
Members'	$ 17,573,080
Employers'	34,123,258
Ad valorem taxes and state revenue sharing funds	7,676,101
Total contributions	59,372,439
Investment income:	
Interest income	3,049,121
Dividend income	1,889,501
Securities lending income	151,565
Alternative investment income	10,136,487
Net appreciation in fair value of investments	23,679,158
	38,905,832
Less investment expense:	
Investment advisory fees	4,949,548
Securities lending expense	49,330
Custodian bank fees	99,094
	5,097,972
Net investment income	33,807,860
Net investment loss attributable to noncontrolling interest	417,667
Net investment income attributable to the Pension Fund	34,225,527
Other additions:	
Interest-other	14,203
Transfers from other retirement systems	889,465
	903,668
Total additions	94,501,634
DEDUCTIONS:	
Benefits	63,075,126
Refund of contributions	4,624,012
Administrative expenses	2,891,813
Depreciation	49,680
Transfers to other retirement systems	1,653,128
Total deductions	72,293,759
NET INCREASE	22,207,875
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	776,626,867
END OF YEAR	$ 798,834,742

See accompanying notes.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, redefined the residual of all other elements presented in the consolidated statement of net position from "Net Assets" to "Net Position".

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 72% ownership in a commingled fund, 62% ownership in a limited liability company which owns investment property, 80% ownership in a limited liability company land development, 99% ownership in a partnership, which identifies partnership investments to acquire, hold, and dispose and 54% ownership in a partnership which invests venture capital in early and later stage clean-tech companies. 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. 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.

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, 2013, there were 87 contributing municipalities in Plan A and 67 in Plan B.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. At June 30, 2013 statewide retirement membership consists of:

	2013		
	PLAN A	PLAN B	TOTAL
Active members	4,685	2,051	6,736
Retirees and survivors	3,106	900	4,006
“Drop Plan” participants	254	77	331
Terminated due deferred benefits	193	61	254
Terminated due refunds	2,672	1,155	3,827
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	10,910	4,244	15,154

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.

2. PLAN DESCRIPTION: (Continued)

Retirement Benefits: (Continued)

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.

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.

2. PLAN DESCRIPTION: (Continued)

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.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. PLAN DESCRIPTION: (Continued)

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, 2013, the actuarially determined employer contribution rate and the actual employer contribution rate was 18.67% and 17%, 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, 2013 was 8.72% and 8%, respectively.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. CONTRIBUTIONS AND RESERVES: (Continued)

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, 2013 is $110,114,111 for Plan A and $23,990,641 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, 2013 is $199,460,292 for Plan A and $48,676,831 for Plan B. The Pension Accumulation Reserve is 32.25% funded for Plan A and 65.39% funded for Plan B as of June 30, 2013.

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, 2013 is $447,685,487 for Plan A and $75,886,303 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, 2013 is $27,307,028 for Plan A and $6,137,212 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, 2013 of $8,287,832 for Plan A and $2,901,644 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 40 - 42.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents and investments at June 30, 2013:

Deposits (bank balance)	$ 15,394,637
Cash equivalents	57,385,542
Investments	736,686,870
	$ 809,467,049

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, 2013, bank balances in excess of insured limits were $6,305,487.

Cash Equivalents:

For the year ended June 30, 2013, cash equivalents in the amount of $36,393,723 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 year ended June 30, 2013, cash equivalents in the amount of $20,991,819, 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, 2013, the System had three investments in notes receivable in the amount of $4,740,009, $7,029,900, and $16,500,000 that exceeded the 5% criteria.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013.

	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association.	Corporate Bonds	Total Bonds	Convertible Notes
BBB	$ --	$ --	$ --	$ 1,580,861	$ 1,580,861	$ --
BB	--	--	--	775,840	775,840	--
BB-	--	--	--	1,339,290	1,339,290	--
B+	--	--	--	5,106,235	5,106,235	--
B	--	--	--	2,965,915	2,965,915	--
B-	--	--	--	4,975,580	4,975,580	--
CCC+	--	--	--	4,183,070	4,183,070	--
CCC	--	--	--	2,702,590	2,702,590	--
CCC-	--	--	--	1,347,690	1,347,690	--
D	--	--	--	914,550	914,550	--
Not Rated	22,018	260,964	210,284	974,620	1,467,886	1,236,564
	$ 22,018	$ 260,964	$ 210,284	$ 26,866,241	$ 27,359,507	$ 1,236,564

The System has no formal investment policy regarding credit risk.

At June 30, 2013, the System invested in three fixed income mutual funds in the amount of $37,059,390. The weighted average credit rating of holdings in the funds are as follows: Brandywine Global Opportunistic Fixed Income Fund in the amount of $18,755,586 has a credit rating ranging from AAA to CCC or lower with an average credit rating of BBB, Calloway Real Estate Investment Trust in the amount of $254,223 has a credit rating of BBB, and Loomis Sayles in the amount of $18,049,581 has a credit rating ranging from Aaa to Caa and lower with the majority of holdings rated at Aaa and Baa.

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.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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.

At June 30, 2013, for cash collateral held under the securities lending program in the amounts of $11,951,707, 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.

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, 2013, 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	$ 26,866,241	$ 914,550	$ 9,672,278	$ 16,279,413	$ --
Federal Home Loan Mortgage Corporation	22,018	--	11,064	23	10,931
Federal National Mortgage Assn.	260,964	--	--	77,109	183,855
Government National Mortgage Assn.	210,284	--	120,382	29,545	60,357
	$ 27,359,507	$ 914,550	$ 9,803,724	$ 16,386,090	$ 255,143
Convertible Notes	$ 1,236,564	$ 456,519	$ 780,045	$ --	$ --
Collateral Held Under Securities Lending Program	$ 11,951,707	$ 11,951,707	$ --	$ --	$ --

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

At June 30, 2013, the System has committed to invest an additional $38,871,780, 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, 2013, the System invested in one international equity mutual funds and two international fixed income mutual funds as follows: Thornburg Global Equity Fund in the amount of $53,950,699 invests in domestic and foreign equity securities with forty-one percent in domestic companies and fifty-three percent in foreign countries with Netherlands, Canada, and Brazil comprising of the top three foreign countries; Brandywine Global Opportunistic Fixed Income Fund in the amount of $18,755,586 invests in fixed income with thirty nine percent in domestic countries and sixty one percent in foreign countries with Mexico, Australia, and South Korea comprising of the top three foreign countries; Calloway Real Estate Investment Trust in the amount of $254,223 invests in fixed income with 100% of its holdings in Canada.

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

7. INVESTMENT - MITIGATION CREDITS:

At June 30, 2013, 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, 2013.

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, 2013 is $46,867,586.

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, 2013, the fair value of the securities on loan was $11,813,999.

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, 2013. 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, 2013, 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, 2013 is estimated to be $15,723. Accumulated vacation leave is not material and therefore not accrued (reflected) in the accompanying financial statements.

10. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment as of June 30, 2013, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 389,547	$ --	$ --	$ 389,547
Building	784,330	--	--	784,330
Furnishings and equipment	301,740	25,158	--	326,898
Accumulated depreciation	(588,892)	(49,680)	--	(638,572)
	$ 886,725	$ (24,522)	$ --	$ 862,203

10. PROPERTY, PLANT AND EQUIPMENT: (Continued)

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, 2013 is $49,680.

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, 2013, 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, 2013	$ 717,816,409	$ 792,854,750	$ 75,038,341	90.54%	$ 167,422,222	44.82%

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, 2013	$ 153,851,774	$ 157,592,631	$ 3,740,857	97.63%	$ 65,928,929	5.67%

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

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, 2013
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 17 years Plan B 11 years
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, 2013, Plan A and Plan B incurred an increase in normal cost in the amount of $6,748,898 and $1,317,086, respectively, due to an asset experience loss.

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, 2013, four 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.

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, 2013, the System's portion of health care premiums for retired employees totaled $11,097. 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 information needed to calculate the System's June 30, 2013 ARC was not available.

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

Net Other Postemployment (OPEB) Obligation

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

The information needed to calculate the System's June 30, 2013 OPEB Obligation was not available.

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. The information needed to calculate the June 30, 2013 amounts was not available.

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, 2013, 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 2013, the entire June 30, 2012 actuarial accrued liability of $517,589 remained 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%

The information needed to calculate the June 30, 2013 AAL was not available.

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

Actuarial Methods and Assumptions

All of the information disclosed below was obtained from the June 30, 2011 actuarial valuation. An actuarial valuation was not performed as of June 30, 2013. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial valuation for other postemployment benefits includes estimates and assumptions regarding (1) turnover and retirement rates; (2) medical inflation and claims costs; (3) mortality; and (4) discount rate (investment return assumption). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Actuarial Cost Method

In the June 30, 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.

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

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, 2013, the System had notes receivable as follows:

a) 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, 2013, 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, 2013. For the year ended June 30, 2013, the System earned interest of $252,365 which is recorded in investment income.

b) 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, 2013 is $7,029,899. For the year ended June 30, 2013, the System earned interest of $650,266 which is recorded in investment income.

c) During the year ended June 30, 2013, Bedico Creek Preserve, LLC (80% owned by the System) had various notes receivable for the sale of lots totaling $1,639,423. The notes range from $40,000 to $890,990 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, 2013 is $1,639,423.

16. INVESTMENT RECEIVABLE:

On March 31, 2008, the System invested $40 million in the Series N shares of the FIA Leveraged Fund ("Leverage Fund"), an open ended investment fund registered in the Cayman Islands. The Leverage Fund is part of a master-feeder fund structure with affiliated entities in the Cayman Islands, Bermuda, and the United States. All of the primary investments of the Leverage Fund are owned by a Bermudan master fund known as Fletcher International, Ltd. (FILB). The Series N Shares ranked senior to common shares of the Leverage Fund in payment of dividends and liquidation. Each month after the initial investment, the System received valuation statements from Citco Fund Services (Cayman Islands), who was the third-party independent administrator of the Leverage Fund, showing that the value of the System's investment had increased by 1 % per month.

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 in the Southern District of New York. The New York bankruptcy trustee is in the process of marshaling the assets of FILB, along with filing of claims against various owners and insiders to claw-back certain payments. In addition, the bankruptcy trustee intends to assert various claims against the professionals associated with the Leverage Fund and FILB. The System has also filed lawsuits against several of the Leverage Fund's third-party service providers in which counsel projects the recovery of a substantial, but as yet indeterminable, amount. However, because of multiple variables relating to the litigation and a confidentiality order that has been ordered by the court in the FILB bankruptcy proceedings, the System cannot accurately predict the outcome of the litigation or evaluate the value of the claims being asserted by FILB on behalf of the Leverage Fund.

The System also expects recovery through the bankruptcy proceedings. The value of such recovery depends on the bankruptcy trustee's completion of the liquidation process which could be a protracted period, with substantial unknown expenses to be incurred, and the validity of certain complex legal theories being asserted on behalf of the Leverage Fund and FILB in various legal proceedings. Further, the Leverage Fund believes it is likely that a substantial recovery will be made in the pending litigation that the Leverage Fund has filed against third party service providers that is pending in Louisiana. However, the Leverage Fund cannot predict the amount, the future expenses to be incurred that will offset the recovery, or the timing of the recovery given the inherent uncertainty of litigation and the possibility that the venue of the litigation will be other than in Louisiana, which will increase the cost of litigation.

16. INVESTMENT RECEIVABLE: (Continued)

As of June 30, 2013 (due to the litigation as discussed above), it is uncertain as to the value of any remaining assets in addition to substantial unknown expenses which will incur. As a result, during the year ended June 30, 2013, the System has increased the reserve against the receivable in the amount of $41,540,180. The write down of the receivable is included in net appreciation in fair value of investments in the consolidated statement of changes in net position. As of June 30, 2013, the balance of the receivable is $-0-.

17. INVESTMENT IN LINE OF CREDIT:

During the year ended June 30, 2013, 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 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, 2013 is $4,740,009. For the year ended June 30, 2013, the System earned interest of $566,054 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. 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, 2013 is $16,500,000. For the year ended June 30, 2013, the System earned interest of $987,556 which is recorded in investment income.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF PLAN NET POSITION
JUNE 30, 2013

	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
ASSETS:				
Cash	$ 9,872,329	$ 3,646,776	$ 330,550	$ 13,849,655
Receivables:				
Member contributions	1,023,789	241,093	-	1,264,882
Employer contributions	2,065,355	396,881	-	2,462,236
Accrued alternative investment income	8,184,135	1,680,104	-	9,864,239
Investment receivable	527,245	84,488	-	611,733
Miscellaneous receivable	87,088	33,597	5,295	125,980
Due to (from) other funds	(27,250)	27,250	-	-
Accrued interest and dividends	480,565	103,512	-	584,077
Total	12,340,927	2,566,925	5,295	14,913,147
Investments:				
Cash equivalents	46,830,278	10,555,264	-	57,385,542
Bonds	22,616,322	4,743,185	-	27,359,507
Convertible notes	1,022,638	213,926	-	1,236,564
Equities	124,074,831	26,234,463	-	150,309,294
Equity mutual funds	74,450,034	15,615,165	-	90,065,199
Fixed income mutual funds	30,645,499	6,413,891	-	37,059,390
Investments in commingled funds	148,494,183	31,257,956	-	179,752,139
Investments in limited liability companies	18,985,847	4,007,585	-	22,993,432
Investments in limited partnerships	104,344,430	21,933,872	-	126,278,302
Investments in mitigation credits	35,068,673	7,336,010	-	42,404,683
Investments in notes receivable	9,919,558	2,079,847	-	11,999,405
Investments in line of credit	17,545,540	3,694,469	-	21,240,009
Investment in real estate-mitigation banks and LLC	21,492,858	4,496,088	-	25,988,946
Total investments	655,490,691	138,581,721	-	794,072,412
Collateral held under securities lending program	9,887,647	2,064,060	-	11,951,707
Other Assets:				
Mitigation bank capitalized project costs	471,661	98,667	-	570,328
Prepaid expenses	8,104	2,076	-	10,180
Other	34,155	7,145	-	41,300
Total	513,920	107,888	-	621,808
Property, plant, and equipment:				
Land	296,248	93,299	-	389,547
Building	591,555	192,775	-	784,330
Office furnishings and equipment	91,779	35,746	199,373	326,898
	979,582	321,820	199,373	1,500,775
Less: Accumulated depreciation	(356,807)	(114,034)	(167,731)	(638,572)
	622,775	207,786	31,642	862,203
Total assets	688,728,289	147,175,156	367,487	836,270,932
LIABILITIES:				
Accounts payable	305,678	61,047	-	366,725
Refunds payable	253,431	42,704	-	296,135
Other payables	837,305	175,156	-	1,012,461
Mitigation bank unearned revenue	123,016	25,734	-	148,750
Investment payable	678,375	141,909	-	820,284
Obligation under securities lending program	10,030,098	2,093,797	-	12,123,895
Long-term maintenance mitigation liability	532,442	111,381	-	643,823
Total liabilities	12,760,345	2,651,728	-	15,412,073
TOTAL NET POSITION	675,967,944	144,523,428	367,487	820,858,859
NONCONTROLLING INTERESTS	(18,244,752)	(3,779,365)	-	(22,024,117)
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 657,723,192	$ 140,744,063	$ 367,487	$ 798,834,742

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
CONSOLIDATED INDIVIDUAL FUNDS STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS:	PLAN "A"	PLAN "B"	EXPENSE FUND	TOTAL
Contributions:				
Members'	$ 14,451,232	$ 3,121,848	$ -	$ 17,573,080
Employers'	28,839,765	5,283,493	-	34,123,258
Ad valorem taxes and state revenue sharing funds	5,496,856	2,179,245	-	7,676,101
Total contributions	48,787,853	10,584,586	-	59,372,439
Investment income:				
Interest income	2,520,411	527,816	894	3,049,121
Dividend income	1,562,617	326,884	-	1,889,501
Securities lending income	125,344	26,221	-	151,565
Alternative investment income	8,366,743	1,769,744	-	10,136,487
Net appreciation in fair value of investments	19,592,583	4,086,575	-	23,679,158
	32,167,698	6,737,240	894	38,905,832
Less investment expense:				
Investment advisory fees	4,093,276	856,272	-	4,949,548
Securities lending expense	40,796	8,534	-	49,330
Custodian bank fees	82,139	16,955	-	99,094
	4,216,211	881,761	-	5,097,972
Net investment income	27,951,487	5,855,479	894	33,807,860
Plus: Net investment loss attributable to noncontrolling interest	335,233	82,434	-	417,667
Net investment income attributable to the Pension Fund	28,286,720	5,937,913	894	34,225,527
Other additions:				
Interest-other	8,948	5,255	-	14,203
Transfers from other retirement systems	889,465	-	-	889,465
Total other additions	898,413	5,255	-	903,668
TOTAL ADDITIONS	77,972,986	16,527,754	894	94,501,634
DEDUCTIONS:				
Benefits	53,468,681	9,606,445	-	63,075,126
Refund of contributions	3,832,895	791,117	-	4,624,012
Administrative expenses	1,015,904	212,517	1,663,392	2,891,813
Depreciation	28,656	10,135	10,889	49,680
Transfers to other retirement systems	1,521,109	132,019	-	1,653,128
Transfers to/from Plans	(1,889,618)	1,889,618	-	-
Transfers to expense fund from pension funds	1,480,017	307,997	(1,788,014)	-
TOTAL DEDUCTIONS	59,457,644	12,949,848	(113,733)	72,293,759
NET INCREASE	18,515,342	3,577,906	114,627	22,207,875
NET POSITION RESTRICTED FOR PENSION BENEFITS				
Beginning of year	639,207,850	137,166,157	252,860	776,626,867
END OF YEAR	$ 657,723,192	$ 140,744,063	$ 367,487	$ 798,834,742

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATON
CONSOLIDATED SCHEDULE OF INVESTMENTS
JUNE 30, 2013

	2013 MARKET VALUE
PLAN "A"	
Cash equivalents	$ 46,830,278
Bonds:	
U.S. Government Agency	$ 407,692
Corporate bonds - foreign	1,107,552
Corporate bonds - domestic	19,009,010
Convertible corporate bonds	2,092,068
Total Bonds	$ 22,616,322
Investment in convertible notes	$ 1,022,638
Equities:	
U.S. equities	$ 107,559,325
Foreign equities	16,515,506
Total Equities	$ 124,074,831
Equity mutual funds:	
U.S. Equity Mutual Fund	$ 29,832,806
International Equity Mutual Funds	44,617,228
Total Equity Mutual Funds	$ 74,450,034
Fixed income mutual funds:	
U.S. Fixed Income Mutual Fund	$ 20,973,626
International Fixed Income Mutual Funds	9,671,873
Total mutual funds	$ 30,645,499
Investment - commingled funds	$ 148,494,183
Investment - limited liability companies	$ 18,985,847
Investment - limited partnerships	$ 104,344,430
Investment - mitigation credits	$ 35,068,673
Investment - notes receivable	$ 9,919,558
Investment - line of credit	$ 17,545,540
Investment in real estate-mitigation banks and LLC	$ 21,492,858

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATON
SCHEDULE OF INVESTMENTS
JUNE 30, 2013

		2013 MARKET VALUE
PLAN "B"		
Cash equivalents	$	10,555,264
Bonds:		
U.S. Government Agency	$	85,574
Corporate bonds - foreign		231,738
Corporate bonds - domestic		3,988,022
Convertible corporate bonds		437,851
Total Bonds	$	4,743,185
Investment in convertible notes	$	213,926
Equities:		
U.S. Equities	$	22,779,587
Foreign Equities		3,454,876
Total Equities	$	26,234,463
Equity Mutual Funds		
U.S. Equity Mutual Fund	$	6,281,694
International Equity Mutual Funds		9,333,471
Total Equity Mutual Funds		15,615,165
Fixed income mutual funds:		
U.S. Fixed Income Mutual Fund		4,390,633
International Fixed Income Mutual Fund		2,023,258
Total fixed income mutual funds	$	6,413,891
Investment - commingled funds	$	31,257,956
Investment - limited liability companies	$	4,007,585
Investment - limited partnerships	$	21,933,872
Investment - mitigation credits	$	7,336,010
Investment - notes receivable	$	2,079,847
Investments - line of credit	$	3,694,469
Investment in real estate-mitigation banks and LLC	$	4,496,088

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN A
FOR THE YEAR ENDED JUNE 30, 2013

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Unfunded Actuarial Liability	Total
BALANCES, JULY 1, 2012	$ 422,263,952	$ 108,730,956	$ 25,792,087	$ 7,691,723	$ 232,334,452	$ (157,605,320)	$ 639,207,850
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	14,451,232	-	-	-	-	14,451,232
Employers	-	-	-	-	28,839,765	-	28,839,765
Ad valorem taxes and state revenue sharing funds	-	-	-	-	5,496,856	-	5,496,856
Net income/(loss) from investments and other sources	-	-	-	596,109	27,699,559	-	28,295,668
Transfer from annuity savings	9,141,769	-	-	-	-	-	9,141,769
Pensions transferred from annuity reserve	-	-	7,421,128	-	-	-	7,421,128
Transfers from other systems	-	201,109	-	-	688,356	-	889,465
Transfers to/from Plans	-	-	-	-	1,889,618	-	1,889,618
Actuarial transfer	71,263,388	-	-	-	-	22,473,762	93,737,150
Total revenues	80,405,157	14,652,341	7,421,128	596,109	64,614,154	22,473,762	190,162,651
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	47,562,494	-	5,906,187	-	-	-	53,468,681
Refunds to members	-	3,832,895	-	-	-	-	3,832,895
Administrative expenses	-	-	-	-	1,015,904	-	1,015,904
Transfers to annuity reserve	-	9,141,769	-	-	-	-	9,141,769
Pensions transferred to DROP	7,421,128	-	-	-	-	-	7,421,128
Transfers to other systems	-	294,522	-	-	1,226,587	-	1,521,109
Transfer to expense fund	-	-	-	-	1,480,017	-	1,480,017
Depreciation	-	-	-	-	28,656	-	28,656
Actuarial transfer	-	-	-	-	93,737,150		93,737,150
Total expenditures	54,983,622	13,269,186	5,906,187	-	97,488,314	-	171,647,309
NET INCREASE (DECREASE)	25,421,535	1,383,155	1,514,941	596,109	(32,874,160)	22,473,762	18,515,342
BALANCES, JUNE 30, 2013	$ 447,685,487	$ 110,114,111	$ 27,307,028	$ 8,287,832	$ 199,460,292	$ (135,131,558)	$ 657,723,192

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES-PLAN B
FOR THE YEAR ENDED JUNE 30, 2013

	Annuity Reserve	Annuity Savings	DROP	Funding Deposit Account	Pension Accumulation	Surplus (Unfunded) Actuarial Liability	Total
BALANCES, JULY 1, 2012	$ 71,522,525	$ 22,767,786	$ 5,874,933	$ 2,692,941	$ 55,642,943	$ (21,334,971)	$ 137,166,157
REVENUES AND TRANSFERS:							
Contributions:							
Members	-	3,121,848	-	-	-	-	3,121,848
Employers	-	-	-	-	5,283,493	-	5,283,493
Ad valorem taxes and state revenue sharing funds	-	-	-	-	2,179,245	-	2,179,245
Net income from investments and other sources	-	-	-	208,703	5,734,465	-	5,943,168
Transfer from annuity savings	1,094,471	-	-	-	-	-	1,094,471
Pensions transferred from annuity reserve	-	-	1,335,782	-	-	-	1,335,782
Transfers from other systems	-	-	-	-	-	-	-
Actuarial transfer	13,138,031	-	-	-	-	4,486,403	17,624,434
Total revenues	14,232,502	3,121,848	1,335,782	208,703	13,197,203	4,486,403	36,582,441
EXPENDITURES AND TRANSFERS:							
Retirement allowances paid	8,532,942	-	1,073,503	-	-	-	9,606,445
Refunds to members	-	791,117	-	-	-	-	791,117
Administrative expenses	-	-	-	-	212,517	-	212,517
Transfers to annuity reserve	-	1,094,471	-	-	-	-	1,094,471
Pensions transferred to DROP	1,335,782	-	-	-	-	-	1,335,782
Transfers to other systems	-	13,405	-	-	118,614	-	132,019
Transfer to expense fund	-	-	-	-	307,997	-	307,997
Transfer to from Plans	-	-	-	-	1,889,618	-	1,889,618
Depreciation	-	-	-	-	10,135	-	10,135
Actuarial transfer	-	-	-	-	17,624,434		17,624,434
Total expenditures	9,868,724	1,898,993	1,073,503	-	20,163,315	-	33,004,535
NET INCREASE (DECREASE)	4,363,778	1,222,855	262,279	208,703	(6,966,112)	4,486,403	3,577,906
BALANCES, JUNE 30, 2013	$ 75,886,303	$ 23,990,641	$ 6,137,212	$ 2,901,644	$ 48,676,831	$ (16,848,568)	$ 140,744,063

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	PLAN A	PLAN B	EXPENSE FUND	2013 TOTAL
Building and yard maintenance	$ -	$ -	$ 31,634	$ 31,634
Hospitalization	-	-	80,605	80,605
Insurance	-	-	20,299	20,299
Miscellaneous	-	-	1,298	1,298
Office equipment maintenance	-	-	48,982	48,982
Office supplies	-	-	28,147	28,147
Travel	-	-	14,569	14,569
Board member - per diem	-	-	6,825	6,825
Postage	-	-	21,502	21,502
Printing	-	-	4,082	4,082
Professional fees	1,015,904	212,517	170,754	1,399,175
Professional/legal fees-special	-	-	422,811	422,811
Retirement - employer portion	-	-	114,032	114,032
Salaries	-	-	680,771	680,771
Telephone	-	-	5,973	5,973
Utilities	-	-	11,108	11,108
Total	$ 1,015,904	$ 212,517	$ 1,663,392	$ 2,891,813

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF PER DIEM TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2013

	2013 PER DIEM
Glenn Brasseaux	$ 75
Hilda Curry	900
Dudley Dixon	750
Clarence Fields	600
Ronnie Harris	975
Andrea Mahfouz	150
Marshal Picard	225
Michael Sands	1,050
Claire Sarradet	1,050
Mary Vice	1,050
TOTAL	$ 6,825

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - EMPLOYER AND OTHER SOURCES
JUNE 30, 2008 THROUGH 2013

PLAN A

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
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
2013	32,184,990	5,388,595	89.61	102.01

PLAN B

Year	Actuarial Required Contributions Employer	Actuarial Required Contributions Other Sources	Percent Contributed Employer	Percent Contributed Other Sources
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
2013	5,935,137	2,136,306	89.02	102.01

For Plan A for the years ending June 30, 2008 - 2009 and for Plan B for the years ending June 30, 2012 and June 30, 2008 - 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 liabilit

For Plan A for the years ending June 30, 2013, 2012, 2011, and 2010 and for Plans B for the years ending June 30, 2013 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, 2008 THROUGH 2013

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, 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%
June 30, 2013	717,816,409	792,854,750	75,038,341	90.54%	167,422,222	44.82%

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, 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%
June 30, 2013	153,851,774	157,592,631	3,740,857	97.63%	65,928,929	5.67%

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM'S OPEB PLAN
JUNE 30, 2013

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, 2011	$ -	$ 489,571	$ 489,571	- %	$ 313,605	156.11%
June 30, 2012	$ -	$ 517,589	$ 517,589	- %	$ 326,148	158.70%
June 30, 2013	$ *	$ *	$ *	*	$ *	*

*-The June 30, 2013 information was not available.

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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 13, 2014

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, 2013, 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 13, 2014.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2013

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, 2013 was unmodified.

2. Internal Control:

   None.

3. Compliance and Other Matters:

   None.

4. Status of Prior Year Comments:

   (12-01) During the audit, we noted that the cash trust account was not reconciled to the general ledger. It is important to reconcile the 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 item was resolved during the current year.