R E P O R T

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

JUNE 30, 2018 AND 2017

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

INDEX TO REPORT

JUNE 30, 2018 AND 2017

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
FINANCIAL STATEMENTS:	
Statements of Fiduciary Net Position	9
Statements of Changes in Fiduciary Net Position	10
Notes to Financial Statements	11 - 44
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Changes in Net Pension Liability	45 - 46
Schedules of Employers' Net Pension Liability	47
Schedules of Contributions – Employer and Non-Employer Contributing Entity	48
Schedules of Investment Returns	49
Schedule of Changes in the Total OPEB Liability	50
Schedule of the System's OPEB Contributions	51
Notes to Required Supplementary Information	52 - 54
OTHER SUPPLEMENTARY INFORMATION:	
Schedules of Per Diem Paid to Trustees	55
Schedules of Investments	56
Schedule of Administrative Expenses – Actual and Budget	57
Schedule of Compensation, Benefits, and Other Payments to Agency Head	58
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*	59 - 60
SUMMARY SCHEDULE OF FINDINGS	61 - 63

Duplantier
Hrapmann
Hogan &
Maher, LLP

DHHM certified public accountants

William G. Stamm, CPA
Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Michael J. O'Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA

A.J. Duplantier, Jr., CPA (1919-1985)
Felix J. Hrapmann, Jr., CPA (1919-1990)
William R. Hogan, Jr., CPA (1920-1996)
James Maher, Jr., CPA (1921-1999)

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT AUDITOR'S REPORT

December 6, 2018

Board of Trustees of the Municipal Police
 Employees' Retirement System
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Police Employees' Retirement System (the System), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Municipal Police Employees' Retirement System as of June 30, 2018 and 2017, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for the Municipal Police Employees' Retirement System was $3,007,181,318 and $2,918,064,612 at June 30, 2018 and 2017. The actuarial valuations were based on various assumptions made by the System's actuary. Because actual experience may differ from the assumptions used in the actuarial valuation, there is a risk that the total pension liability at June 30, 2018 and 2017 could be understated or overstated.

As disclosed in Note 15, for the year ended June 30, 2018, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The new standard required the System to record its proportionate share of OPEB amounts related to its participation in a multiple-employer defined benefit OPEB plan. As a result of the adoption of the new accounting standard, the System's beginning net position decreased by $1,090,517, total OPEB liability increased by $1,127,160 and beginning deferred outflows increased by $36,643 for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the years ended June 30, 2018 and 2017, 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 opinions on the financial statements that collectively comprise the Municipal Police Employees' Retirement System's basic financial statements. The other supplementary information as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other 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 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 other 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 a report dated December 6, 2018 on our consideration of the Municipal Police Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

The Management's Discussion and Analysis of the Municipal Police Employees' Retirement System's ("MPERS") ("the System") financial performance presents a narrative overview and analysis of the Municipal Police Employees' Retirement System's financial activities for the year ended June 30, 2018. Please read this document in conjunction with the financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

* The Municipal Police Employees' Retirement System ended the 2018 fiscal year with $2.2 billion in net position restricted for pension benefits. This is an increase of $118 million or 5.71% from the 2017 fiscal year, primarily due to income returns on the System's investments.

* Contributions to the System by members and employers totaled $120 million, a decrease of $4.7 million or 3.76% over the prior year. This decrease was due to a decrease in the employer contribution rate.

* Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax totaled $19.7 million, an increase of $.6 million or 3.37% over the prior year.

* The System experienced a net investment income in the amount of $141.5 million during the 2018 fiscal year. This is a 40.66% decrease from net investment income of $238.5 million during the 2017 fiscal year. The decrease was due primarily to lower market returns due to the current economic climate.

* Pension benefits paid to retirees and beneficiaries increased by $4.3 million or 3.17%. This increase was due to larger benefits paid to new retirees.

* DROP and IBO withdrawals decreased by $2.8 million or 18.94%.

* Administrative expenses totaled $1.6 million, an increase of 27.18%. The cost of administering the System for all plan participants during 2018 was $133.59 per individual compared to $106.59 per individual in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The System's basic financial statements were prepared in conformity with GASB Statement No. 67, *Reporting for Pension Plans,* and include the following: (1) statements of fiduciary net position, (2) statements of changes in fiduciary net position, and (3) notes to the financial statements.

The *Statement of Fiduciary Net Position* reports the System's assets, liabilities, and the resultant net position restricted for pension benefits. It discloses the financial position of the System as of June 30, 2018 and 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The *Statement of Change in Fiduciary Net Position* reports the results of the System's operations during the year, disclosing the additions to and deductions from the fiduciary net position. It supports the change that has occurred to the prior year's net position on the statement of fiduciary net position.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the financial statements. The notes begin on page 11.

The *Required Supplementary Information* consists of six schedules and related notes. The six schedules report changes in net pension liability, employers' net pension liability, employer and non-employer contributing entity contributions, and the money-weighted rate of return on investments. It also includes the schedules of changes in the total OPEB liability and System's OPEB Contributions.

The *Other Supplementary Information* section includes the schedules of investments, board compensation, administrative expenses, and schedule of compensation, benefits, and other payments to agency head.

FINANCIAL ANALYSIS

The System's financial position is measured in several ways. One way is to determine the fiduciary net position (difference between total assets and total liabilities) available to pay benefits. Over time, increases and decreases in the System's fiduciary net position indicates whether its financial health is improving or deteriorating. The following table represents a condensed version of the System's Statements of Fiduciary Net Position and Statements of Changes in Net Fiduciary Position.

Statements of Fiduciary Net Position
June 30, 2018 and 2017

	2018	2017
Cash	$ 28,489,969	$ 33,563,782
Receivables	78,045,353	21,859,706
Investments	2,067,300,630	1,994,940,040
Securities Lending Collateral Held	17,879,578	41,168,112
Capital Assets	2,177,692	2,011,769
Total Assets	2,193,893,222	2,093,543,409
Deferred outflows of resources	38,341	-
Accounts Payable & Other Liabilities	14,170,035	7,352,988
Securities Lending Obligations	17,879,578	41,168,112
Total Liabilities	32,049,613	48,521,100
Deferred inflows of resources	106,744	-
Net Position Restricted for Benefits	$ 2,161,775,206	$ 2,045,022,309

FINANCIAL ANALYSIS (Continued)

Net position is restricted to provide monthly retirement allowances to members who contributed to the System as employees and their beneficiaries.

Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2018 and 2017

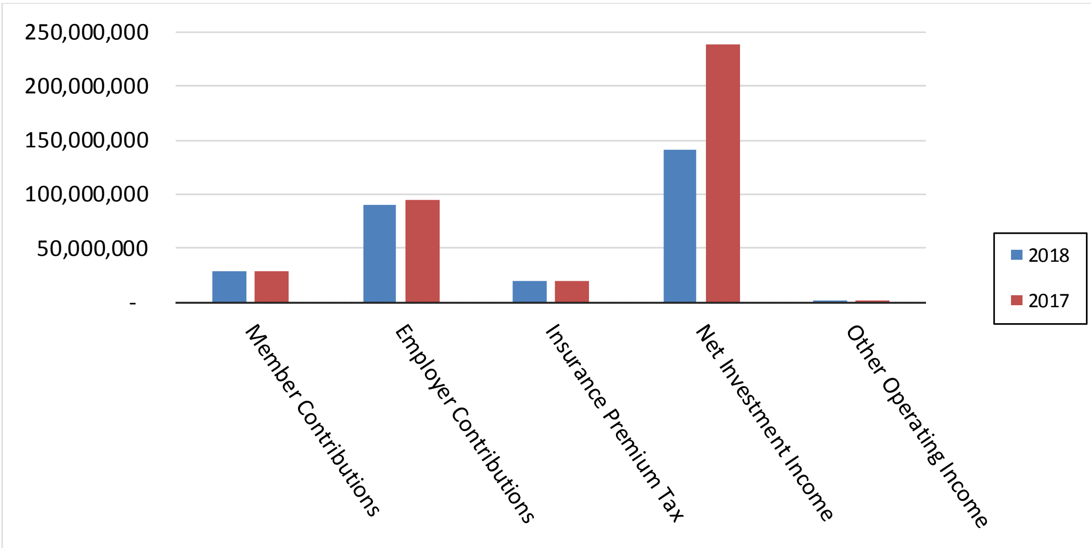
	2018	2017
Additions:		
Employer Contributions	$ 90,835,597	$ 94,847,073
Employee Contributions	28,746,906	29,403,554
Insurance Premium Taxes	19,733,532	19,090,190
Net Investment Income	141,544,619	238,535,243
Other Income	17,499	75,554
Total Additions	280,878,153	381,951,614
Deductions:		
Benefits	153,089,816	151,553,474
Refunds of Contributions	4,396,691	4,217,420
Net Transfers to/from Other Systems	3,794,342	2,584,245
Administrative Expenses	1,649,952	1,297,319
Other Postemployment Benefits	30,244	63,045
Depreciation Expense	73,694	72,199
Total Deductions	163,034,739	159,787,702
Net Increase in Net Position	$ 117,843,414	$ 222,163,912
Net effect of change in accounting principle	$ (1,090,517)	$ -

Additions to the System's Fiduciary Net Position

Additions to the System's fiduciary net position are derived from member contributions, employer contributions, and investment income. Member contributions decreased by $.7 million or 2.23%, and employer contributions decreased by $4 million or 4.23%. The System experienced net investment income of $141.5 million as compared to a net investment income of $238.5 million in the previous year. This is a 40.66% decrease in investment income. Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax increased by $.6 million, or 3.37%.

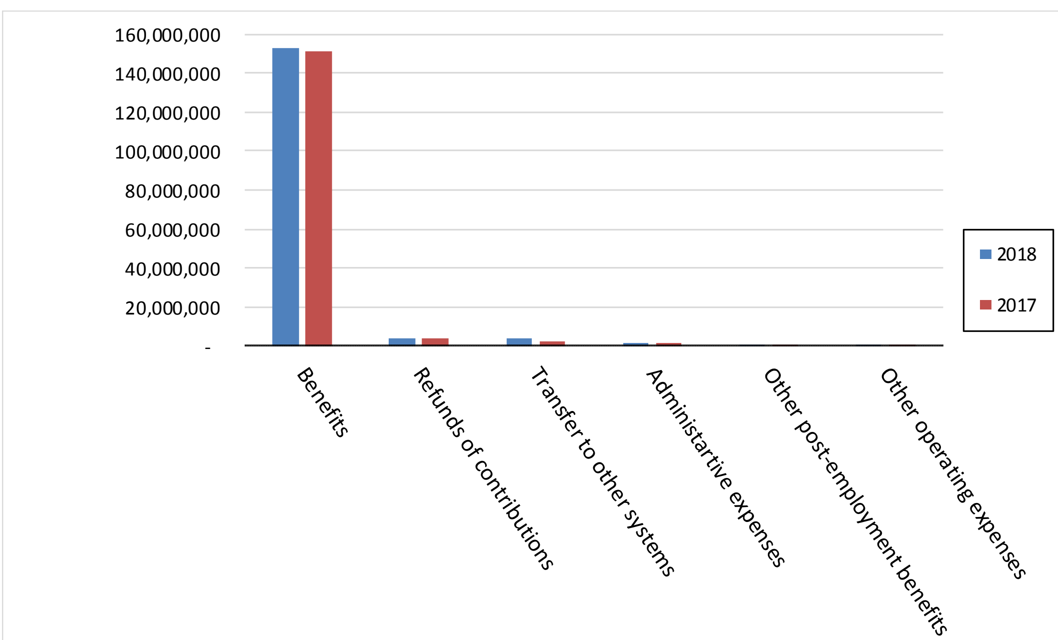
FINANCIAL ANALYSIS (Continued)

Additions to the System's Fiduciary Net Position (Continued)



Deductions from the System's Fiduciary Net Position

Deductions from the System's fiduciary net position include retirement, death and survivor benefits, refund of contributions and administrative expenses. Deductions from fiduciary net position totaled $163 million in fiscal year 2018. This increase of $3.2 million or 2.03% was primarily due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits paid.



FINANCIAL ANALYSIS (Continued)

Investments

MPERS is responsible for the prudent management of funds restricted for the exclusive benefits of their members. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total fair value of investments at June 30, 2018 was $2.1 billion as compared to $2.0 billion at June 30, 2017, which is an increase of $72 million or 3.63%.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, (225) 929-7411.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS:		
Cash:		
Operating cash	$ 28,489,969	$ 33,563,782
Total cash	28,489,969	33,563,782
Receivables:		
Member contributions	2,862,726	2,805,281
Employer contributions	9,075,466	9,145,576
Investment receivable	61,572,811	5,858,441
Accrued interest and dividends	4,534,350	4,050,408
Total receivables	78,045,353	21,859,706
Property, plant, and equipment: (Net of accumulated depreciation of $1,563,481 in 2018; $1,489,787 in 2017)	2,177,692	2,011,769
Investments (fair value):		
Cash and cash equivalents	44,997,678	82,512,211
Equities	1,187,820,935	1,139,144,317
Fixed income	420,917,028	389,933,389
Real estate	177,662,809	164,427,399
Alternative investments	130,742,607	111,882,668
Tactical asset allocation	105,159,573	107,040,056
Total investments	2,067,300,630	1,994,940,040
Collateral held under securities lending program	17,879,578	41,168,112
TOTAL ASSETS	2,193,893,222	2,093,543,409
Deferred outflows of resources	38,341	-
LIABILITIES:		
Accounts payable	373,018	160,060
Refunds payable	452,832	361,966
Obligations under securities lending program	17,879,578	41,168,112
Other postemployment benefits obligation	1,794,597	742,240
Investment payable	11,549,588	6,088,722
TOTAL LIABILITIES	32,049,613	48,521,100
Deferred inflows of resources	106,744	-
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 2,161,775,206	$ 2,045,022,309

The accompanying notes are an integral part of these financial statements.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
ADDITIONS:		
CONTRIBUTIONS:		
Member contributions	$ 28,746,906	$ 29,403,554
Employer contributions	90,835,597	94,847,073
Insurance premium tax	19,733,532	19,090,190
Total contributions	139,316,035	143,340,817
INVESTMENT INCOME:		
Net appreciation in fair value of investments	120,257,951	216,612,630
Interest, dividend, and other investment income	29,212,694	27,885,241
Securities lending income	295,483	149,929
	149,766,128	244,647,800
Less investment expenses:		
Investment consultant fees	314,721	282,410
Investment manager fees	7,597,759	5,309,736
Interest expense	17,242	158,729
Custodian fees	291,787	361,682
	8,221,509	6,112,557
Net investment income	141,544,619	238,535,243
OTHER ADDITIONS:		
Military purchase	17,499	75,554
Total other additions	17,499	75,554
Total additions	280,878,153	381,951,614
DEDUCTIONS:		
Retirement benefits	141,134,204	136,804,153
DROP/IBO withdrawals	11,955,612	14,749,321
Refund of contributions	4,396,691	4,217,420
Net transfers to/from other systems	3,794,342	2,584,245
Administrative expenses	1,649,952	1,297,319
Other postemployment benefit expense	30,244	63,045
Depreciation	73,694	72,199
Total deductions	163,034,739	159,787,702
NET INCREASE	117,843,414	222,163,912
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
BEGINNING OF YEAR	2,045,022,309	1,822,858,397
Net effect of change in accounting principle	(1,090,517)	-
END OF YEAR	$ 2,161,775,206	$ 2,045,022,309

The accompanying notes are an integral part of these financial statements.

The Municipal Police Employees' Retirement System (the System) was established as of July 1, 1973, by Act 189 of 1973. The System is a statewide retirement system, which was created for full-time municipal police officers in Louisiana. The System is administered by a Board of Trustees that consists of 15 trustees as follows:

1. Three members who shall not be chiefs of police but shall be active contributing members of the System with 10 or more years of creditable service.

2. Four members who shall be active contributing chiefs of police with four or more years of creditable service.

3. Two regular retirees of the System, who consist of:
   a. One retired from Chief’s District I.
   b. One retired from Chief’s District II.

4. Three ex officio trustees:
   a. Chairman of the Senate Committee on Retirement or his designee.
   b. The Commissioner of Administration or his designee.
   c. The State Treasurer or his designee.

5. A member of the House Committee on Retirement appointed by the speaker of the House of Representatives or the member’s designee.

6. Two mayors appointed by the Louisiana Municipal Association from municipalities having police departments participating in the System, to serve at the pleasure of the Louisiana Municipal Association.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In addition, these financial statements include the provisions of GASB Statement No. 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 and other changes.

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 the plan.

Interest income is recognized when earned. Dividends are recognized when declared. Insurance premiums are recognized in the year appropriated by the legislature.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Expenditures are recognized in the period incurred.

New Accounting Pronouncements:

During the year ended June 30, 2018, the System adopted the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The standard required the System to record its OPEB liability related to the participation in a multi-employer defined benefit OPEB plan using specific guidelines outlined in the standard.

Investments:

Investments are reported at fair value as required by GASB Statement No. 72 – Fair Value Measurement and Application. Fair value is described as an exit price. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value, which has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that observable for the asset or liability, whether directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. These disclosures are organized by type of asset or liability. GASB 72 also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are noted in Note 5.

Short-term investments are reported at market value when published prices are available, or at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. All derivative financial instruments are reported at fair value in the statements of fiduciary net position with valuation changes recognized in income. Realized and unrealized gains and losses are reported in the statements of changes in fiduciary net position as net appreciation (depreciation) in fair value of investments during the period the instruments are held and when instruments are sold or expire. The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value (such as private equity and real estate) has been recorded based on the investment's capital account balance, which is reported at fair value as of June 30, 2018 and 2017. Because of the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments: (Continued)

inherent uncertainties in estimating fair values, it is at least reasonably possible that the estimates will change in the near term. Investments that do not have an established market are reported at estimated fair value.

Land, Building, Equipment, and Fixtures:

Land, building, equipment, and fixtures of the System are recorded at historical cost. The building used for operations, equipment, and fixtures are depreciated using the straight-line method of depreciation over the asset's estimated useful life.

Deferred Outflows and Inflows of Resources:

In addition to assets, the statements of fiduciary net position report a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The System has one item that qualifies for reporting in this category, which are amounts related to other postemployment benefits.

In addition to liabilities, the Statements of Fiduciary Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The System has one item that meets the criterion for this category, which are amounts related to other postemployment benefits.

2. PLAN DESCRIPTION:

The Municipal Police Employees' Retirement System is the administrator of a cost-sharing, multiple-employer plan.

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the years ended June 30, 2018 and 2017, there were 141 and 143 contributing municipalities, respectively. At June 30, 2018 and 2017, statewide retirement membership consisted of:

	2018	2017
Inactive plan members or beneficiaries receiving benefits	4,736	4,691
Inactive plan members entitled to but not yet receiving benefits	1,750	1,624
Active plan members	5,865	5,856
Total Participants as of Valuation Date	12,351	12,171

2. PLAN DESCRIPTION: (Continued)

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Benefit provisions are authorized within Act 189 of 1973 and amended by Louisiana Revised Statute 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013:

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3⅓% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40 to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member’s average final compensation or $200 per month, whichever is greater.

Membership Commencing January 1, 2013:

Member eligibility for regular retirement, early retirement, disability, and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3% and 2½%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

2. PLAN DESCRIPTION: (Continued)

Membership Commencing January 1, 2013: (Continued)

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statues, the benefits range from 25 to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or $200 per month whichever is greater. If deceased member had less than 10 years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary, or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors, and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor, or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost-of-living adjustment until they reach regular retirement age.

Under Act 170 of the 2013 Regular Session of the Legislature, the Board of Trustees may not take action to authorize a COLA during any calendar year prior to the end of the legislative session for that year, during the first six months of any year, or in any calendar year in which the legislature has granted a COLA unless the legislation granting such COLA specifically allows the Board to also take COLA action.

The Board of Trustees may authorize a COLA if one of two tests is satisfied – The Funding Deposit test or the Funded Ratio Test. The Board may grant a COLA if sufficient funds are available in the System's Funding Deposit Account to pay for the COLA. The Board may also grant a COLA if the System has a funded ratio, which is equal to the ratio of the actuarial value of System assets to the actuarial accrued liability calculated under the entry age normal funding method, of 90% or more and has not granted a benefit increase in the most recent years; a funded ratio of 80% or more and has not granted a benefit increase in the two most recent years; or a funded ratio of 70% or more and has not granted a benefit increase in the three most recent years. The System's actuary and the actuary for the Louisiana Legislative auditor must also both certify that the System's Funded Ratio was sufficient to grant the COLA. If the actuary for the Louisiana Legislative Auditor does not certify, then the board may appeal to PRSAC.

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

2. PLAN DESCRIPTION: (Continued)

Deferred Retirement Option Plan:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the member’s sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is 36 months or less. If employment is terminated after the 3-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service.

For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System’s investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan:

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Statutes should be read for more detail on eligibility and benefit provisions.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

Contributions for all members are established by state statute and are deducted from members’ salary and remitted by the participating municipality. Contributions for all employers are actuarially determined as required by state law but cannot be less than 9% of the employee’s earnable compensation excluding overtime but including state supplemental pay.

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

Employee contribution rates are 7.5% for members whose earnable compensation is less than or equal to the poverty guidelines. For employees whose compensation is greater than the poverty guidelines, contributions will be determined each fiscal year based on a sliding scale depending upon the total actuarially required contribution for both employee and employers.

For the years ended June 30, 2018 and 2017, total employee and employer contribution rates are:

	June 30, 2018 Contributions			June 30, 2017 Contributions		
	Employee	Employer	Total	Employee	Employer	Total
Members hired prior to 1/1/2013	10.00%	30.75%	40.75%	10.00%	31.75%	41.75%
Hazardous Duty Members hired after 1/1/2013	10.00%	30.75%	40.75%	10.00%	31.75%	41.75%
Non Hazardous Duty Members hired after 1/1/2013	8.00%	30.75%	38.75%	8.00%	33.75%	41.75%
Members whose earnable compensation is less than the poverty guidelines	7.50%	33.25%	40.75%	7.50%	34.25%	41.75%

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. For the years ended June 30, 2018 and 2017, the state appropriated $19.7 million and $19.1 million, respectively, in insurance premium tax.

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

Reserves:

Use of the term "reserve" by the retirement system indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) 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,

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

A) Annuity Savings: (Continued)

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 accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The balance in Annuity Savings as of June 30, 2018 and 2017 is $244,794,588 and $233,134,142, respectively.

B) Pension Accumulation:

The Pension Accumulation 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 balance in Pension Accumulation as of June 30, 2018 and 2017 is $272,829,127 and $227,292,562, respectively.

C) Annuity Reserve:

The Annuity Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to 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 balance in Annuity Reserve as of June 30, 2018 and 2017 is $1,527,550,242 and $1,471,599,980, respectively.

D) 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 balance in Deferred Retirement Option Account as of June 30, 2018 and 2017 is $115,209,953 and $111,825,153, respectively.

E) Initial Benefit Option Reserve:

The Initial Benefit Option Reserve consists of the reserves for all participants who elect to take a lump sum benefit payment up front and subsequently receive a reduced monthly benefit. The maximum amount a member may receive up front is 36 months times the maximum benefit. The balance in Initial Benefit Option Reserve as of June 30, 2018 and 2017 is $1,391,296 and $1,170,472, respectively.

4. NET PENSION LIABILITY OF EMPLOYERS:

The components of the net pension liability of the System's employers determined in accordance with GASB No. 67 as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total Pension Liability	$ 3,007,181,318	$ 2,918,064,612
Plan Fiduciary Net Position	2,161,775,206	2,045,022,309
Employers' Net Pension Liability	$ 845,406,112	$ 873,042,303
Plan Fiduciary Net Position as a % of the Total Pension Liability	71.89%	70.08%

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

The actuarial assumptions used in the June 30, 2018 and 2017 valuation were based on the assumptions used in the June 30, 2018 and 2017 actuarial funding valuation. The assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, unless otherwise noted. Based on the study and expectations of future experience, mortality, retirement, DROP entry and withdrawal rates were changed. Family statistics were also updated and the salary scale assumption was decreased.

The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2018 and 2017 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

Valuation date	June 30, 2018 and 2017
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.20% and 7.325% (Net of investment expense) as of June 30, 2018 and 2017, respectively
Inflation rate	2.60% and 2.70% as of June 30, 2018 and 2017, respectively

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

June 30, 2018

Mortality	Mortality assumptions were based on an experience study for the period July 1, 2009 - June 30, 2014. The RP-200 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set-back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females was selected.

June 30, 2017

Mortality	Mortality assumptions were based on an experience study for the period July 1, 2009 - June 30, 2014. The RP-200 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set-back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females was selected.

Salary increases, including inflation and merit	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	Above 23	4.25%

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.03% and 8.19% for the years ended June 30, 2018 and 2017, respectively.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 and 2017 are summarized in the following table:

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

	June 30, 2018		June 30, 2017	
Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52.00%	3.58%	53.00%	3.66%
Fixed Income	22.00%	0.46%	21.00%	0.52%
Alternative	20.0%	1.07%	20.00%	1.10%
Other	6.00%	0.17%	6.00%	0.16%
Totals	100.00%	5.28%	100.00%	5.44%
Inflation		2.75%		2.75%
Expected Arithmetic		8.03%		8.19%

The discount rate used to measure the total pension liability was 7.20% and 7.325% for the years ending June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2018 and 2017, respectively.

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability – 2018	$ 1,188,029,596	$ 845,406,112	$ 557,958,183
Net Pension Liability – 2017	$ 1,206,192,123	$ 873,042,303	$ 593,553,606

5. FAIR VALUE DISCLOSURES:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2018 and 2017, respectively:

		Fair Value Measurements Using		
	6/30/2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash Equivalents	$ 44,997,678	$ -	$ 279,287	$ 44,718,391
Fixed Income Investments:				
U.S. Treasury & Gov't Obligations	$ 4,822,822	$ 4,822,822	$ -	$ -
Corporate Bonds	82,333,431	-	82,333,431	-
Miscellaneous	59,904,216	-	59,904,216	-
International Bonds	5,115,030	-	5,115,030	-
Total Fixed Income	$ 152,175,499	$ 4,822,822	$ 147,352,677	$ -
Equity Securities:				
Large Cap	$ 352,032,311	$ 352,032,311	$ -	$ -
Mid Cap	91,288,918	91,288,918	-	-
Small Cap	84,623,978	84,623,978	-	-
International Equities	281,445,673	281,445,673	-	-
Emerging Markets Equities	44,593,593	44,593,593	-	-
Energy	32,685,439	32,685,439	-	-
Total Equity Securities	$ 886,669,912	$ 886,669,912	$ -	$ -
Real Estate Investments	$ 773,438	$ -	$ 773,438	$ -
Total Investments at Fair Value Level	$ 1,084,616,527	$ 891,492,734	$ 148,405,402	$ 44,718,391
Investments measured at NAV:				
Equities	$ 301,151,023			
Fixed Income	268,741,529			
Real Estate	176,889,371			
Alternative Investments	130,742,607			
Tactical Asset Allocation	105,159,573			
Total Investments at NAV	$ 982,684,103			
Total Investments at Fair Value	$ 2,067,300,630			
Investment Derivatives:				
Forward currency contract receivables	$ 523,059	$ -	$ 523,059	$ -
Forward currency contract payables	(522,027)	-	(522,027)	-
Total Investment Derivatives	$ 1,032	$ -	$ 1,032	$ -

5. FAIR VALUE DISCLOSURES: (Continued)

		Fair Value Measurements Using		
	6/30/2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash Equivalents	$ 82,512,211	$ -	$ -	$ 82,512,211
Fixed Income Investments:				
U.S. Treasury & Gov't Obligations	$ 14,818,705	$ 14,818,705	$ -	$ -
Corporate Bonds	85,726,642	-	85,726,642	-
Miscellaneous	42,326,447	-	42,326,447	-
International Bonds	6,939,769	-	6,939,769	-
Total Fixed Income	$ 149,811,563	$ 14,818,705	$ 134,992,858	$ -
Equity Securities:				
Large Cap	$ 357,323,221	$ 357,323,221	$ -	$ -
Mid Cap	80,698,162	80,698,162	-	-
Small Cap	78,865,395	78,865,395	-	-
International Equities	261,340,609	261,340,609	-	-
Emerging Markets Equities	46,162,253	46,162,253	-	-
Energy	29,390,006	29,390,006	-	-
Total Equity Securities	$ 853,779,646	$ 853,779,646	$ -	$ -
Real Estate Investments	$ 726,563	$ -	$ 726,563	$ -
Total Investments at Fair Value Level	$ 1,086,829,983	$ 868,598,351	$ 135,719,421	$ 82,512,211
Investments measured at NAV:				
Equities	$ 285,364,671			
Fixed Income	240,121,826			
Real Estate	163,700,836			
Alternative Investments	111,882,668			
Tactical Asset Allocation	107,040,056			
Total Investments at NAV	$ 908,110,057			
Total Investments at Fair Value	$ 1,994,940,040			
Investment Derivatives:				
Forward currency contract receivables	$ 4,801,707	$ -	$ 4,801,707	$ -
Forward currency contract payables	(4,807,616)	-	(4,807,616)	-
Total Investment Derivatives	$ (5,909)	$ -	$ (5,909)	$ -

5. FAIR VALUE DISCLOSURES: (Continued)

Debt and equity and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and real estate investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2018 is presented in the following table:

	Fair Value 2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	$ 301,151,023	$ -	Daily - Monthly	None - 30 days
Fixed Income	268,741,529	-	Daily - Monthly	2 - 30 days
Real Estate	153,558,529	-	Quarterly	90 days
Real Estate	23,330,842	5,136,511	N/A	N/A
Alternative Investments	85,860,883	-	Quarterly	90 days
Alternative Investments	44,881,724	54,314,628	N/A	N/A
Tactical Asset Allocation	105,159,573	-	Monthly	5 days
Total Investments at NAV	$ 982,684,103			

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017 is presented in the following table:

	Fair Value 2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	$ 285,364,671	$ -	Daily - Monthly	None - 30 days
Fixed Income	240,121,826	-	Daily - Monthly	2 - 30 days
Real Estate	148,178,296	-	Quarterly	90 days
Real Estate	15,522,540	10,499,011	N/A	N/A
Alternative Investments	84,620,391	-	Monthly	25 - 90 days
Alternative Investments	27,262,277	43,015,251	N/A	N/A
Tactical Asset Allocation	107,040,056	-	Monthly	5 days
Total Investments at NAV	$ 908,110,057			

5. FAIR VALUE DISCLOSURES: (Continued)

Equities:

Equities include investments in emerging markets and international equity funds. Emerging markets equity funds refer to any investments in stocks (i.e., publicly traded equity ownership) of companies domiciled, listed, and/or traded on the securities exchanges of countries classified as "emerging." Countries are classified as "developed" or "emerging" by levels of economic development, size/liquidity of markets, and market accessibility criteria. International equity funds refer to any investments that represent an ownership stake of a non-U.S. domiciled company's assets and earnings. The equity ownership stake represents a residual claim on assets, earnings, and dividends of the non-U.S. domiciled company.

Fixed Income:

Fixed income includes investments in a domestic bond fund, a high yield fund, a bank loan fund, and emerging markets fixed income funds. Domestic fixed income Bond Fund refers to any investments in interest bearing securities that obligate a U.S.-based issuer (i.e., the domestic borrower) to pay the security holder (i.e., the lender) a specified amount of money at specific intervals and to repay the principal amount of the loan at maturity. The issuer (i.e., the borrower) of a domestic fixed income security must be a government entity, government agency, corporation, or other entity of the United States and/or domiciled in the United States. High Yield Fund investments refer to any investments that were organized for the purpose of trading and investing in securities. The objective of High Yield Fund is to achieve risk-adjusted total returns by buying and selling investments that are anticipated to have a primarily fixed-income focus. Investments primarily are in debt securities of midsize and large capitalizations. Bank Loan Fund investment seeks to outperform the benchmark by investing primarily in bank debt instruments of non-investment grade companies through a selective approach focused on the larger, rated issuers within the bank loan universe. Emerging markets fixed income funds refer to any investments in sovereign bonds of countries classified as "emerging" and/or corporate bonds of companies domiciled in countries classified as "emerging". Emerging markets fixed income funds may be issued in either the respective local currency of the country or "hard" currency (i.e., globally traded currency perceived as a stable store of value).

Real Estate:

Private real estate investments refer to holdings that may include domestic and foreign income producing properties (e.g., office, hotel, commercial, residential, industrial, etc.), raw land, and other real estate related opportunities. The investment objective of a real estate portfolio is to enhance the risk/return profile of the System's total portfolio primarily by providing a low correlation to equities and fixed income markets and diversification benefits to the overall portfolio.

5. FAIR VALUE DISCLOSURES: (Continued)

Alternative Investments:

Alternative investments include investments in hedge funds and private equity funds. Hedge funds investments refer to investment funds that may utilize a broad range of absolute return oriented investment strategies (e.g., convertible arbitrage, merger arbitrage, distressed securities, long/short equity, equity market neutral, etc.). The investment objective of the hedge fund portfolio is to achieve attractive long-term, risk-adjusted returns in a variety of capital market conditions in accordance with this investment policy statement. Private equity is an asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange. Private equity funds employ a combination of strategies to achieve a long-term capital appreciation through investing primarily, either directly or indirectly through other entities, in privately negotiated investments acquired in the secondary market. The fair values of the investments in this type have been determined using the NAV per share (or equivalent). The investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated approximately 7 to 12 years from the commencement of the fund.

Tactical Asset Allocation:

Tactical asset allocation investment refers to an investment strategy that actively adjusts a portfolio's asset allocation. The investment objective is to deliver a positive absolute return in the form of capital growth over the medium to long-term in all market conditions. The fund seeks to maintain a diversified portfolio consisting primarily of listed equity, derivatives, equity-related and debt securities, other securities, and other pooled investment vehicles.

6. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2018 and 2017:

	2018	2017
Deposits (bank balance)	$ 28,904,062	$ 33,944,931
Cash equivalents	44,997,678	82,512,211
Investments (excluding collateral)	2,022,302,952	1,912,427,829
	$ 2,096,204,692	$ 2,028,884,971

Deposits:

The System’s bank deposits were fully insured or secured by perfected liens on the bank’s securities as of June 30, 2018 and 2017.

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

Cash Equivalents:

For the years ended June 30, 2018 and 2017, cash equivalents in the amount of $15,723,697 and $53,593,126, respectively, consisted of government pooled investments. The funds are held and managed by the System's custodian bank.

For the years ended June 30, 2018 and 2017, cash equivalents in the amount of $29,273,981 and $28,919,085, respectively, consisted of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the 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 Louisiana Revised Statute 33:2955. LAMP is rated AAA by Standard & Poor's.

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

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

Investments:

In accordance with Louisiana Revised Statute 11:263, the System is authorized 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 not invest more than 65% of the book value of the System's assets in equities and at least 10% of the total portfolio must be 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.

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

Concentration of Credit Risk: (Continued)

The System's investment policy states that no more than 10% of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value or two times that of the underlying index for any given portfolio; and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments greater than 30% in one economic sector at June 30, 2018 and 2017. The System's investment in the high-yield bond fund of $-0- and $49,474,271; pooled bond fund of $142,620,115 and $84,853,449; emerging markets debt fund of $78,134,253 and $59,970,982; and bank loan fund of $47,987,161 and $45,823,124, respectively, as of June 30, 2018 and 2017 each exceeded 5% of the total fixed income portfolio's market value. All investments were approved by the Board. There were no investments in any issuer that exceeded 5% of the System's net position as of June 30, 2018 and 2017.

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 risk ratings of the System's investments in long-term debt securities as of June 30, 2018 and 2017.

Below is a schedule of bonds with their applicable ratings as of June 30, 2018:

	Corporate Bonds	Foreign Bonds	U.S. Government Bonds	Other
AAA	$ 3,894,678	$ 1,517,311	$ 4,822,822	$ 10,041,696
AA+	1,373,077	-	-	1,602,942
AA	2,568,736	-	-	-
AA-	1,045,207	-	-	2,406,788
A+	5,332,975	-	-	675,757
A	1,773,277	-	-	1,542,357
A-	3,346,993	1,541,266	-	1,309,262
BBB+	4,683,156	-	-	4,122,439
BBB	10,731,898	-	-	7,266,239
BBB-	15,495,361	1,539,734	-	5,659,658
BB+	11,555,641	-	-	1,425,323
BB	4,552,513	-	-	2,484,329
BB-	2,273,901	56,582	-	657,260
B+	1,406,167	-	-	374,378
B	104,369	-	-	-
B-	486,759	-	-	-
CCC+	416,679	-	-	-
CCC	-	-	-	-
C	-	-	-	-
Not Rated	11,292,044	460,137	-	20,335,788
	$ 82,333,431	$ 5,115,030	$ 4,822,822	$ 59,904,216

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2017:

	Corporate Bonds	Foreign Bonds	U.S. Government Bonds	Other
AAA	$ -	$ 2,209,390	$ 14,818,705	$ 6,181,635
AA+	1,895,226	-	-	1,609,918
AA	2,886,698	-	-	-
AA-	3,252,723	-	-	1,627,822
A+	1,566,965	-	-	-
A	352,851	-	-	1,316,933
A-	605,809	887,008	-	2,206,715
BBB+	4,198,860	-	-	4,033,530
BBB	18,820,324	-	-	1,869,798
BBB-	19,177,736	1,468,856	-	3,506,734
BB+	13,281,640	-	-	3,320,498
BB	2,690,423	-	-	74,058
BB-	2,025,964	51,351	-	923,729
B+	4,901,959	-	-	-
B	98,137	-	-	-
B-	430,950	-	-	-
CCC+	455,431	-	-	-
CCC	383,350	-	-	-
Not Rated	8,701,596	2,323,164	-	15,655,077
	$ 85,726,642	$ 6,939,769	$ 14,818,705	$ 42,326,447

The System's investment policy limits its domestic fixed income investments (with the exception of full discretion, core plus, high-yield, and bank loan portfolios) to corporate debt issues rated equivalent of BBB or better as defined by the least of the three rating agencies (Standard & Poor's, Moody's Investor Services, and Fitch). If securities fall to a CCC rating, they are to be eliminated in a timely manner. Obligations guaranteed or explicitly guaranteed by the U.S. Government consist of United States Treasury Notes.

The System invested in a domestic index bond fund. As of June 30, 2018 and 2017, the market value of the fund was $142,620,115 and $84,853,449, respectively. The rating of the bonds in the fund ranged from AAA to below B with 72% rated AAA as of June 30, 2018 and 2017.

The System also invested in a high-yield, exchange-traded bond fund. As of June 30, 2017, the market value of the fund was $49,474,271. The ratings for the bonds in the fund ranged from AAA to below B with 41% and 42% rated BB and B, respectively, as of June 30, 2017. The fund was redeemed as of June 30, 2018.

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

Credit Risk: (Continued)

The System invested in an emerging markets debt fund. As of June 30, 2018 and 2017, the market value of the fund is $78,134,253 and $59,970,982, respectively. The ratings of the bonds in the fund ranged from AAA to B with 43% rated BBB and 21% rated A as of June 30, 2018. The ratings of the bonds in the fund ranged from AAA to below C with 34% rated BB and 28% rated A as of June 30, 2017.

The System invested in a Pacific Asset bank loan fund. As of June 30, 2018 and 2017, the market value of the fund is $47,987,161 and $45,823,124, respectively. The ratings of the bonds in the fund ranged from BBB to CCC with 27% rated BB and 53% rated B as of June 30, 2018. The ratings of the bonds in the fund ranged from BBB to NR with 29% rated BB and 53% rated B as of June 30, 2017.

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, 2018 and 2017, the System is not exposed to custodial risk for investments in the amount of $1,940,098,620 and $1,779,746,436, respectively, since the investments are held in the name of the System.

At June 30, 2018 and 2017, the System has $127,202,010 and $215,193,604, respectively, in cash equivalents, high-yield fixed income fund, tactical asset allocation, and emerging growth credit fund partnerships, which are managed by fund managers and held with a different custodian and are therefore exposed to custodial credit risk since the investments are not in the name of the System. The underlying assets are held in the name of each individual fund and not the System.

The System reported collateral held for investment purposes in the amount of $17,879,578 and $41,168,112 as of June 30, 2018 and 2017, respectively. The System is exposed to custodial credit risk since the collateral is not in the name of the System.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. As of June 30, 2018 and 2017, the System had the following investments in long-term debt securities and maturities:

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

Interest Rate Risk: (Continued)

2018	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 years
Investment Type					
Corporate Bonds	$82,333,431	$ 1,595,647	$ 29,868,152	$ 35,626,390	$ 15,243,242
U.S. Government Bonds	4,822,822	-	2,620,094	-	2,202,728
Foreign Bonds	5,115,030	1,517,311	847,227	1,999,871	750,621
Other	59,904,216	-	19,184,712	21,786,095	18,933,409

2017	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 years
Investment Type					
Corporate Bonds	$85,726,642	$ 3,087,594	$ 10,449,940	$ 53,730,690	$ 18,458,418
U.S. Government Bonds	14,818,705	7,324,530	7,494,175	-	-
Foreign Bonds	6,939,769	135,215	4,397,339	2,407,215	-
Other	42,326,447	-	17,331,894	11,902,575	13,091,978

The overall average duration of each domestic fixed-income manager’s portfolio (with the exception of full discretion and core plus) shall not differ from that of the manager’s passive benchmark by more than two years, unless written permission has been obtained from the System’s Board of Trustees.

The maturities of the underlying fixed income investments of the emerging markets debt fund range from 2018 to 2046. There is little to no interest rate risk for the Pacific Asset Bank loan fund since the bank loans have floating rates which adjust with short term interest rates. The maturities of the underlying fixed income investments of the high-yield, exchange-traded bond fund range from 2018 to 2049. The information for maturities of the underlying fixed income investments of the domestic index bond fund was not available.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

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.

The System’s exposure for foreign currency risk consisted of its investment in foreign equities at June 30, 2018 and 2017 as follows:

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

Foreign Currency Risk: (Continued)

	2018	2017
Austria/Euro	$ 686,336	$ 958,679
Austrialia/Dollar	14,542,807	13,408,556
Belgium/Euro	2,465,331	3,369,467
Canada/Dollar	9,367,659	7,656,526
Denmark/Kroner	9,640,666	4,122,334
Finland/Euro	2,013,665	3,951,009
France/Euro	38,601,896	27,641,237
Germany/Euro	16,477,683	24,899,502
Hong Kong/Dollar	7,466,460	4,421,603
Ireland/Euro	2,319,371	322,122
Italy/Euro	8,605,539	6,794,851
Japan/Yen	58,399,933	60,804,265
Luxembourg/Euro	2,789,532	622,646
Netherlands/Euro	11,599,570	2,853,575
New Zealand/Dollar	-	358,745
Norway/Kroner	1,302,713	4,705,836
Singapore/Dollar	900,835	1,428,959
Spain/Euro	11,246,429	8,450,995
Sweden/Kroner	13,525,545	9,696,106
Switzerland/Swiss	13,989,026	17,554,176
United Kingdom/Pounds	50,061,855	53,965,694
Various/Emerging Markets Funds	240,070,043	233,160,316
Various/International Index Fund	105,674,572	98,366,608
	$ 621,747,466	$ 589,513,807

The System also invested in foreign equities denominated in United States Dollars totaling $5,442,823 and $3,353,725 as of June 30, 2018 and 2017, respectively.

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

Foreign Currency Risk: (Continued)

The System's exposure to foreign currency risk also consisted of its investment in cash in trust accounts at June 30, 2018 and 2017 was as follows:

Country/Currency	2018 Fair Value	2017 Fair Value
Australia/ Dollar	$ 2,472	$ 2,432
Euro	46,392	(174,629)
Denmark/Krone	-	8
Israel/Shekel	-	26
Japan/Yen	217,631	177,245
Hong Kong/Dollar	10,725	-
Sweden/Krone	(14,126)	(174,993)
Switzerland/Swiss Franc	-	4,640
United Kingdom/Pound	81,429	20,375
TOTAL	$ 344,523	$ (144,896)

The System's investment policy has a target not to exceed 38% of total investments in foreign equities. At June 30, 2018 and 2017, the System's position was 30.34% and 29.72%, respectively, of the total investments.

The System's exposure to foreign currency risk also consisted of its investment in long-term debt securities. At June 30, 2018 and 2017, the balance consisted of foreign government bonds of $-0-, and foreign corporate bonds of $5,115,030 and $6,939,769, respectively. The breakdown per country at June 30, 2018 and 2017 was as follows:

Country/Currency	2018 Fair Value	2017 Fair Value
Argentina/Peso	$ 460,137	$ -
Brazil/Real	-	135,215
Columbia/Peso	1,806,980	1,500,579
India/Rupee	-	1,485,344
Mexico/Peso	2,847,913	2,355,865
Norway/Krone	-	1,462,766
TOTAL	$ 5,115,030	$ 6,939,769

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

Money-Weighted Rate of Return:

For the years ended June 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.7% and 13.3%, respectively. The money-weighted return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

7. INVESTMENTS IN REAL ESTATE:

During the years ended June 30, 2018 and 2017, the System had investment in real estate as follows:

The System committed to invest $20,000,000 in La Salle Property Capital and Growth Fund V Partnership (Partnership). The Partnerships were formed to acquire office, industrial, retail, and multifamily real estate properties that can be renovated, redeveloped or repositioned as core properties. Net income or loss is allocated to capital accounts of the partners in proportion to their respective capital accounts. As of June 30, 2018 and 2017, fair market value of the partnership was $-0- and $55,562, respectively. During the fiscal year 2016, the System redeemed La Salle Property Capital and Growth Fund IV Partnership.

The System invested $19,863,489 and $14,500,989, respectively, as of June 30, 2018 and 2017 in Siguler Guff DREOF II Co-Investment Fund, L.P. The Fund is focusing on various types of real property interests, including equity interests in commercial property, commercial mortgages, commercial-backed securities, bank loans, and the debt and equity securities of real estate operating companies or real estate investment trusts in the United States and Europe. As of June 30, 2018 and 2017, the market value of the Fund was $23,330,842 and $15,466,978, respectively.

The System invested $58,227,606 and $60,933,094, respectively, as of June 30, 2018 and 2017 in Principal Financial Group U.S. Property Separate Account Fund (Fund). The Fund is a diversified real estate equity account consisting primarily of high quality, well-leased real estate properties in the multifamily, industrial, office, retail, and hotel sectors. As of June 30, 2018 and 2017, the market value of the Fund was $153,558,529 and $148,178,296, respectively.

The System invested $859,272 for years June 30, 2018 and 2017 in land and an office building for rent. As of June 30, 2018 and 2017, the market value of the land and office building is $773, 438 and $726,563, respectively.

8. ALTERNATIVE INVESTMENTS:

The System committed and funded $40 million to a private equity fund, Summit Partners Credit Fund Partnership. The partner's principal purpose is the achievement of long-term capital appreciation through investing primarily in private loans and mezzanine debt sourced through the Summit proprietary deal sourcing platform and the syndicated bank loan, high yield bond and other corporate credit markets including "stressed" and "distressed" opportunities. As of June 30, 2018 and 2017, the fair market value of the partnership was $7,959,815 and $12,638,036, respectively.

The System's commitment to private equity Coller International Partners VII, L.P. is $15,000,000. The partner's principal purpose is the achievement of long-term capital appreciation through investing primarily, either directly or indirectly through other entities, in privately negotiated investments acquired in the secondary market. As of June 30, 2018 and 2017, the fair market value of the partnership was $8,439,522 and $1,271,939, respectively.

The System's commitment to private equity Warburg Pincus Private Equity XI is $12,900,000. The partner's principal purpose is the achievement of long-term capital appreciation through purchasing interests in portfolio companies. As of June 30, 2018 and 2017, the fair market value of the partnership was $7,656,519 and $3,976,659, respectively.

The System's commitment to private equity J. F. Lehman & Company is $12,500,000. The partner's objective is to seek long-term capital appreciation by investing in companies involved in or concerned with defense, aerospace, marine, or engineering industries or other specialized service or manufacturing industries. As of June 30, 2018 and 2017, the fair market value of the partnership was $6,074,994 and $4,372,224, respectively.

The System's commitment to private equity HarbourVest Partners Co-Investment Fund IV L.P. is $12,500,000. The purpose of the partnership is to make investments with a primary emphasis on equity-oriented investments in management buy-in, management buy-out, leveraged buy-out, recapitalization, growth equity, special situation, and mezzanine transactions involving companies having trailing 12-month revenues greater than $7.5 million. As of June 30, 2018 and 2017, the fair market value of the partnership was $9,841,628 and $4,931,547, respectively.

The System's commitment to private equity Gold Point Partners Co-Investment VI, L.P. is $15,000,000. The partner's purpose is to provide investors the opportunity to invest in private equity investments with the objective of obtaining long-term growth of capital through direct investment opportunities and investments in other private equity vehicles. As of June 30, 2018 and 2017, the fair market value of the partnership was $2,242,675 and $-0-, respectively.

8. ALTERNATIVE INVESTMENTS: (Continued)

The System's commitment to private equity Levine Leichtman Capital Partners VI, L.P. is $15,000,000. The partner's purpose is to provide investors the opportunity to invest in private equity and private debt investments with the objective of obtaining long-term growth of capital through direct investment opportunities. As of June 30, 2018 and 2017, the fair market value of the partnership was $2,567,879 and $-0-, respectively.

As of June 30, 2018 and 2017, the System had subscription agreements with four and six limited partnerships and offshore funds, respectively, to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2018 and 2017, the market value of the hedge funds was $85,959,575 and $84,692,263, respectively. These funds are subject to the market factors depending on the fund strategy. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated.

9. TACTICAL ASSET ALLOCATION:

The System is invested in a tactical asset allocation fund consisting of the Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund. This investment was made to further diversify the portfolio. At June 30, 2018 and 2017, the market value of the fund was $105,159,573 and $107,040,056, respectively. This fund is subject to the market factors depending on the fund strategy.

10. FORWARD CURRENCY CONTRACTS:

The System is a party to various forward currency contracts, as discussed below. At June 30, 2018, the System had the following forward currency contracts outstanding:

		Fair Value		
Investment Derivative:	Notional Amount	Investment Receivable	Investment Payable	Unrealized Gain/(Loss)
Foreign forward currency contract – EURO	156,668	156,668	156,681	(13)
Foreign forward currency contract – JAP	269,266	269,266	268,979	287
Foreign forward currency contract – USD	96,367	97,125	96,367	758

10. FORWARD CURRENCY CONTRACTS: (Continued)

At June 30, 2017, the System had the following derivative instruments outstanding:

Investment Derivative:	Notional Amount	Fair Value Investment Receivable	Fair Value Investment Payable	Unrealized Gain/(Loss)
Foreign forward currency contract – UK	$ 1,111,929	$ 1,111,929	$ 1,111,238	$ 691
Foreign forward currency contract – EURO	598,979	597,738	598,977	(1,239)
Foreign forward currency contract – JAP	1,464,119	1,461,841	1,465,033	(3,192)
Foreign forward currency contract – SWI	820,736	819,493	820,736	(1,243)
Foreign forward currency contract – MEX	810,706	810,706	811,632	(926)

When entering into a forward foreign currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System’s net equity therein, representing unrealized gain or loss on the contracts are measured by the difference between the forward foreign exchange rates at the dates of entry into the contract and the forward rates at the reporting date. Realized and unrealized gains and losses are included in the statement of changes in fiduciary position. The fair values of the forward foreign currency contracts were estimated based on the present value of their estimated future cash flows. The System is exposed to foreign currency risk on its foreign currency forward contracts because they are denominated in British Pounds, Euros, Mexican Pesos, Japanese Yen, and Swiss Francs. At June 30, 2018 and 2017, the fair value of the foreign currency contracts receivable was $523,059 and $4,801,707, respectively. At June 30, 2018 and 2017, the fair value of the foreign currency contracts payable was $522,027 and $4,807,616, respectively.

11. SECURITY LENDING AGREEMENTS:

State statutes and Board of Trustee policies authorize the System to invest under the Prudent-Man Rule. Under the Prudent-Man Rule, the System is allowed to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has entered into a contract with its custodial bank, which acts as their third-party securities lending agent. The lending agent has access to the System's lendable portfolio or available assets. The agent lends the available assets such as U.S. and non-U.S. equities, corporate bonds, and U.S. and non-U.S. government securities. The lending agent has flexibility to use any of the pre-approved borrowers. The System approves all borrowers. The lending agent continually reviews credit worthiness of potential borrowers through adequate analysis of all material provided to them. All loans are fully collateralized with cash, government securities, or irrevocable letters of credit.

11. SECURITY LENDING AGREEMENTS: (Continued)

Collateralization of loans will be 102% of the market value of the loaned securities plus accrued interest for stocks and U.S. Treasury obligations. Collateralization of loans will be 102% of the market value for domestic securities and 105% for non-U.S. securities of the market value of the loaned securities plus accrued income. As a result of the required collateralization percentage, the System has no credit risk. The lending agent and the System enter into contracts with all approved borrowers. In the case of any loans collateralized by cash, the lending agent will invest the cash collateral (in the name of MPERS) in approved investments outlined in the contract between the agent and MPERS such as commercial paper, selected money market mutual funds, certificates of deposit, and repurchase agreements including third-party. For third-party repurchase agreements, party to such agreements must be an approved borrower. Acceptable collateral from approved borrowers for third-party repurchase agreements is all direct U.S. Treasury obligations, mortgage and asset-backed securities rated AAA or higher, commercial paper, and other investments stipulated in lender agent contract.

The System has the following securities on loan:

	2018 Market Value	2017 Market Value
Marketable Securities - Domestic	$ 55,333,786	$ 46,428,227
Marketable Securities - Foreign	7,173,814	4,112,087
Corporate Bonds - Domestic	3,082,231	16,022,028
Total	$ 65,589,831	$ 66,562,342

Securities on loan at June 30, 2018 and 2017 are collateralized by cash collateral in the amount of $17,879,578 and $41,168,112, and noncash collateral in the amount of $49,396,127 and $27,436,225, for total amount of collateral held in the amount of $67,275,705 and $68,604,337, respectively.

The term to maturity of the securities on loan is matched with the term to maturity of the investment of the cash collateral at June 30, 2018 and 2017. Such matching did exist since loans may be terminated on demand.

12. OPERATING BUDGET:

The budget is under the control of the Board of Trustees and is not an appropriated budget but is considered a budgetary execution for management purposes.

13. TAX QUALIFICATION:

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

14. EQUIPMENT AND FIXTURES:

The following is a summary of equipment and fixtures at June 30, 2018 and 2017:

	07/01/17	Additions	Deletions	06/30/18
Computer equipment and software	$ 296,609	$ 3,290	$ -	$ 299,899
Deposit on fixed asset purchases	3,406	-	(3,406)	-
Furniture	107,484	-	-	107,484
Improvements	34,552	-	-	34,552
Land	614,919	-	-	614,919
Office building	2,121,646	-	-	2,121,646
Office equipment	322,940	14,778	-	337,718
Software in progress	-	224,955	-	224,955
	3,501,556	243,023	(3,406)	3,741,173
Less accumulated depreciation	(1,489,787)	(73,694)	-	(1,563,481)
Total	$2,011,769	$169,329	$ (3,406)	$2,177,692

Depreciation expense charged to pension operations was $73,694 and $72,199 for the years ended June 30, 2018 and 2017.

15. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all System employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an agent multi-employer OPEB Plan whose premiums are paid jointly by the employee and the System. At June 30, 2018 and 2017, five and four retirees, respectively, were receiving postemployment benefits.

Plan Description:

The System's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 to pay related benefits. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Benefits Provided:

The OPEB Plan provides benefits such as death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from a pension plan, as we all as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

Contributions:

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and System contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving post-employment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Employee premiums for these benefits totaled $-0- for the years ended June 30, 2018 and 2017. Employer contributions to the OPEB Plan from the System were $38,341 and $32,955 for the years ended June 30, 2018 and 2017, respectively.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who began participation or rejoined the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65 who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer is based on the following schedule:

OGB Participation	Retiree Share	State Share
Under 10 years	81%	19%
10-14 years	62%	38%
15-19 years	44%	56%
20+ years	25%	75%

The System pays 100% of health care premiums for all retirees.

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees, subject to maximum values. The retiree pays $.54 monthly for each $1,000 of life insurance. The retiree pays $.98 monthly for each $1,000 of spouse life insurance. The employer pays the remaining amount.

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB:

At June 30, 2018, the System reported a total OPEB liability of $1,794,597. The total OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the System recognized OPEB expense of $30,244. As of June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 106,744
Employer contributions subsequent to the measurement date	38,341	-
Total	$ 38,341	$ 106,744

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of $38,341 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended June 30	Amount
2019	$ 30,674
2020	30,674
2021	30,674
2022	14,722
	$ 106,744

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions:

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8%
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	3.13%, based on the S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017 For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

Discount Rate:

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

The discount rate used to measure the total OPEB liability was increased to 3.13% in the July 1, 2017 valuation from 2.71% as of July 1, 2016. The discount rate in the current valuation reflects that the Bond Buyers’ 20-Year General Obligation Municipal Bond Index rate was unchanged from the prior year.

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Sensitivity of the District's OPEB Liability to Changes in the Discount Rate:

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.13%) or 1% higher (4.13%) than the current discount rate:

	1.0% Decrease	Discount Rate	1.0% Increase
System's total OPEB liability	$2,147,922	$1,794,597	$1,519,436

Sensitivity of the District's OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1.0% Decrease	Healthcare Cost Trend Rate	1.0% Increase
System's total OPEB liability	$1,501,754	$1,794,597	$2,176,840

Payables to the OPEB Plan:

As of June 30, 2018, the District reported no payables for outstanding contributions to the OPEB plan required for the year ended June 30, 2018.

16. 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.

17. RETIREMENT BENEFITS OF POST-MERGER POLICE EMPLOYEES:

Per Louisiana Revised Statute 11:2213(10), earnable compensation shall mean the full amount of compensation earned by an employee for a given month, including supplemental pay paid by the State of Louisiana, but shall not include overtime. City of Baton Rouge reported monthly compensation to the System without a breakdown of the amounts of salary, supplemental pay, overtime compensation and non-hazardous pay for employees who were hired after the City merged the previous police pension members into the System on February 26, 2000 (Merger Agreement). From February 26, 2000 to December 31, 2017 for Baton Rouge post-merger employees, the System calculated Deferred Retirement Option contributions and monthly retirement and survivor benefits based on reported compensation that included disputed overtime. For these benefits, the System informed the members that the benefit could change.

In August 2018, the System and the City of Baton Rouge signed a Memorandum of Understanding (MOU) regarding retirement benefits of post-merger police employees. In order to allow the System and the City of Baton Rouge the necessary time to review all legal and financial issues related to disputed overtime, the following procedures were agreed upon:

During the term of MOU the System will continue to pay monthly benefits based upon members' final average compensation which includes disputed overtime, unless otherwise agreed upon.

City of Baton Rouge may continue to submit contributions on disputed overtime for employees and the System may maintain contributions based on disputed overtime in a suspense or escrow fund and such monies will not be considered contributions to the System. In the event disputed overtime is not included in the benefit calculation, the employer contributions in the suspense account will be refunded or credited to the City. Conversely, in the event disputed overtime is included in the benefit calculation, the employer contributions in the suspense account will be transferred from the escrow fund to the System as a contribution.

The System and the City of Baton Rouge shall not institute or fund the initiation of any litigation by any System's member arising out of the disputed overtime against any party of the MOU.

Since the resolution of disputed overtime has not been resolved as of the date the financial statements were available to be issued and the outcome of the MOU is pending, a payable has not been reported on the statement of fiduciary net position.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	2018	2017	2016
Total Pension Liability:			
Service cost	$ 54,455,139	$ 50,897,473	$ 48,835,622
Interest	211,934,847	205,008,038	198,685,578
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(54,697,789)	7,622,189	(8,714,512)
Changes of assumptions	38,696,875	52,448,263	-
Benefit payments (including DROP and IBO withdrawals)	(153,120,060)	(151,553,474)	(148,169,159)
Refunds	(4,396,691)	(4,217,420)	(4,142,582)
Other	(3,776,843)	(2,280,589)	(2,827,581)
Net change in total pension liability	89,095,478	157,924,480	83,667,366
Total pension liability - beginning	2,918,064,612	2,760,140,132	2,676,472,766
Total pension liability - ending (a)	$ 3,007,160,090	$ 2,918,064,612	$2,760,140,132
Plan Fiduciary Net Position:			
Contributions - employer	$ 90,835,597	$ 94,847,073	$ 82,720,635
Contributions - member	28,746,906	29,175,452	27,278,823
Contributions - non-employer contributing entity	19,733,532	19,090,190	18,605,064
Net investment income (loss)	141,544,619	238,535,243	(42,215,916)
Benefit payments (including DROP and IBO withdrawals)	(153,120,060)	(151,553,474)	(148,169,159)
Refunds	(4,396,691)	(4,217,420)	(4,142,582)
Administrative expenses	(2,814,163) *	(1,432,563)	(1,468,182)
Other	(3,776,843)	(2,280,589)	(2,827,581)
Net change in plan fiduciary net position	116,752,897	222,163,912	(70,218,898)
Plan fiduciary net position - beginning	2,045,022,309	1,822,858,397	1,893,077,295
Plan fiduciary net position - ending (b)	$ 2,161,775,206	$ 2,045,022,309	$1,822,858,397
Net pension liability - ending (a) - (b)	$ 845,384,884	$ 873,042,303	$ 937,281,735
Plan fiduciary net position as a percentage of total pension liability	71.89%	70.08%	66.04%
Covered payroll	$ 295,400,315	$ 298,448,940	$ 280,124,060
Net pension liability as a percentage of covered payroll	286.18%	292.53%	334.60%

* 2018 Administrative expenes include $1,090,517 in prior period adjustment for implementation of GASB 75.
Schedule is intended to show information for 10 years. Additional years will be presented as they become available.

(Continued)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

	2015	2014
Total Pension Liability:		
Service cost	$ 43,010,879	$ 44,231,463
Interest	186,254,517	178,359,489
Changes of benefit terms	-	38,929,984
Differences between expected and actual experience	(9,412,440)	(14,670,717)
Changes of assumptions	91,142,323	(225,724)
Benefit payments (including DROP and IBO withdrawals)	(140,940,357)	(127,348,774)
Refunds	(4,257,860)	(4,503,123)
Other	(1,951,961)	(1,520,753)
Net change in total pension liability	163,845,101	113,251,845
Total pension liability - beginning	2,512,627,665	2,399,375,820
Total pension liability - ending (a)	$ 2,676,472,766	$ 2,512,627,665
Plan Fiduciary Net Position:		
Contributions - employer	$ 84,324,128	$ 82,259,694
Contributions - member	26,117,636	25,922,508
Contributions - non-employer contributing entity	17,704,000	16,628,926
Net investment income (loss)	26,639,525	296,576,890
Benefit payments (including DROP and IBO withdrawals)	(140,940,357)	(127,348,774)
Refunds	(4,257,860)	(4,503,123)
Administrative expenses	(1,577,279)	(1,529,139)
Other	(1,951,961)	(1,520,298)
Net change in plan fiduciary net position	6,057,832	286,486,684
Plan fiduciary net position - beginning	1,887,019,463	1,600,532,779
Plan fiduciary net position - ending (b)	$ 1,893,077,295	$ 1,887,019,463
Net pension liability - ending (a) - (b)	$ 783,395,471	$ 625,608,202
Plan fiduciary net position as a percentage of total pension liability	70.73%	75.10%
Covered payroll	$ 267,525,787	$ 265,182,766
Net pension liability as a percentage of covered payroll	292.83%	235.92%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	Covered Payroll	Employers' Net Pension Liability as a Percentage of Covered Payroll
2018	$3,007,160,090	$2,161,775,206	$ 845,384,884	71.89%	$ 295,400,315	286.18%
2017	2,918,064,612	2,045,022,309	873,042,303	70.08%	298,448,940	292.53%
2016	2,760,140,132	1,822,858,397	937,281,735	66.04%	280,124,060	334.60%
2015	2,676,472,766	1,893,077,295	783,395,471	70.73%	267,525,787	292.83%
2014	2,512,627,665	1,887,019,463	625,608,202	75.10%	265,182,766	235.92%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS
EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY
FOR THE FIVE YEARS ENDED JUNE 30, 2018

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Liability	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 110,569,129	$ 110,569,129	$ -	$ 295,400,315	37.43%
2017	113,937,263	113,937,263	-	298,448,940	38.18%
2016	101,325,699	101,325,699	-	280,124,060	36.17%
2015	102,028,128	102,028,128	-	267,525,787	38.14%
2014	98,888,620	98,888,620	-	265,182,766	37.29%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
FOR THE FIVE YEARS ENDED JUNE 30, 2018

Fiscal Year End	Annual Money-Weighted Rate of Return*
2018	6.70%
2017	13.30%
2016	-2.80%
2015	1.10%
2014	17.90%

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

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year*	System's Beginning Total OPEB Liability	Service Costs	Interest	Changes in Assumptions	Contributions	System's Ending Total OPEB Liability
2018	$ 1,869,400	$47,795	$51,463	$ (137,418)	$ (36,643)	$ 1,794,597

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.
* The amounts presented for each fiscal year were determined as of the prior fiscal year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SYSTEM'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year	Actuarially Estimated Contributions	System's Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage Of Covered Employee Payroll	Total OPEB Liability as a Percentage of Covered Employee Payroll
2018	$ 36,643	$ 38,341	$ (1,698)	$439,450	8.72%	408.37%

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

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

The total pension liability contained in this schedule was provided by the System's actuary, Gary S. Curran. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the fund.

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

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

3. SCHEDULE OF CONTRIBUTIONS – EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY:

The difference between the actuarially determined contributions for employer and the non-employer contributing entity and the contributions reported from employer and the non-employer contributing entity, and the percentage of contributions reported to cover employee payroll is presented in this schedule. Insurance premium tax revenue is support from a non-employer contributing entity.

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS:

The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. The actuarial assumptions used in valuation were based on the assumptions used in actuarial funding valuation. The assumptions used in the valuation are based on the results of an actuarial experience study for the period July, 1 2010 – June 30, 2014, unless otherwise noted. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements Note 4, Net Pension Liability of Employers.

6. SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY:

This schedule reflects the participation of the System's employees in the State of Louisiana Postemployment Benefits Plan and changes in the total other postemployment liability.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of the Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

7. CHANGES ACTUARIAL ASSUMPTIONS:

Pension Plan:

During the year ended June 30, 2017, due to an actuarial experience study and expectations of future experience, mortality, retirement, DROP entry, and withdrawal rates were changed. Family statistics were also updated based on more recent measures available from the United States Census Bureau and the salary scale assumption was decreased. Following is a detail description of the changes:

Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment Rate of Return	7.20%	7.325%	7.50%	7.50%	7.50%
Inflation Rate	2.60%	2.70%	2.875%	2.875%	3.000%
Mortality Rate - Annuitant and Beneficiary	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA set back 1 year for females	RP-2000 Healthy Annuitant Mortality Table set back 1 year for males and females
Mortality Rate - Employees	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee Mortality table set back 1 year for males and females
Mortality Rate - Disabled Annuitaints	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortaity table
Salary increases, including inflation and merit	Years of Service / Salary Growth Rate 1-2 9.75% 3-23 4.75% Above 23 4.25%	Years of Service / Salary Growth Rate 1-2 9.75% 3-23 4.75% Above 23 4.25%	Years of Service / Salary Growth Rate 1-2 9.75% 3-23 4.75% Above 23 4.25%	Years of Service / Salary Growth Rate 1-2 9.75% 3-23 4.75% Above 23 4.25%	Years of Service / Salary Growth Rate 1 10.00% 2 6.00% 3-19 4.30% 20-29 5.50% 30& Over 4.00%

7. CHANGES ACTUARIAL ASSUMPTIONS: (Continued)

OPEB Plan:

The discount rate changed from 2.71% as of July 1, 2016 to 3.13% as of July 1, 2017 for the State of Louisiana Postemployment Benefit Plan.

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULES OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

The per diem paid to the trustees is an expenditure of the Expense Fund. For fiscal years ended June 30, 2018 and 2017, the trustees received per diem at the rate of $75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attended. The per diem paid to the trustees for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Raymond Burkart, Jr.	$ 825	$ 900
Michael Calloway	375	-
Carl Dabadie	75	450
Scott Ford	750	750
Michael Glasser	375	-
Willie Joe Greene	825	900
Mark Huggins	225	900
Chad King	675	675
Gerard Landry	750	300
Dwayne Munch	150	525
Joey Normand	-	375
Larry Reech	675	825
Michael Suchanek	825	900
Donald Villere	825	825
	$ 7,350	$ 8,325

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
JUNE 30, 2018 AND 2017

	2018	2017
CASH AND CASH EQUIVALENTS	$ 44,997,678	$ 82,512,211
EQUITIES:		
Domestic	$ 560,630,646	$ 546,276,784
International	387,120,246	359,707,217
Emerging Markets	240,070,043	233,160,316
Total Equities	$ 1,187,820,935	$ 1,139,144,317
FIXED INCOME:		
Foreign Bonds	$ 5,115,030	$ 6,939,769
Corporate Bonds	82,333,431	85,726,642
U.S. Government Bonds	4,822,822	14,818,705
Other Bonds	59,904,216	42,326,447
Emerging Markets Debt Fund	78,134,253	59,970,982
Bank Loan Fund	47,987,161	45,823,124
High Yield Exchange-Traded Bond Fund	-	49,474,271
Domestic Index Bond Fund	142,620,115	84,853,449
Total Fixed Income Securities	$ 420,917,028	$ 389,933,389
REAL ESTATE:		
Partnerships	$ 23,330,842	$ 15,522,540
Land and Rental	773,438	726,563
Real Estate Funds	153,558,529	148,178,296
Total Real Estate	$ 177,662,809	$ 164,427,399
ALTERNATIVE INVESTMENTS:		
Hedge Funds	$ 85,959,575	$ 84,692,263
Private Equity	44,783,032	27,190,405
Total Alternative Investments	$ 130,742,607	$ 111,882,668
TACTICAL ASSET ALLOCATION	$ 105,159,573	$ 107,040,056
TOTAL INVESTMENTS	$ 2,067,300,630	$ 1,994,940,040

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
EXPENSE FUND:			
Personal Services:			
Staff salaries	$ 606,596	$ 609,334	$ 2,738
Group insurance	111,315	112,920	1,605
Retirement	137,582	145,165	7,583
Board member - per diem	7,350	7,725	375
Professional Services:			
Accounting	162,213	174,900	12,687
Actuarial	89,375	96,000	6,625
Computer services	157,818	172,338	14,520
Legal	63,793	71,835	8,042
Medical Board	18,226	22,200	3,974
Death audit	1,640	2,000	360
Communications:			
Postage and printing	27,510	34,000	6,490
Telephone	9,343	10,000	657
Travel	21,841	25,515	3,674
Other:			
Equipment rental and repair	26,567	35,000	8,433
Dues and subscriptions	3,896	3,900	4
Office supplies and office furniture	22,698	34,234	11,536
Election	28,177	28,200	23
Advertising	53	67	14
Board	27,355	30,000	2,645
Miscellaneous	12,876	7,500	(5,376)
Uniforms	2,994	4,500	1,506
Medicare and FICA	7,931	8,500	569
Total expense fund	1,547,149	1,635,833	88,684
BUILDING FUND:			
Association dues	1,600	1,600	-
Maintenance	53,349	101,550	48,201
Building supplies	722	-	(722)
Risk management	5,201	10,000	4,799
Security	2,040	5,450	3,410
Utilities	39,891	44,800	4,909
Total building fund	102,803	163,400	60,597
TOTAL ADMINISTRATIVE EXPENSES	$ 1,649,952	$ 1,799,233	$ 149,281
CAPITAL OUTLAYS	$ 239,617	$ 239,617	$ -

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name: Ben Huxen, CPA, Executive Director

Salary	$ 160,000
Benefits - insurance	15,930
Benefits - retirement	58,308
Continuing professional education fees	721
Dues	1,068
Reimbursements - uniforms	250
Travel	1,291
Registration fees	1,020
Conference travel	2,579
Total	$ 241,167

DHHM
certified public accountants

Duplantier
Hrapmann
Hogan &
Maher, LLP

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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*

December 6, 2018

Board of Trustees of the Municipal Police
Employees' Retirement System
7722 Office Park Boulevard, Suite 200
Baton Rouge, LA 70809-7601

We have audited, in accordance with the 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, the financial statements of the Municipal Police Employees' Retirement System as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipal Police Employees' Retirement System'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 on the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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 the 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 Police Employees' Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The results of our tests disclosed instances of noncompliance that we have communicated to management in a separate letter.

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 System'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Municipal Police Employees' Retirement System for the year ended June 30, 2018 and 2017 was unmodified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE WITH LAWS AND REGULATIONS AND OTHER MATTERS:

2. Internal Control:

Material weaknesses:	None noted
Significant deficiencies:	None noted

3. Compliance and Other Matters: None noted

MANAGEMENT LETTER COMMENTS:

None noted

SUMMARY OF PRIOR YEAR FINDINGS:

Management Letter Comment: 2017-01

Condition

During our testing of census data for the City of Baton Rouge, we noted that the City included ineligible overtime wages with regular wages to calculate monthly contributions for employees who were hired after the City merged the previous city police pension members into the System on February 26, 2000.

Criteria

Per Louisiana Revised Statute11:2213(10), earnable compensation shall mean the full amount of compensation earned by an employee for a given month, including supplemental pay paid by the State of Louisiana, but shall not include overtime.

Effect

Reporting wages with overtime for employees who became a member after the merger results in over reporting of earnable compensation. Remitting contributions using earnable compensation that includes overtime results in the over remitting of employee and employer contributions. The over reporting of pensionable wages in addition to over remitting of contributions results in reporting and remitting results in non-compliance with the law in addition to the potential calculation of benefits greater than allowed by law.

Recommendation

We recommend the System contact the City of Baton Rouge to discuss and resolve the wage calculation and reporting to ensure the correct pensionable wages and contributions are being reported and remitted.

Status

Effective August 2018, the System and the City of Baton Rouge signed a Memorandum of Understanding (MOU) regarding retirement benefits of post-merger police employees. More details regarding MOU are disclosed in Note 17.

Management Letter Comment: 2017-02

Condition

During our testing of census data for the City of Harahan, we noted that employees were not enrolled timely. Wages were not reported and contributions were not withheld and remitted until the enrollment date into the System instead of the employee's date of employment.

SUMMARY OF PRIOR YEAR FINDINGS: (Continued)

Management Letter Comment: 2017-02 (Continued)

Criteria

Per Louisiana Revised Statute 11:2214, any person who becomes an employee on and after September 9, 1977, shall become a member of the Municipal Police Employees' Retirement System as a condition of his/her employment, provided he/she is under fifty years of age at the date of employment.

Effect

Not enrolling members into the System on a timely basis results in under reporting of pensionable wages in addition to the under reporting and remitting of contributions. The under reporting of pensionable wages in addition to under remitting of contributions results in non-compliance with the law in addition to the potential calculation of benefits smaller than allowed by law.

Recommendation

We recommend the System contact the City of Harahan to ensure that all qualifying employees are enrolled on a timely basis.

Status

The City of Harahan has paid the employer contributions including interest. Employees of the City of Harahan have not paid their contributions portion.