

REPORT  
STATE OF LOUISIANA  
MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM  
JUNE 30, 2016 AND 2015

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MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM

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JUNE 30, 2016 AND 2015

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December 12, 2016

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, 2016 and 2015, 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2016 and 2015, 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 Municipal Police Employees' Retirement System was \$2,760,140,132 and \$2,676,472,766 at June 30, 2016 and 2015. 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, 2016 and 2015 could be understated or overstated.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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, 2016 and 2015, 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 of Louisiana'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 12, 2016 on our consideration of 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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 2016 fiscal year with \$1.8 billion in net position restricted for pension benefits. This is a decrease of \$70 million or 3.71% from the 2015 fiscal year, primarily due to income returns on the System's investments.
- \* Contributions to the plan by members and employers totaled \$110 million, a decrease of \$.5 million or .4% over the prior year. This decrease is due to a net increase in the number of active plan members and decrease in the employer contribution rate.
- \* Funds apportioned by the Public Employees' Retirement Systems' actuarial committee from available insurance premiums tax totaled \$18.6 million, an increase of \$.9 million or 5.09% over the prior year.
- \* The System experienced a net investment loss in the amount of \$42.2 million during the 2016 fiscal year. This is a 258.47% decrease from net investment income of \$26.6 million during the 2015 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 \$7.6 million or 6.13%. This increase is due to larger benefits paid to new retirees.
- \* DROP and IBO withdrawals decreased by \$.4 million or 2.06%.
- \* Administrative expenses totaled \$1.3 million, a decrease of 7.56%. The cost of administering the System per member during 2016 was \$109.50 per individual compared to \$120.50 per individual in 2015.

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) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to the financial statements.

The *Statement of Fiduciary Net Position* report 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, 2016 and 2015.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

*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.

*Required Supplementary Information* consists of five schedules and related notes. The five 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 schedule of funding progress for the Other Post-Employment Benefits ("OPEB") trust.

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

MPERS' 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 MPERS fiduciary net position indicates whether its financial health is improving or deteriorating. The following table represents a condensed version of MPERS Statement of Fiduciary Net Position and Statement of Changes in Net Fiduciary Position.

Condensed Comparative Statements of Fiduciary Net Position

	<u>2016</u>	<u>2015</u>
Cash	\$ 18,459,336	\$ 22,640,242
Receivables	34,641,446	17,877,952
Investments	1,782,792,329	1,859,964,382
Securities Lending Collateral Held	37,108,655	20,945,942
Capital Assets	2,063,704	2,107,465
Total Assets	<u>1,875,065,470</u>	<u>1,923,535,983</u>
Accounts Payable & Other Liabilities	15,098,418	9,512,746
Securities Lending Obligations	37,108,655	20,945,942
Total Liabilities	<u>52,207,073</u>	<u>30,458,688</u>
Net Position Restricted for Benefits	<u>\$ 1,822,858,397</u>	<u>\$ 1,893,077,295</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS (Continued)

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

Condensed Comparative Statement of Changes in Fiduciary Net Position

	<u>2016</u>	<u>2015</u>
Additions:		
Contributions	\$ 82,720,635	\$ 84,324,128
Employee Contributions	27,278,823	26,117,636
Insurance Premium Taxes	18,605,064	17,704,000
Net Investment Income/(Loss)	(42,215,916)	26,639,525
Other Income	21,202	6,614
Total Additions	<u>86,409,808</u>	<u>154,791,903</u>
Deductions:		
Benefits	148,169,159	140,940,357
Refunds of Contributions	4,142,582	4,257,860
Net Transfers to/from Other Systems	2,848,783	1,958,575
Administrative Expenses	1,313,174	1,420,583
Other Post-Employment Benefits	83,154	79,802
Depreciation Expense	71,854	76,894
Total Deductions	<u>156,628,706</u>	<u>148,734,071</u>
Net Increase/(Decrease) in Net Position	(70,218,898)	6,057,832
Net Position Restricted for Pension Benefits:		
Beginning of Year	<u>1,893,077,295</u>	<u>1,887,019,463</u>
End of Year	<u>\$ 1,822,858,397</u>	<u>\$ 1,893,077,295</u>

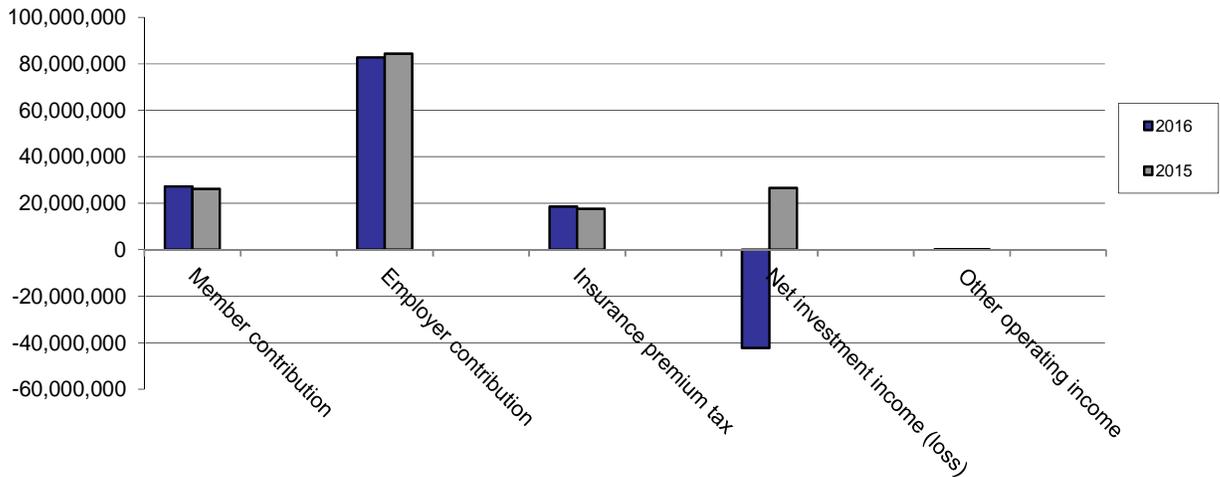
Additions to the System's Fiduciary Net Position

Additions to the System's fiduciary net position are derived from member contributions, employer contributions and investment income. Member contributions increased by \$1.2 million or 4.45%, and employer contributions decreased by \$1.6 million or 1.90%. The System experienced net investment loss of \$42 million as compared to a net investment income of \$27 million in the previous year. This is a 258.47% decrease in investment income.

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

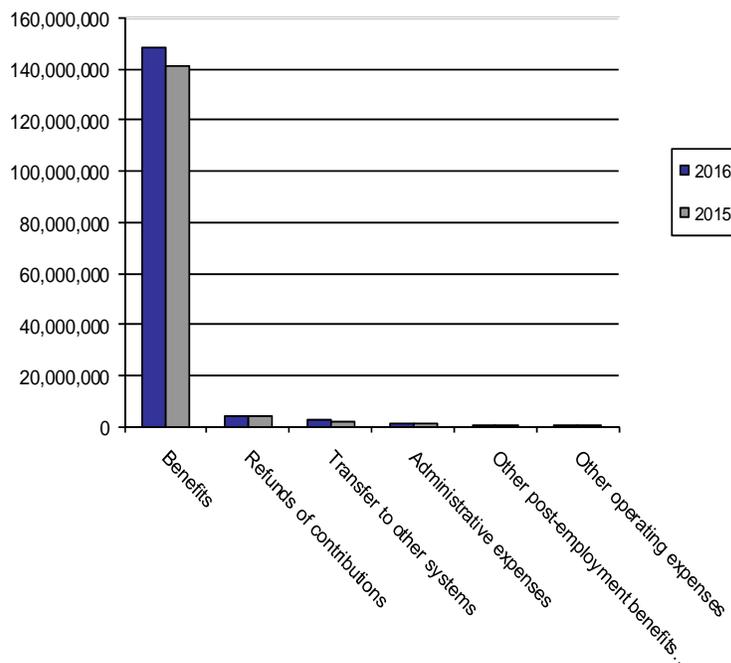
**FINANCIAL ANALYSIS** (Continued)

**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 \$157 million in fiscal year 2016. This increase of \$8 million or 5.31% was primarily due to an increase in the aggregate number of retirees and the corresponding increase in pension benefits paid.



MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 was \$1.8 billion as compared to \$1.9 billion at June 30, 2015, which is a decrease of \$77 million or 4.15%.

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  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash:		
Operating cash	\$ 18,459,336	\$ 22,640,242
Total cash	18,459,336	22,640,242
Receivables:		
Member contributions	2,534,368	2,077,009
Employer contributions	7,676,284	6,707,588
Investment receivable	21,148,797	5,531,334
Accrued interest and dividends	3,281,997	3,562,021
Total receivables	34,641,446	17,877,952
Property, plant and equipment: (Net of accumulated depreciation of \$1,417,588 in 2016; \$1,345,735 in 2015)	2,063,704	2,107,465
Investments (fair value):		
Cash and cash equivalents	62,267,193	58,408,197
Equities	960,315,971	1,040,700,011
Fixed income	373,266,991	371,269,139
Real estate	195,018,273	179,717,790
Alternative investments	103,792,959	118,136,240
Tactical asset allocation	88,130,942	91,733,005
Total investments	1,782,792,329	1,859,964,382
Collateral held under securities lending program	37,108,655	20,945,942
TOTAL ASSETS	1,875,065,470	1,923,535,983
<b>LIABILITIES:</b>		
Accounts payable	903,485	2,208,612
Refunds payable	262,598	362,830
Obligations under securities lending program	37,108,655	20,945,942
Other post employment benefits obligation	679,195	596,041
Investment payable	13,253,140	6,345,263
TOTAL LIABILITIES	52,207,073	30,458,688
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$ 1,822,858,397	\$ 1,893,077,295

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ADDITIONS:		
CONTRIBUTIONS:		
Member contributions	\$ 27,278,823	\$ 26,117,636
Employer contributions	82,720,635	84,324,128
Insurance premium tax	18,605,064	17,704,000
Total contributions	<u>128,604,522</u>	<u>128,145,764</u>
INVESTMENT INCOME:		
Net (depreciation) in fair value of investments	(69,839,931)	(1,788,092)
Interest, dividend and other investment income	33,297,682	34,198,851
Securities lending income	225,474	706,739
	<u>(36,316,775)</u>	<u>33,117,498</u>
Less investment expenses:		
Investment consultant fees	347,887	207,048
Investment manager fees	5,264,374	6,078,908
Custodian fees	286,880	192,017
	<u>5,899,141</u>	<u>6,477,973</u>
Net investment income (loss)	<u>(42,215,916)</u>	<u>26,639,525</u>
OTHER ADDITIONS:		
Interest on refund paybacks	21,202	-
Military purchase	-	6,614
Total other additions	<u>21,202</u>	<u>6,614</u>
Total additions	<u>86,409,808</u>	<u>154,791,903</u>
DEDUCTIONS:		
Retirement benefits	131,341,723	123,759,640
DROP/IBO withdrawals	16,827,436	17,180,717
Refund of contributions	4,142,582	4,257,860
Net transfers to/from other systems	2,848,783	1,958,575
Administrative expenses	1,313,174	1,420,583
Other postemployment benefit expense	83,154	79,802
Depreciation	71,854	76,894
Total deductions	<u>156,628,706</u>	<u>148,734,071</u>
NET INCREASE (DECREASE)	(70,218,898)	6,057,832
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
BEGINNING OF YEAR	1,893,077,295	1,887,019,463
END OF YEAR	<u>\$ 1,822,858,397</u>	<u>\$ 1,893,077,295</u>

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

The Municipal Police Employees' Retirement System (MPERS) 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 fifteen trustees as follows:

1. Three members whom shall not be chiefs of policy but shall be active contributing members of the System with ten or more years of creditable service.
2. Four members who shall be active contributing chiefs of policy with four or more years of creditable service.
3. Two regular retirees of the System, which consists of:
  - a. One retired from Chief's District I.
  - b. One retired from Chief's District II.
4. Four ex officio trustees
  - a. Chairman of the House of Representatives Committee on Retirement or his designee.
  - b. Chairman of the Senate Committee on Retirement or his designee.
  - c. The Commissioner of Administration or his designee.
  - d. The State Treasurer or his designee.
5. 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.

MPERS' 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.

Expenditures are recognized in the period incurred.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Standard:

During the year ended June 30, 2016, the System adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 established new standards on reporting fair value using the fair value hierarchy including inputs used to determine the fair value. GASB 72 is retroactive and has been applied to the June 30, 2015 financial statements and footnotes.

Investments:

As required by GASB 72, investments are reported at fair value. Fair value is described as an exit price. GASB 72 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. GASB 72 also 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, 2016 and 2015. Because of the 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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, 2016 and 2015, there were 143 and 132, respectively, contributing municipalities. At June 30, 2016 and 2015, statewide retirement membership consists of:

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries receiving benefits	4,637	4,538
Inactive plan members entitled to but not yet receiving benefits	1,499	1,488
Active plan members	<u>5,857</u>	<u>5,763</u>
 Total Participants as of Valuation Date	 <u>11,993</u>	 <u>11,789</u>

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 LRS 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 three and one-third percent 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 forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

2. PLAN DESCRIPTION: (Continued)

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 three percent and two and a half percent, 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.

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 statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
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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 members' 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 thirty six months or less. If employment is terminated after the three-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.

Plan booklet 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 member's 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 employees' earnable compensation excluding overtime but including state supplemental pay.

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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

For the years ended June 30, 2016 and 2015, total employee and employer contribution rates are:

	June 30, 2016 Contributions			June 30, 2015 Contributions		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
Members hired prior to 1/1/2013	10.00%	29.50%	39.50%	10.00%	31.50%	41.50%
Hazardous Duty Members hired after 1/1/2013	10.00%	29.50%	39.50%	10.00%	31.50%	41.50%
Non-Hazardous Duty Members hired after 1/1/2013	8.00%	31.50%	39.50%	8.00%	33.50%	41.50%
Members whose earnable compensation is less than the poverty guidelines	7.50%	32.00%	39.50%	7.50%	34.00%	41.50%

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, 2016 and 2015, the state appropriated \$18.6 million and \$17.7 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, 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, 2016 and 2015 is \$222,062,109 and \$210,167,634, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

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, 2016 and 2015 is \$84,055,391 and \$220,088,170, 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, 2016 and 2015 is \$1,405,184,991 and \$1,349,606,817, 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, 2016 and 2015 is \$110,569,385 and \$112,278,593, 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, 2016 and 2015 is \$986,521 and \$936,081, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 2,760,140,132	\$ 2,676,472,766
Plan Fiduciary Net Position	<u>1,822,858,397</u>	<u>1,893,077,295</u>
Employers' Net Pension Liability	<u>\$ 937,281,735</u>	<u>\$ 783,395,471</u>
 Plan Fiduciary Net Position as a % of the Total Pension Liability	 66.04%	 70.73%

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, 2016 and 2015 valuation were based on the assumptions used in the June 30, 2016 and 2015 actuarial funding valuation. The assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2010 – 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, 2016 and 2015 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, 2016 and 2015
Actuarial cost method	Entry Age Normal Cost
Investment rate of return	7.5% (Net of investment expense)
Inflation rate	2.875%

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

June 30, 2016

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, 2015

Mortality

Mortality assumptions were based on an experience study for the period July 1, 2010 - 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 for disabled annuitants.

Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	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 8.25% and 8.28% for the years ended June 30, 2016 and 2015, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2016 and 2015 are summarized in the following table:

<u>Asset Class</u>	June 30, 2016		June 30, 2015	
	Long-Term Expected		Long-Term Expected	
	<u>Target Allocation</u>	<u>Portfolio Real Rate of Return</u>	<u>Target Allocation</u>	<u>Portfolio Real Rate of Return</u>
Equity	53.00%	3.69%	52.00%	3.47%
Fixed Income	21.00%	0.49%	20.00%	0.46%
Alternative	20.00%	1.11%	23.00%	1.15%
Other	6.00%	0.21%	5.00%	0.20%
Totals	100.00%	5.50%	100.00%	5.28%
Inflation		2.75%		3.00%
Expected Arithmetic Nominal Return		8.25%		8.28%

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate.

	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease 6.5%	Discount Rate 7.5%	Increase 8.5%
2016 Net Pension Liability	\$1,249,477,174	\$937,281,735	\$675,165,354
2015 Net Pension Liability	\$1,089,225,631	\$783,395,471	\$527,115,096

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**5. FAIR VALUE DISCLOSURES:**

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The plan has the following recurring fair value measurements as of June 30, 2016 and 2015, respectively:

	6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Cash Equivalents	\$ 62,267,193	\$ -	\$ 8,387	\$ 62,258,806
<b>Fixed Income Investments</b>				
U.S. Treasury & Gov't Obligations	\$ 17,721,136	\$ 17,721,136	\$ -	\$ -
Corporate Bonds	83,644,249	-	83,644,249	-
Miscellaneous	40,788,184	-	40,788,184	-
International Bonds	13,021,483	-	13,021,483	-
Total Fixed Income	\$ 155,175,052	\$ 17,721,136	\$ 137,453,916	\$ -
<b>Equity Securities</b>				
Large Cap	\$ 317,107,728	\$ 317,107,728	\$ -	\$ -
Mid Cap	57,711,221	57,711,221	-	-
Small Cap	73,291,922	73,291,922	-	-
International Equities	223,797,698	223,797,698	-	-
Energy	34,383,633	34,383,633	-	-
Total Equity Securities	\$ 706,292,202	\$ 706,292,202	\$ -	\$ -
Real Estate Investments	\$ 726,563	\$ -	\$ 726,563	\$ -
<b>Total Investments at Fair Value Level</b>	<b>\$ 924,461,010</b>	<b>\$ 724,013,338</b>	<b>\$ 138,188,866</b>	<b>\$ 62,258,806</b>
<b>Investments measured at NAV</b>				
Equities	\$ 254,023,769			
Fixed Income	218,091,939			
Real Estate	194,291,710			
Alternative Investments	103,792,959			
Tactical Asset Allocation	88,130,942			
Total Investments at NAV	\$ 858,331,319			
<b>Total Investments at Fair Value</b>	<b>\$ 1,782,792,329</b>			
<b>Investment derivatives:</b>				
Forward currency contract receivables	\$ 1,384,639	\$ -	\$ 1,384,639	\$ -
Forward currency contract payables	(1,387,879)	-	(1,387,879)	-
Total investment derivatives	\$ (3,240)	\$ -	\$ (3,240)	\$ -

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**5. FAIR VALUE DISCLOSURES: (Continued)**

	6/30/2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Cash Equivalents	\$ 58,408,197	\$ -	\$ -	\$ 58,408,197
<b>Fixed Income Investments</b>				
U.S. Treasury & Gov't Obligations	\$ 14,926,454	\$ 14,926,454	\$ -	\$ -
State & Municipal Bonds	3,802,860	-	3,802,860	-
Corporate Bonds	92,478,556	-	92,478,556	-
Miscellaneous	32,964,856	-	32,964,856	-
International Bonds	15,253,131	-	15,253,131	-
Total Fixed Income	\$ 159,425,857	\$ 14,926,454	\$ 144,499,403	\$ -
<b>Equity Securities</b>				
Large Cap	\$ 311,633,083	\$ 311,633,083	\$ -	\$ -
Mid Cap	76,143,933	76,143,933	-	-
Small Cap	99,790,022	99,790,022	-	-
International Equities	254,842,065	254,842,065	-	-
Energy	38,931,731	38,931,731	-	-
Total Equity Securities	\$ 781,340,834	\$ 781,340,834	\$ -	\$ -
Real Estate Investments	\$ 750,001	\$ -	\$ 750,001	\$ -
<b>Total Investments at Fair Value Level</b>	<b>\$ 999,924,889</b>	<b>\$ 796,267,288</b>	<b>\$ 145,249,404</b>	<b>\$ 58,408,197</b>
<b>Investments measured at NAV</b>				
Equities	\$ 259,359,177			
Fixed Income	211,843,282			
Real Estate	178,967,789			
Alternative Investments	118,136,240			
Tactical Asset Allocation	91,733,005			
Total Investments at NAV	\$ 860,039,493			
<b>Total Investments at Fair Value</b>	<b>\$ 1,859,964,382</b>			
<b>Investment derivatives:</b>				
Forward currency contract receivables	\$ 1,677,715	\$ -	\$ 1,677,715	\$ -
Forward currency contract payables	(1,658,157)	-	(1,658,157)	-
Total investment derivatives	\$ 19,558	\$ -	\$ 19,558	\$ -

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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, 2016 is presented in the following table:

	Fair Value 2016	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	\$ 254,023,769	\$ -	Daily - Monthly	None - 30 days
Fixed Income	218,091,939	-	Daily - Monthly	2 - 30 days
Real Estate	184,647,589	-	Quarterly	90 days
Real Estate	9,644,121	14,999,011	N/A	-
Alternative Investments	80,247,425	-	Monthly	90 days
Alternative Investments	23,545,534	26,469,019	N/A	-
Tactical Asset Allocation	88,130,942	-	Monthly	5 days
Total Investments at NAV	<u>\$ 858,331,319</u>			

The unfunded commitments and redemption terms for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2015 is presented in the following table:

	Fair Value 2015	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	\$ 259,359,177	\$ -	Daily - Monthly	None - 30 days
Fixed Income	211,843,282	-	Daily - Monthly	2 - 30 days
Real Estate	178,690,863	-	Quarterly	90 days
Real Estate	276,926	-	N/A	-
Alternative Investments	86,669,775	-	Monthly	90 days
Alternative Investments	31,466,465	-	N/A	-
Tactical Asset Allocation	91,733,005	-	Monthly	5 days
Total Investments at NAV	<u>\$ 860,039,493</u>			

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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 IPS. 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Deposits (bank balance)	\$ 19,350,210	\$ 22,927,315
Cash equivalents	62,267,193	58,408,197
Investments (excluding collateral)	<u>1,720,525,136</u>	<u>1,801,556,185</u>
	<u>\$ 1,802,142,539</u>	<u>\$ 1,882,891,697</u>

Deposits:

The System's bank deposits were fully insured or secured by perfected liens on the bank's securities as of June 30, 2016 and 2015.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Cash Equivalents:

For the years ended June 30, 2016 and 2015, cash equivalents in the amount of \$34,328,553 and \$31,521,216, respectively, consisted of government pooled investments. The funds are held and managed by the System's custodian bank.

For the years ended June 30, 2016 and 2015, cash equivalents in the amount of \$27,938,640 and \$26,886,981, 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 LA-RS 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 LRS 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 sixty-five percent of the book value of the System's assets in equities and at least ten percent 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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, 2016 and 2015. The System's investment in the High Yield Bond Fund of \$43,761,893 and \$42,909,097, Pooled Bond Fund of \$85,118,477 and \$80,305,473, Emerging Markets Debt Fund of \$46,460,127 and \$47,041,162, and Bank Loan Fund of \$42,751,442 and \$41,587,550, respectively, as of June 30, 2016 and 2015 each exceeded 5% of the total fixed income portfolio's market value. There were no investments in any issuer that exceeded 5% of the System's net position as of June 30, 2016 and 2015.

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, 2016 and 2015.

Below is a schedule of bonds with their applicable ratings as of June 30, 2016:

	<u>2016</u>			
	Corporate <u>Bonds</u>	Foreign <u>Bonds</u>	U.S. Government <u>Bonds</u>	<u>Other</u>
AAA	\$ -	\$ 6,651,306	\$ 17,721,136	\$ 2,117,411
AA+	45,775	-	-	-
AA	98,470	-	-	300,629
AA-	-	-	-	708,420
A+	645,118	-	-	-
A	1,695,678	882,746	-	2,014,917
A-	1,267,842	548,623	-	3,247,730
BBB+	5,926,440	-	-	4,456,799
BBB	20,175,499	-	-	6,778,372
BBB-	16,436,604	2,488,178	-	1,533,376
BB+	12,439,855	439,475	-	4,728,800
BB	3,535,729	-	-	195,454
BB-	3,200,452	-	-	598,275
B+	3,759,614	-	-	-
B	-	-	-	-
B-	1,779,861	-	-	-
CCC	344,194	-	-	-
C	-	76,111	-	-
Not Rated	12,293,118	1,935,044	-	14,108,001
	<u>\$ 83,644,249</u>	<u>\$ 13,021,483</u>	<u>\$ 17,721,136</u>	<u>\$ 40,788,184</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2015:

**2015**

	Corporate <u>Bonds</u>	State and Municipal <u>Bonds</u>	Foreign <u>Bonds</u>	U.S. Government <u>Bonds</u>	<u>Other</u>
AAA	\$ 1,243,518	\$ -	\$ 7,231,857	\$ 14,926,454	\$ 2,667,792
AA	98,936	3,802,860	-	-	-
AA-	1,209,108	-	-	-	-
A+	1,155,814	-	-	-	-
A	3,457,452	-	1,037,943	-	1,291,607
A-	2,928,933	-	2,420,421	-	3,809,690
BBB+	7,901,751	-	425,008	-	4,816,474
BBB+	19,462,807	-	1,338,509	-	2,454,912
BBB-	21,004,362	-	368,433	-	1,866,318
BB+	12,160,066	-	71,247	-	918,608
BB	3,562,188	-	479,011	-	1,402,957
BB-	1,677,144	-	-	-	231,751
B+	1,446,987	-	-	-	-
B	2,060,136	-	-	-	-
B-	52,435	-	-	-	-
CCC+	94,288	-	-	-	-
Not Rated	12,962,631	-	1,880,702	-	13,504,747
	<u>\$ 92,478,556</u>	<u>\$ 3,802,860</u>	<u>\$ 15,253,131</u>	<u>\$ 14,926,454</u>	<u>\$ 32,964,856</u>

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, 2016 and 2015, the market value of the fund was \$85,118,477 and \$80,305,473, respectively. The rating of the bonds in the fund ranged from AAA to below B with 47% and 46% rated AAA as of June 30, 2016 and 2015, respectively.

The System also invested in a high yield exchange-traded bond fund. As of June 30, 2016 and 2015, the market value of the fund is \$43,761,893 and \$42,909,097, respectively. The rating of the bonds in the fund ranged from AAA to below B, with 37% and 39% rated BB and B for the year ended June 30, 2016. The ratings for the bonds in the fund ranged from AAA to below B with 34% and 37% rated BB and B, respectively, as of June 30, 2015.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Credit Risk: (Continued)

The System invested in an emerging markets debt fund. As of June 30, 2016 and 2015, the market value of the fund is \$46,460,127 and \$47,041,162, respectively. The ratings of the bonds in the fund ranged from AAA to below B with 33% rated BBB and 22% rated BB as of June 30, 2016. The ratings of the bonds in the fund ranged from AAA to below B with 38% rated BBB and 21% rated BB as of June 30, 2015.

The System invested in a pacific asset bank loan fund. As of June 30, 2016 and 2015, the market value of the fund is \$42,751,442 and \$41,587,550, respectively. The ratings of the bonds in the fund ranged from AAA to below B with 28% rated BBB and 29% rated BB as of June 30, 2016. The ratings of the bonds in the fund ranged from AAA to below B with 24% rated BBB and 19% rated BB as of June 30, 2015.

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, 2016 and 2015, the System is not exposed to custodial risk for investments in the amount of \$1,608,259,630 and \$1,679,226,219, respectively, since the investments are held in the name of the System.

At June 30, 2016 and 2015, the System has \$174,532,699 and \$180,738,163, 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 \$37,108,655 and \$20,945,942 as of June 30, 2016 and 2015, 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, 2016 and 2015, the System had the following investments in long-term debt securities and maturities:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
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JUNE 30, 2016 AND 2015

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

<u>2016</u>	Fair <u>Value</u>	Less than <u>1 Year</u>	1-5 <u>Years</u>	6-10 <u>Years</u>	Greater than <u>10 years</u>
<u>Investment Type</u>					
Corporate Bonds	\$83,644,249	\$ -	\$5,531,151	\$58,843,552	\$19,269,546
U.S. Government Bonds	17,721,136	-	17,721,136	-	-
Foreign Bonds	13,021,483	4,587,637	4,108,552	3,233,249	1,092,045
Other	40,788,184	-	9,961,777	17,528,077	13,298,330

<u>2015</u>	Fair <u>Value</u>	Less than <u>1 Year</u>	1-5 <u>Years</u>	6-10 <u>Years</u>	Greater than <u>10 years</u>
<u>Investment Type</u>					
Corporate Bonds	\$92,478,556	\$1,176,269	\$7,517,957	\$59,800,686	\$23,983,644
Municipal Bonds	3,802,860	3,802,860	-	-	-
U.S. Government Bonds	14,926,454	8,623,685	6,302,769	-	-
Foreign Bonds	15,253,131	3,141,336	6,524,633	4,306,432	1,280,730
Other	32,964,856	-	6,583,421	12,776,341	13,605,094

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 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, 2016 and 2015 as follows:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

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

Foreign Currency Risk: (Continued)

	<u>2016</u>	<u>2015</u>
Australian/Dollar	\$ 13,865,817	\$ 12,381,583
Belgium/Euro	1,629,885	1,782,423
Canada/Dollar	10,701,091	10,861,459
Denmark/Kroner	6,131,084	4,104,703
Finland/Euro	5,448,715	4,393,168
France/Euro	25,026,465	15,666,413
Germany/Euro	12,266,556	14,584,362
Hong Kong/Dollar	3,720,463	6,801,267
Ireland/Euro	1,784,107	951,852
Italy/Euro	2,486,596	6,948,640
Japan/Yen	44,168,872	61,837,873
Luxembourg/Euro	943,456	740,409
Netherlands/Euro	7,208,310	3,794,402
New Zealand/Dollar	263,128	-
Norway/Kroner	2,753,969	859,587
Portugal/Euro	1,162,862	813,645
Singapore/Dollar	2,666,696	2,115,300
Spain/Euro	4,665,641	11,197,920
Sweden/Kroner	8,858,574	8,646,371
Switzerland/Euro	-	1,008,101
Switzerland/Swiss	17,795,928	19,350,376
United Kingdom/Pounds	43,250,755	58,126,552
Various/Emerging Markets Funds	181,470,072	178,776,603
Various/International Index Fund	72,553,698	80,582,575
	<u>\$470,822,740</u>	<u>\$ 506,325,584</u>

The System also invested in foreign equities denominated in United States Dollars totaling \$6,998,728 and \$7,875,659, as of June 30, 2016 and 2015, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
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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, 2016 and 2015 was as follows:

<u>County/Currency</u>	<u>2016</u> <u>Fair Value</u>	<u>2015</u> <u>Fair Value</u>
Australia/ Dollar	\$ 2,482	\$ -
Euro	9,482	25,643
Hong Kong/ Dollar	-	103,895
Israel/ Shekel	23	-
Japan/ Yen	164,077	11,592
Norway/ Krone	-	152,642
Switzerland/ Swiss Franc	3,475	-
United Kingdom/ Pound	69,619	132,739
TOTAL	<u>\$ 249,158</u>	<u>\$ 426,511</u>

The System's investment policy has a target not to exceed 38% of total investments in foreign equities. At June 30, 2016 and 2015, the System's position was 26.80% and 27.89%, 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, 2016 and 2015, the balance consisted of foreign government bonds of \$-0-, and foreign corporate bonds of \$7,544,960 and \$8,077,618, respectively. The breakdown per country at June 30, 2016 and 2015 was as follows:

<u>County/Currency</u>	<u>2016</u> <u>Fair Value</u>	<u>2015</u> <u>Fair Value</u>
Australia/ Dollar	\$ 543,759	\$ 583,371
Brazil/ Real	247,004	1,279,389
Chile/ Peso	-	704,361
Columbia/ Peso	1,725,261	71,247
India/ Pupee	2,161,234	2,279,536
Mexico/ Peso	2,867,702	3,159,714
TOTAL	<u>\$ 7,544,960</u>	<u>\$ 8,077,618</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
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6. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Foreign Currency Risk: (Continued)

The System also invested in foreign long-term securities denominated in United States Dollars totaling \$5,476,522 and \$7,175,513, respectively, as of June 30, 2016 and 2015.

Money-Weighted Rate of Return:

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.8% and 1.10%, 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, 2016 and 2015, the System had investment in real estate as follows:

The System committed to invest \$36,000,000 in La Salle Property Capital and Growth Fund IV Partnership (Partnership) and \$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, 2016 and 2015, fair market value of the partnership was \$216,610 and \$11,346,806, respectively. During the fiscal year 2016, the System redeemed La Salle Property Capital and Growth Fund IV Partnership.

The System invested \$10,000,989 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, 2016 and 2015, the market value of the Fund was \$9,427,511 and \$-0-, respectively.

The System invested \$63,900,171 and \$64,684,968, respectively, as of June 30, 2016 and 2015 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, 2016 and 2015, the market value of the Fund was \$142,653,023 and \$129,483,125, respectively.

The System invested \$34,875,444 and \$34,587,498, as of June 30, 2016 and 2015, respectively, in Prudential Financial PRISA II Fund (Fund). The Fund is an open-ended commingled insurance separate account consisting primarily of real estate investments either directly owned or through partnership interests, and mortgage and other loans on income producing real estate. As of June 30, 2016 and 2015, the market value of the fund was \$41,994,566 and \$38,137,858, respectively.

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7. INVESTMENTS IN REAL ESTATE: (Continued)

The System invested \$859,272 for years June 30, 2016 and 2015 in land and an office building for rent. As of June 30, 2016 and 2015, the market value of the land and office building is \$726,563 and \$750,001, 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, 2016 and 2015, the fair market value of the partnership was \$21,959,012 and \$30,959,426, respectively.

The System's commitment to private equity Collier 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, 2016 and 2015, the fair market value of the partnership was \$578,252 and \$-0-, 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, 2016 and 2015, the fair market value of the partnership was \$768,710 and \$-0-, respectively.

As of June 30, 2016 and 2015, the System had subscription agreements with six limited partnerships and offshore funds to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2016 and 2015, the market value of the hedge funds was \$80,486,985 and \$87,176,814, 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, 2016 and 2015, the market value of the fund was \$88,130,942 and \$91,733,005, respectively. This fund is subject to the market factors depending on the fund strategy.

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10. FORWARD CURRENCY CONTRACTS:

The System is a party to various forward currency contracts, as discussed below. At June 30, 2016, the System had the following forward currency contracts outstanding:

<u>Investment Derivative:</u>	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Unrealized Gain/(Loss)</u>
		<u>Investment Receivable</u>	<u>Investment Payable</u>	
Foreign forward currency contract – UK	\$ 106,704	\$ 106,704	\$ 107,258	\$ (554)
Foreign forward currency contract – EURO	767,372	767,372	771,160	(3,788)
Foreign forward currency contract – JAP	248,578	248,869	248,578	291
Foreign forward currency contract – SWI	29,201	29,393	29,201	192
Foreign forward currency contract – SIN	212,618	213,199	212,618	581
Foreign forward currency contract – SWE	19,064	19,102	19,064	38

At June 30, 2015, the System had the following derivative instruments outstanding:

<u>Investment Derivative:</u>	<u>Notional Amount</u>	<u>Fair Value</u>		<u>Unrealized Gain/(Loss)</u>
		<u>Investment Receivable</u>	<u>Investment Payable</u>	
Foreign forward currency contract – UK	\$ 189,637	\$ 189,489	\$ 189,637	\$ (148)
Foreign forward currency contract – CAN	59,913	59,460	59,913	(453)
Foreign forward currency contract – MEX	872,809	872,809	859,078	13,731
Foreign forward currency contract – JAP	459,323	465,611	459,323	6,288
Foreign forward currency contract – SWI	28,764	28,764	28,802	(38)
Foreign forward currency contract – AUS	61,404	61,582	61,404	178

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, Canadian Dollars, Mexican Peso, Japanese Yen, Swiss Francs and Australian Dollar. At June 30, 2016 and 2015, the fair value of the foreign currency contracts receivable was \$1,384,639 and \$1,677,715, respectively. At June 30, 2016 and 2015, the fair value of the foreign currency contracts payable was \$1,387,879 and \$1,658,157, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
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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.

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:

	2016	2015
	<u>Market Value</u>	<u>Market Value</u>
Marketable Securities - Domestic	\$ 38,778,746	\$ 18,834,932
Marketable Securities - Foreign	5,917,404	8,512,072
Corporate Bonds - Domestic	5,263,954	3,275,611
Total	<u>\$ 49,960,104</u>	<u>\$ 30,622,615</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
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11. SECURITY LENDING AGREEMENTS: (Continued)

Securities on loan at June 30, 2016 and 2015 are collateralized by cash collateral in the amount of \$37,108,655 and \$20,945,942, respectively, and noncash collateral in the amount of \$16,206,059 and \$11,726,604, respectively, for total amount of collateral held in the amount of \$53,314,714 and \$32,672,546, 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, 2016 and 2015. 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 318,700	\$ 317,601
Computer equipment and software	288,468	288,468
Improvements	34,552	10,309
Furniture	103,007	100,257
Land	614,919	614,919
Office building	<u>2,121,646</u>	<u>2,121,646</u>
	3,481,292	3,453,200
Less accumulated depreciation	<u>(1,417,588)</u>	<u>(1,345,735)</u>
Total	<u>\$ 2,063,704</u>	<u>\$ 2,107,465</u>

Depreciation expense charged to pension operations was \$71,854 and \$76,894 for the years ended June 30, 2016 and 2015.

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15. OTHER POST-EMPLOYMENT 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 insurance company whose premiums are paid jointly by the employee and the System. At June 30, 2016 and 2015, four retirees 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). LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. 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](http://www.doa.la.gov/osrap).

Funding Policy:

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare 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. The Office of Group Benefits offers four standard plans for both active and non-Medicare retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan, the Medical Home Health Maintenance Organization (HMO) Plan and a Consumer Driven Health Plan with Health Savings Account Option (CDHP-HSA), featuring lower premium rates in exchange for higher deductibles. Retired employees who have Medicare Part A and Part B coverage also have access to an additional four OGB Medicare Advantage plans which includes three HMO-POS plans and one Towers Watson OneExchange option for purchasing private health insurance on an exchange. Depending upon the plan selected, during the years ended June 30, 2016 and 2015, employee premiums for a single member receiving benefits range from \$388 to \$395 and \$336 to \$395, respectively, per month for retiree-only coverage with Medicare or from \$1,173 to \$1,216 and \$1,034 to \$1,216, respectively, and per month for retiree-only coverage without Medicare. The premiums for an employee and spouse for the years ended June 30, 2016 and 2015 range from \$696 to \$711 and \$605 to \$711, respectively, per month for those with Medicare or from \$2,071 to \$2,147 and \$1,827 to \$2,147, respectively, per month for those without Medicare.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

15. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

Funding Policy: (Continued)

The plan is currently financed on a pay as you go basis, with the System contributing 75%. Employees that participated in OGB medical coverage starting before January 1, 2002 pay 25% of the cost of active coverage in retirement. Employees with an OGB medical participation start (or re-start) date after December 31, 2001 pay a percentage of the total retiree premium rate (active premium if over 20 years of service) based on the following schedule:

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

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with AD&D coverage ceasing at termination of employment or age 70 for retirees.

Annual OPEB Cost:

The System's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45 and is calculated at the beginning of the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2015 and 2014 is \$115,000 and \$109,800, respectively, as set forth below:

	<u>July 1, 2015</u>	<u>July 1, 2014</u>
Normal Cost	\$ 54,000	\$ 52,000
30-year UAL amortization amount	56,577	53,577
Interest on the above	<u>4,423</u>	<u>4,223</u>
Annual required contribution (ARC)	<u>\$ 115,000</u>	<u>\$ 109,800</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

15. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

Annual OPEB Cost: (Continued)

The following table presents the System's OPEB obligation for the year ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 115,000	\$ 109,800
Contributions made	(31,846)	(29,997)
Claim costs	<u>-</u>	<u>-</u>
Change in Net OPEB Obligation	83,154	79,803
Beginning Net OPEB Obligation	<u>596,041</u>	<u>516,238</u>
Ending Net OPEB Obligation	<u>\$ 679,195</u>	<u>\$ 596,041</u>

The System's percentage of annual OPEB cost contributed to the Plan utilizing the pay-as-you-go method, the percentage of annual OPEB Cost contributed to the plan, and the net OPEB Obligation for the year ended June 30, 2016, and the two preceding fiscal years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2014	\$ 95,700	31.20%	\$ 516,238
June 30, 2015	109,800	27.32%	596,041
June 30, 2016	115,000	27.69%	679,195

Funding Status and Funding Progress:

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund. However, neither the System nor the State of Louisiana contributed to it during fiscal year 2015-2016. Since the plan has not been funded, the entire actuarial accrued liability of \$1,484,000 and \$1,402,800 as of July 1, 2015 and 2014, respectively, was unfunded.

The funded status of the plan as of July 1, 2015, was as follows:

Actuarial accrued liability (AAL)	\$ 1,484,000
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,484,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 221,867
UAAL as a percentage of covered payroll	669%

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015

15. OTHER POST-EMPLOYMENT BENEFITS: (Continued)

*Actuarial Methods and Assumptions:*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2015 and 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 7.5% and 6.5%, and 8% and 7%, respectively, for pre-Medicare and Medicare eligible, respectively, scaling down to ultimate rates of 4.5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over thirty years.

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. SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is December 12, 2016, which is the date on which the financial statements were available to be issued. The investment financial market declined after year end, resulting in an overall decrease in the System's investment values during the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CHANGES IN NET PENSION LIABILITY  
FOR THE THREE YEARS ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability:</b>			
Service cost	\$ 48,835,622	\$ 43,010,879	\$ 44,231,463
Interest	198,685,578	186,254,517	178,359,489
Changes of benefit terms	-	-	38,929,984
Differences between expected and actual experience	(8,714,512)	(9,412,440)	(14,670,717)
Changes of assumptions	-	91,142,323	(225,724)
Benefit payments (including DROP and IBO withdrawals)	(148,169,159)	(140,940,357)	(127,348,774)
Refunds	(4,142,582)	(4,257,860)	(4,503,123)
Other	<u>(2,827,581)</u>	<u>(1,951,961)</u>	<u>(1,520,753)</u>
Net change in total pension liability	83,667,366	163,845,101	113,251,845
Total pension liability - beginning	<u>2,676,472,766</u>	<u>2,512,627,665</u>	<u>2,399,375,820</u>
Total pension liability - ending (a)	<u>\$ 2,760,140,132</u>	<u>\$ 2,676,472,766</u>	<u>\$ 2,512,627,665</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 82,720,635	\$ 84,324,128	\$ 82,259,694
Contributions - member	27,278,823	26,117,636	25,922,508
Contributions - non-employer contributing entity	18,605,064	17,704,000	16,628,926
Net investment income (loss)	(42,215,916)	26,639,525	296,576,890
Benefit payments (including DROP and IBO withdrawals)	(148,169,159)	(140,940,357)	(127,348,774)
Refunds	(4,142,582)	(4,257,860)	(4,503,123)
Administrative expenses	(1,468,182)	(1,577,279)	(1,529,139)
Other	<u>(2,827,581)</u>	<u>(1,951,961)</u>	<u>(1,520,298)</u>
Net change in plan fiduciary net position	(70,218,898)	6,057,832	286,486,684
Plan fiduciary net position - beginning	<u>1,893,077,295</u>	<u>1,887,019,463</u>	<u>1,600,532,779</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,822,858,397</u>	<u>\$ 1,893,077,295</u>	<u>\$ 1,887,019,463</u>
Net pension liability - ending (a) - (b)	<u>\$ 937,281,735</u>	<u>\$ 783,395,471</u>	<u>\$ 625,608,202</u>
Plan fiduciary net position as a percentage of total pension liability	66.04%	70.73%	75.10%
Covered employee payroll	\$ 280,124,060	\$ 267,525,787	\$ 265,182,766
Net pension liability as a percentage of covered employee payroll	334.60%	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 THREE YEARS ENDED JUNE 30, 2016

<u>Fiscal Year</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability</u>	Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u>Covered Employee Payroll</u>	Employers' Net Pension Liability as a Percentage of Covered Employee Payroll
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 THREE YEARS ENDED JUNE 30, 2016

Fiscal <u>Year</u>	Actuarially Determined <u>Contribution</u>	Contributions in Relation to the Actuarially Determined <u>Liability</u>	Contribution Deficiency <u>(Excess)</u>	Covered Employee <u>Payroll</u>	Contributions as a Percentage of Covered Employee <u>Payroll</u>
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 THREE YEARS ENDED JUNE 30, 2016

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>Money-Weighted</u> <u>Rate of Return*</u>
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  
 SCHEDULES OF FUNDING PROGRESS  
 OPEB PLAN  
FOR THE SIX YEARS ENDED JUNE 30, 2016

Fiscal Year End	Actuarial Value Of <u>of Assets</u>	Actuarial Accrued Liability (AAL) Projected <u>Unit Cost</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL As A Percentage of Covered <u>Payroll</u>
2016	\$ -	\$1,484,000	\$ 1,484,000	- %	\$ 221,867	668.9 %
2015	-	1,402,800	1,402,800	-	351,900	398.6
2014	-	1,292,000	1,292,000	-	297,300	434.6
2013	-	1,185,000	1,185,000	-	312,000	379.8
2012	-	1,177,800	1,177,800	-	256,300	459.5
2011	-	1,478,700	1,478,700	-	255,300	579.2

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016 AND 2015

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 employee payroll. The employers' net pension liability is the liability of contributing employers to members for benefits provided through the System. Covered employee payroll is the payroll of all employees that are provided with benefits through the System.

3. SCHEDULE OF CONTRIBUTIONS – 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 information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for the actuarial valuation were recommended by the actuary and adopted by the Board. 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. Based on the study and expectation of future experience, mortality, retirement, DROP entry and withdrawal rates were changed. Family statistics were also updated and the salary scale assumption was decreased. Additional information on the assumptions and methods used as of the latest actuarial valuation are disclosed in the notes to the financial statements footnote 4, Net Pension Liability of Employers.

6. SCHEDULE OF FUNDING PROGRESS FOR OPEB PLAN:

This schedule shows the System's actuarial accrued liability (AAL) to its retired employees participating in the Office of Group Benefits (OGB) postemployment healthcare plan. The Plan is funded on a "pay-as-you-go" basis. Therefore, the ratio of AAL to unfunded AAL (UAAL) is 0.0%. The schedule also represents the percentage of UAAL to covered payroll.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016 AND 2015

7. CHANGES ACTUARIAL ASSUMPTIONS:

During the year ended June 30, 2016, 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, 2016		June 30, 2015		June 30, 2014	
Investment Rate of Return	7.50%		7.50%		7.50%	
Inflation Rate	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 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 Mortality Table set back 1 year for males and females	
Mortality Rate - Disabled Annuitants	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	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>	<u>Years of Service</u>	<u>Salary Growth Rate</u>	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%	1-2	9.75%	1	10.00%
	3-23	4.75%	3-23	4.75%	2	6.00%
	Above 23	4.25%	Above 23	4.25%	3-19	4.30%
					20-29	5.50%
					30 & Over	4.00%

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULES OF PER DIEM PAID TO TRUSTEES  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

The per diem paid to the trustees is an expenditure of the Expense Fund. For fiscal years ended June 30, 2016 and 2015, 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. Per diem paid to the trustees for the years ended June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Raymond Burkart, Jr.	\$ 675	\$ 750
Carl Dabadie	675	600
Scott Ford	825	825
Kelly Gibson	-	450
Willie Joe Greene	900	825
Mark Huggins	900	750
Chad King	825	-
Dwayne Munch	225	450
Joey Normand	825	600
Larry Reech	600	750
Michael Suchanek	900	825
Donald Villere	750	600
	<u>\$ 8,100</u>	<u>\$ 7,425</u>

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM AND SUBSIDIARIES  
SUPPLEMENTARY INFORMATION  
SCHEDULES OF INVESTMENTS  
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH AND CASH EQUIVALENTS	<u>\$ 62,267,193</u>	<u>\$ 58,408,197</u>
EQUITIES:		
Domestic	\$ 482,494,503	\$ 526,498,768
International	296,351,423	335,424,640
Emerging Markets	181,470,045	178,776,603
Total Equities	<u>\$ 960,315,971</u>	<u>\$ 1,040,700,011</u>
FIXED INCOME:		
State and Municipal Bonds	\$ -	\$ 3,802,860
Foreign Bonds	13,021,483	15,253,131
Corporate Bonds	83,644,249	92,478,556
U.S. Government Bonds	17,721,136	14,926,454
Other Bonds	40,788,184	32,964,856
Emerging Markets Debt Fund	46,460,127	47,041,162
Bank Loan Fund	42,751,442	41,587,550
High Yield Exchange-Traded Bond Fund	43,761,893	42,909,097
Domestic Index Bond Fund	85,118,477	80,305,473
Total Fixed Income Securities	<u>\$ 373,266,991</u>	<u>\$ 371,269,139</u>
REAL ESTATE:		
Partnerships	\$ 9,644,121	\$ 11,346,806
Land and Rental	726,563	750,001
Real Estate Funds	184,647,589	167,620,983
Total Real Estate	<u>\$ 195,018,273</u>	<u>\$ 179,717,790</u>
ALTERNATIVE INVESTMENTS:		
Hedge Funds	\$ 80,486,985	\$ 87,176,814
Private Equity	23,305,974	30,959,426
Total Alternative Investments	<u>\$ 103,792,959</u>	<u>\$ 118,136,240</u>
TACTICAL ASSET ALLOCATION	<u>\$ 88,130,942</u>	<u>\$ 91,733,005</u>
TOTAL INVESTMENTS	<u>\$ 1,782,792,329</u>	<u>\$ 1,859,964,382</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>EXPENSE FUND:</b>			
Personal Services:			
Staff salaries	\$ 391,695	\$ 435,000	\$ 43,305
Group insurance	67,912	89,000	21,088
Retirement	105,260	130,000	24,740
Board member - Per diem	8,100	12,375	4,275
Professional Services:			
Accounting	126,826	173,000	46,174
Actuarial	91,200	92,000	800
Computer services	80,056	70,000	(10,056)
Legal	166,257	189,750	23,493
Medical Board	10,150	10,000	(150)
Death audit	1,536	2,000	464
Communications:			
Postage and printing	25,586	34,000	8,414
Telephone	8,948	13,000	4,052
Travel	14,236	22,000	7,764
Other:			
Equipment rental and repair	33,248	32,000	(1,248)
Dues and subscriptions	1,960	2,000	40
Office supplies and office furniture	23,646	38,000	14,354
Election	6,590	10,000	3,410
Advertising	1,167	2,500	1,333
Board	25,585	30,000	4,415
Miscellaneous	5,304	5,000	(304)
Uniforms	3,469	4,000	531
Medicare and FICA	3,901	8,500	4,599
Total expense fund	<u>1,202,632</u>	<u>1,404,125</u>	<u>201,493</u>
<b>BUILDING FUND:</b>			
Association dues	1,500	1,200	(300)
Maintenance	65,496	97,000	31,504
Building supplies	798	-	(798)
Risk management	4,850	14,000	9,150
Security	2,935	2,000	(935)
Utilities	34,963	41,000	6,037
Total building fund	<u>110,542</u>	<u>155,200</u>	<u>44,658</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u>\$ 1,313,174</u>	<u>\$ 1,559,325</u>	<u>\$ 246,151</u>
<b>CAPITAL OUTLAYS</b>	<u>\$ 28,094</u>	<u>\$ -</u>	<u>\$ (28,094)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
TO AGENCY HEAD  
FOR THE YEAR ENDED JUNE 30, 2016

Agency Head Name: Kathy Bourque, Executive Director

Salary	\$ 92,676
Benefits - insurance	7,861
Benefits - retirement	27,487
Benefits - cell phone	1,274
Travel	348
Registration fees	100
Conference travel	552
Total	<u>\$130,298</u>



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

December 12, 2016

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 Municipal Police Employees' Retirement System as of and for the year ended June 30, 2016, 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 12, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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.

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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 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 an instance 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, 2016 AND 2015

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Municipal Police Employees' Retirement System for the year ended June 30, 2016 and 2015 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 COMMENT:

2016-01

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 LRS 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.

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 calculations to ensure the correct earnable compensation and contribution amounts are being reported.

MUNICIPAL POLICE EMPLOYEES'  
RETIREMENT SYSTEM  
SUMMARY OF SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

SUMMARY OF PRIOR YEAR FINDINGS:

Management Letter Comment: 2015-01

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 LRS 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.

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 calculations to ensure the correct earnable compensation and contribution amounts are being reported.

Status

This comment was repeated in the current year.