

R E P O R T
STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM
JUNE 30, 2020 AND 2019

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

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JUNE 30, 2020 AND 2019

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December 14, 2020

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the index to the report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2020 and 2019, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 4 to the financial statements, the total pension liability for the Municipal Police Employees' Retirement System was \$3,180,974,031 and \$3,132,449,454 at June 30, 2020 and 2019, respectively. 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, 2020 and 2019 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 index to the report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Police Employees' Retirement System's basic financial statements. The other supplementary information as listed in the index to the report 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 14, 2020 on our consideration of the Municipal Police Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Duplantier, Sharpner, Hogan and Oakes, LLP

New Orleans, Louisiana

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 2020 fiscal year with \$2.3 billion in net position restricted for pension benefits. This is an increase of \$32.8 million or 1.47% from the 2019 fiscal year, primarily due to income returns on the System's investments.
- * Contributions to the System by members and employers totaled \$130.9 million, a decrease of \$368 thousand or .28% over the prior year.
- * Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax totaled \$21.8 million, an increase of \$1.2 million or 5.88% over the prior year.
- * The System experienced net investment income in the amount of \$52.5 million during the 2020 fiscal year. This is a 35.46% decrease from net investment income of \$81.3 million during the 2019 fiscal year. The decrease was due primarily to lower market returns due to the current economic climate related to the COVID-19 pandemic.
- * Pension benefits paid to retirees and beneficiaries increased by \$5.1 million or 3.47%. This increase was due to larger benefits paid to new retirees.
- * DROP and IBO withdrawals increased by \$722 thousand or 5.55%.
- * Administrative expenses totaled \$1.8 million, an increase of 3.97%. The cost of administering the System for all plan participants during 2020 was \$139.56 per individual compared to \$136.18 per individual in 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Fiduciary Net Position* reports the System's assets, liabilities, and the resultant net position restricted for pension benefits. It discloses the financial position of the System as of June 30, 2020 and 2019.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

FINANCIAL ANALYSIS

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

Statements of Fiduciary Net Position		
<u>June 30, 2020 and 2019</u>		
	<u>2020</u>	<u>2019</u>
Cash	\$ 26,710,670	\$ 21,707,370
Receivables	15,494,113	19,091,169
Investments at fair value	2,187,830,263	2,185,239,961
Investments at contract value	28,342,803	-
Securities Lending Collateral Held	4,187,009	7,307,257
Prepaid expenses	10,652	520
Capital Assets	3,500,420	2,697,192
Total Assets	<u>2,266,075,930</u>	<u>2,236,043,469</u>
Deferred outflows of resources	<u>426,016</u>	<u>447,425</u>
Accounts Payable & Other Liabilities	5,255,058	5,017,056
Securities Lending Obligations	4,187,009	7,307,257
Total Liabilities	<u>9,442,067</u>	<u>12,324,313</u>
Deferred inflows of resources	<u>318,902</u>	<u>187,409</u>
Net Position Restricted for Benefits	<u>\$ 2,256,740,977</u>	<u>\$ 2,223,979,172</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS (Continued)

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

Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	(Restated) <u>2019</u>
Additions:		
Employer Contributions	\$ 100,615,513	\$ 100,818,492
Employee Contributions	30,264,864	30,429,790
Insurance Premium Taxes	21,797,215	20,587,174
Net Investment Income	52,492,225	81,329,838
Other Income	90,553	119,468
Total Additions	205,260,370	233,284,762
Deductions:		
Benefits	164,986,083	159,186,593
Refunds of Contributions	3,885,219	4,195,787
Net Transfers to/from Other Systems	1,431,008	5,496,668
Administrative Expenses	1,780,198	1,712,243
Pension Expense	259,175	199,497
Other Postemployment Benefits	85,317	53,111
Depreciation Expense	71,565	70,613
Total Deductions	172,498,565	170,914,512
Net Increase in Net Position	\$ 32,761,805	\$ 62,370,250
Prior period adjustment	\$ -	\$ (166,284)

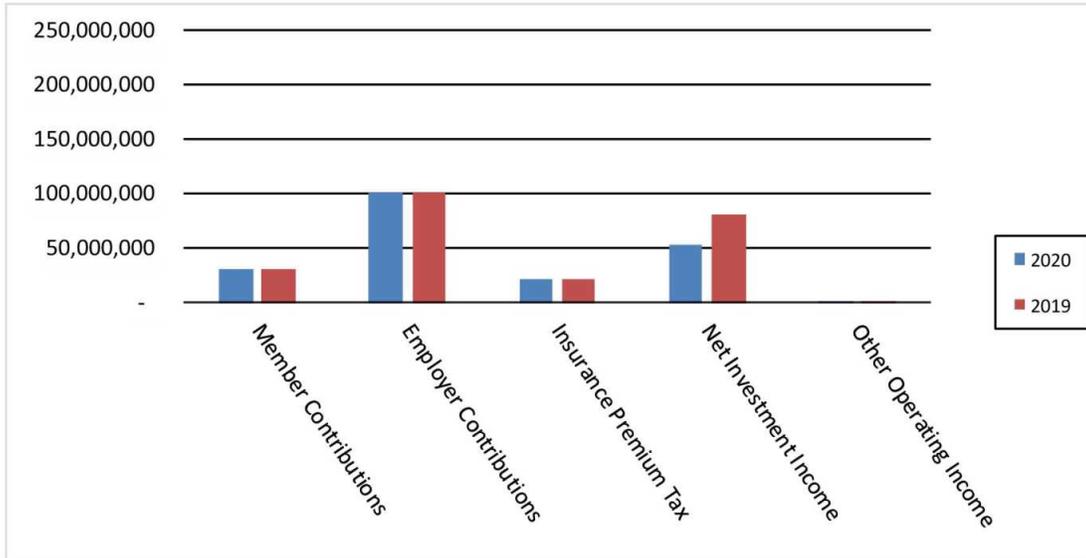
Additions to the System's Fiduciary Net Position

Additions to the System's fiduciary net position are derived from member contributions, employer contributions, and investment income. Member contributions decreased by \$165 thousand or .54%, and employer contributions decreased by \$203 thousand or .20%. The System experienced net investment income of \$52.5 million as compared to a net investment income of \$81.3 million in the previous year. This is a 35.46% decrease in investment income. Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax increased by \$1.2 million, or 5.88%.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

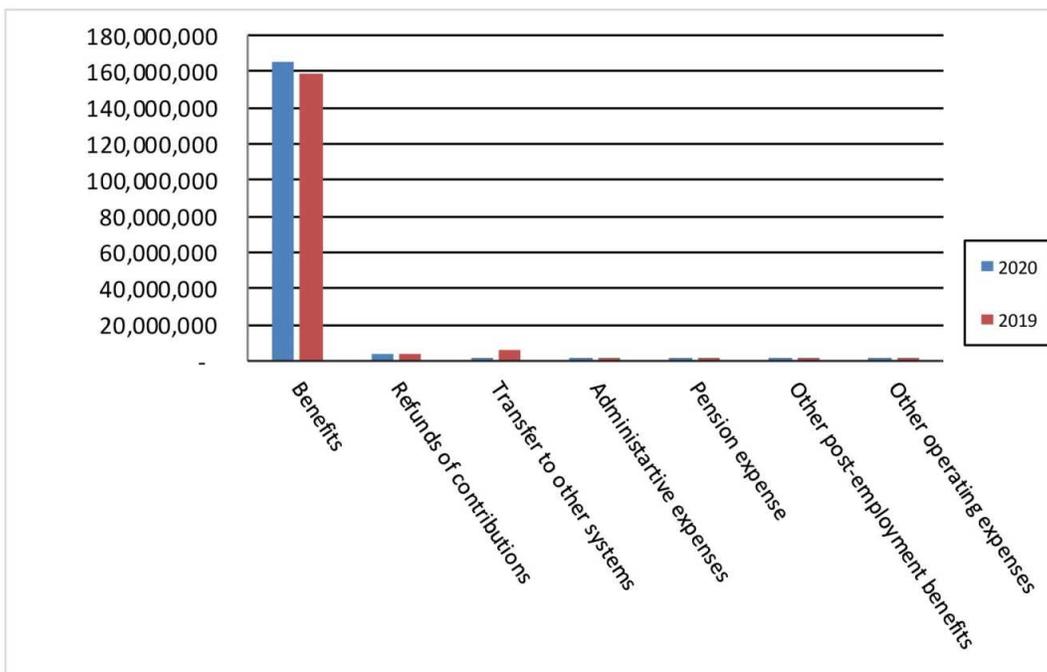
FINANCIAL ANALYSIS (Continued)

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 \$172.5 million in fiscal year 2020. This increase of \$1.6 million or 0.9% 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, 2020

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, 2020 was \$2.2 billion as compared to \$2.2 billion at June 30, 2019, which is an increase of \$2.69 million or .12%.

REQUESTS FOR INFORMATION

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	(Restated) <u>2019</u>
ASSETS:		
Cash:		
Operating cash	\$ 26,710,670	\$ 21,707,370
Total cash	26,710,670	21,707,370
Receivables:		
Member contributions	2,354,903	2,697,995
Employer contributions	7,753,256	8,924,985
Investment receivable	385,197	1,941,734
Accrued interest and dividends	5,000,757	5,526,455
Total receivables	15,494,113	19,091,169
Capital assets, net	3,500,420	2,697,192
Investments, at fair value:		
Cash and cash equivalents	20,185,546	102,923,216
Equities	1,123,924,346	1,087,817,523
Fixed income	706,351,455	658,769,563
Real estate	174,676,936	184,037,719
Alternative investments	162,691,980	151,691,940
Total investments, at fair value	2,187,830,263	2,185,239,961
Investments, at contract value:		
Synthetic guaranteed investment contracts	28,342,803	-
Total investments, at contract value	28,342,803	-
Total investments	2,216,173,066	2,185,239,961
Other assets:		
Collateral held under securities lending program	4,187,009	7,307,257
Prepaid expenses	10,652	520
Total other assets	4,197,661	7,307,777
TOTAL ASSETS	2,266,075,930	2,236,043,469
Deferred outflows of resources	426,016	447,425
LIABILITIES:		
Accounts payable	1,018,892	250,881
Refunds payable	262,347	350,025
Obligations under securities lending program	4,187,009	7,307,257
Other postemployment benefits obligation	1,904,608	1,958,439
Net pension liability	606,109	520,497
Investment payable	1,463,102	1,937,214
TOTAL LIABILITIES	9,442,067	12,324,313
Deferred inflows of resources	318,902	187,409
NET POSITION - RESTRICTED FOR PENSION BENEFITS	\$ 2,256,740,977	\$ 2,223,979,172

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	(Restated) <u>2019</u>
ADDITIONS:		
CONTRIBUTIONS:		
Member contributions	\$ 30,264,864	\$ 30,429,790
Employer contributions	100,615,513	100,818,492
Insurance premium tax	21,797,215	20,587,174
Total contributions	152,677,592	151,835,456
INVESTMENT INCOME:		
Net appreciation in fair value of investments	32,690,027	55,703,875
Interest, dividend, and other investment income	27,971,022	34,887,121
Securities lending income	137,078	195,778
Total investment income	60,798,127	90,786,774
Less investment expenses:		
Investment consultant fees	367,417	323,361
Investment manager fees	7,646,091	8,840,618
Custodian fees	292,394	292,957
Total investment expenses	8,305,902	9,456,936
Net investment income	52,492,225	81,329,838
OTHER ADDITIONS:		
Interest on refund paybacks	-	46,812
Military purchase	90,553	72,656
Total other additions	90,553	119,468
Total additions	205,260,370	233,284,762
DEDUCTIONS:		
Retirement benefits	151,252,790	146,175,074
DROP/IBO withdrawals	13,733,293	13,011,519
Refund of contributions	3,885,219	4,195,787
Net transfers to/from other systems	1,431,008	5,496,668
Administrative expenses	1,780,198	1,712,243
Pension expense	259,175	199,497
Other postemployment benefit expense	85,317	53,111
Depreciation	71,565	70,613
Total deductions	172,498,565	170,914,512
NET INCREASE	32,761,805	62,370,250
NET POSITION - RESTRICTED FOR PENSION BENEFITS:		
BEGINNING OF YEAR AS ORIGINALLY STATED	2,223,979,172	2,161,775,206
Prior period adjustment	-	(166,284)
END OF YEAR AS RESTATED	\$ 2,223,979,172	\$ 2,223,979,172

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

1. Three members who shall not be chiefs of police but shall be active contributing members of the System with 10 or more years of creditable service.
2. Four members who shall be active contributing chiefs of police with four or more years of creditable service.
3. Two regular retirees of the System, who consist of:
 - a. One retired from Chief's District I.
 - b. One retired from Chief's District II.
4. Three ex officio trustees:
 - a. Chairman of the Senate Committee on Retirement or his designee.
 - b. The Commissioner of Administration or his designee.
 - c. The State Treasurer or his designee.
5. A member of the House Committee on Retirement appointed by the speaker of the House of Representatives or the member's designee.
6. Two mayors appointed by the Louisiana Municipal Association from municipalities having police departments participating in the System, to serve at the pleasure of the Louisiana Municipal Association.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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

In addition, these financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Related Standards*. This standard provides for inclusion of a management discussion and analysis as supplementary information and other changes.

The System's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

Expenditures are recognized in the period incurred.

Investments:

Investments are reported at fair value as required by GASB Statement No. 72 – Fair Value Measurement and Application. Fair value is described as an exit price. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value, which has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are 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.

Synthetic Guaranteed Investment Contracts are carried at contract value as required by GASB 53, *Accounting and Financial Reporting of Derivative Instruments*.

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, 2020 and 2019. 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, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Outflows and Inflows of Resources:

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

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

2. PLAN DESCRIPTION:

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

The Municipal Police Employees' Retirement System provides retirement benefits for municipal police officers. For the years ended June 30, 2020 and 2019, there were 141 and 137 contributing municipalities, respectively. At June 30, 2020 and 2019, statewide retirement membership consisted of:

	<u>2020</u>	<u>2019</u>
Inactive plan members or beneficiaries receiving benefits	5,856	4,770
Inactive plan members entitled to but not yet receiving benefits	2,063	1,871
Active plan members	<u>4,837</u>	<u>5,932</u>
Total Participants as of Valuation Date	<u>12,756</u>	<u>12,573</u>

Generally, any person who becomes an employee as defined in R.S. 11:2213(11) on or after September 9, 1977, shall become a member as a condition of employment, provided he or she is under age 50 on the date of employment. Employees of municipalities described in R.S. 11:157(A)(1) have the ability to opt out.

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

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 $3\frac{1}{3}\%$ of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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

Membership Commencing January 1, 2013:

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

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are 3% (generally) and $2\frac{1}{2}\%$, 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 25 to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 years of service, the beneficiary will receive a refund of employee contributions only.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

Cost of Living Adjustments:

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

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

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

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

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

Deferred Retirement Option Plan:

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

2. PLAN DESCRIPTION: (Continued)

Deferred Retirement Option Plan: (Continued)

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

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

Initial Benefit Option Plan:

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

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

3. CONTRIBUTIONS AND RESERVES:

Contributions:

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

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, 2020 AND 2019

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

For the years ended June 30, 2020 and 2019, total employee and employer contribution rates are:

	June 30, 2020 Contributions			June 30, 2019 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%	32.50%	42.50%	10.00%	32.25%	42.25%
Hazardous Duty Members hired after 1/1/2013	10.00%	32.50%	42.50%	10.00%	32.25%	42.25%
Non Hazardous Duty Members hired after 1/1/2013	8.00%	32.50%	40.50%	8.00%	32.25%	40.25%
Members whose earnable compensation is less than the poverty guidelines	7.50%	34.25%	41.75%	7.50%	34.75%	42.25%

The System also receives insurance premium tax monies, which is considered support from a non-contributing entity. This tax is allocated by the state treasurer each year based on an actuarial study. For the years ended June 30, 2020 and 2019, the state appropriated \$21.8 million and \$20.6 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, 2020 and 2019 is \$267,529,244 and \$255,873,344, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019 is \$231,168,061 and \$264,623,234, 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, 2020 and 2019 is \$1,637,687,382 and \$1,584,933,234, respectively.

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan 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 Plan Account as of June 30, 2020 and 2019 is \$119,209,593 and \$117,640,673, 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, 2020 and 2019 is \$1,146,697 and \$1,211,496, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Total Pension Liability	\$ 3,180,974,031	\$ 3,132,449,454
Plan Fiduciary Net Position	<u>2,256,740,977</u>	<u>2,224,281,981</u>
Employers' Net Pension Liability	<u>\$ 924,233,054</u>	<u>\$ 908,167,473</u>
 Plan Fiduciary Net Position as a % of the Total Pension Liability	 70.94%	 71.01%

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 assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019, 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, 2020 and 2019 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuations and assumptions is as follows:

Valuation date	June 30, 2020 and 2019.
Actuarial cost method	Entry Age Normal Cost.
Investment rate of return	6.950% and 7.125% (Net of investment expense) as of June 30, 2020 and 2019, respectively.
Estimated remaining service lives	4 years

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

Inflation rate	2.50% and 2.50% as of June 30, 2020 and 2019, respectively.
Mortality	For the year ended June 30, 2020, mortality assumptions were based on an experience study for the period July 1, 2014 - June 30, 2019. The Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees, Retirees, and Disabled Retirees was used, using full generation projection of the MP2019 scale.

For the year ended June 30, 2019, mortality assumptions were based on an experience study for the period July 1, 2009 - June 30, 2014. The RP-200 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set-back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females was selected.

Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	12.30%
	Above 2	4.70%

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 7.19% and 7.89% for the years ended June 30, 2020 and 2019, respectively.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2020 and 2019 are summarized in the following table:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

<u>Asset Class</u>	June 30, 2020		June 30, 2019	
	Target <u>Allocation</u>	Long-Term Expected Portfolio Real <u>Rate of Return</u>	Target <u>Allocation</u>	Long-Term Expected Portfolio Real <u>Rate of Return</u>
Equity	48.50%	3.08%	48.50%	3.28%
Fixed Income	33.50%	0.54%	33.50%	0.80%
Alternative	18.0%	1.02%	18.0%	1.06%
Other	0.00%	0.00%	0.00%	0.00%
Totals	100.00%	4.64%	100.00%	5.14%
Inflation		2.55%		2.75%
Expected Arithmetic		7.19%		7.89%

The discount rate used to measure the total pension liability was 6.950% and 7.125% for the years ending June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the participating employers calculated using the discount rate, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the years ended June 30, 2020 and 2019, respectively.

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability - 2020	\$ 1,298,448,908	\$ 924,233,054	\$ 611,404,078
Net Pension Liability - 2019	\$ 1,265,376,513	\$ 908,167,473	\$ 608,504,802

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES:

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of June 30, 2020 and 2019, respectively:

	6/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Cash Equivalents	\$ 20,185,546	\$ -	\$ -	\$ 20,185,546
Fixed Income Investments:				
U.S. Treasury & Gov't Obligations	\$ 27,781,230	\$ 24,751,978	\$ 3,029,252	\$ -
Corporate Bonds	128,207,325	-	126,250,214	1,957,111
Miscellaneous	42,765,758	-	42,765,758	-
International Bonds	26,525,247	-	26,525,247	-
Total Fixed Income	<u>\$ 225,279,560</u>	<u>\$ 24,751,978</u>	<u>\$ 198,570,471</u>	<u>\$ 1,957,111</u>
Equity Securities:				
Large Cap	\$ 403,133,393	\$ 403,133,393	\$ -	\$ -
Mid Cap	421,004	421,004	-	-
Small Cap	66,134,261	66,134,261	-	-
International Equities	226,389,612	226,389,612	-	-
Emerging Markets Equities	48,112,316	48,112,316	-	-
Total Equity Securities	<u>\$ 744,190,586</u>	<u>\$ 744,190,586</u>	<u>\$ -</u>	<u>\$ -</u>
Real Estate Investments	\$ 773,438	\$ -	\$ 773,438	\$ -
Total Investments at Fair Value Level	<u>\$ 990,429,130</u>	<u>\$ 768,942,564</u>	<u>\$ 199,343,909</u>	<u>\$ 22,142,657</u>
Investments measured at NAV:				
Equities	\$ 379,733,760			
Fixed Income	481,071,895			
Real Estate	173,903,498			
Alternative Investments	162,691,980			
Total Investments at NAV	<u>\$ 1,197,401,133</u>			
Total Investments at Fair Value	<u>\$ 2,187,830,263</u>			
Investment Derivatives:				
Forward currency contract receivables	\$ 612,181	\$ -	\$ 612,181	\$ -
Forward currency contract payables	(601,851)	-	(601,851)	-
Total Investment Derivatives	<u>\$ 10,330</u>	<u>\$ -</u>	<u>\$ 10,330</u>	<u>\$ -</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES: (Continued)

	<u>6/30/2019</u>	<u>Active Markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level:				
Cash Equivalents	\$ 102,923,216	\$ -	\$ 11,470	\$ 102,911,746
Fixed Income Investments:				
U.S. Treasury & Gov't Obligations	\$ 14,242,001	\$ 14,242,001	\$ -	\$ -
Corporate Bonds	86,664,470	-	86,664,470	-
Miscellaneous	34,093,710	-	34,093,710	-
International Bonds	32,727,769	-	32,727,769	-
Total Fixed Income	<u>\$ 167,727,950</u>	<u>\$ 14,242,001</u>	<u>\$ 153,485,949</u>	<u>\$ -</u>
Equity Securities:				
Large Cap	\$ 383,794,562	\$ 383,794,562	\$ -	\$ -
Mid Cap	77,207,118	77,207,118	-	-
Small Cap	77,524,295	77,524,295	-	-
International Equities	234,912,026	234,912,026	-	-
Emerging Markets Equities	34,519,562	34,519,562	-	-
Total Equity Securities	<u>\$ 807,957,563</u>	<u>\$ 807,957,563</u>	<u>\$ -</u>	<u>\$ -</u>
Real Estate Investments	<u>\$ 773,438</u>	<u>\$ -</u>	<u>\$ 773,438</u>	<u>\$ -</u>
Total Investments at Fair Value Level	<u>\$ 1,079,382,167</u>	<u>\$ 822,199,564</u>	<u>\$ 154,270,857</u>	<u>\$ 102,911,746</u>
Investments measured at NAV:				
Equities	\$ 279,859,960			
Fixed Income	491,041,613			
Real Estate	183,264,281			
Alternative Investments	151,691,940			
Total Investments at NAV	<u>\$ 1,105,857,794</u>			
Total Investments at Fair Value	<u>\$ 2,185,239,961</u>			
Investment Derivatives:				
Forward currency contract receivables	\$ 798,262	\$ -	\$ 798,262	\$ -
Forward currency contract payables	(809,282)	-	(809,282)	-
Total Investment Derivatives	<u>\$ (11,020)</u>	<u>\$ -</u>	<u>\$ (11,020)</u>	<u>\$ -</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 is presented in the following table:

	Fair Value 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	\$ 379,733,760	\$ -	Daily - Monthly	5 - 30 days
Fixed Income	481,071,895	-	Daily - Monthly	2 - 30 days
Real Estate	155,518,077	-	Quarterly	90 days
Real Estate	18,385,421	4,061,511	N/A	N/A
Alternative Investments	80,316,664	-	Quarterly	90 days
Alternative Investments	<u>82,375,316</u>	79,151,580	N/A	N/A
Total Investments at NAV	<u>\$ 1,197,401,133</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, 2019 is presented in the following table:

	Fair Value 2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equities	\$ 279,859,960	\$ -	Daily - Monthly	None - 30 days
Fixed Income	491,041,613	-	Daily - Monthly	2 - 30 days
Real Estate	157,330,997	-	Quarterly	90 days
Real Estate	25,933,284	-	N/A	N/A
Alternative Investments	86,897,587	-	Quarterly	90 days
Alternative Investments	<u>64,794,353</u>	106,166,165	N/A	N/A
Total Investments at NAV	<u>\$ 1,105,857,794</u>			

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES: (Continued)

Equities:

Equities include investments in emerging markets, international equity funds, and domestic small cap 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. Domestic small cap funds refer to investments in U.S. stocks listed and/or traded on the securities exchange with a market capitalization between \$300 million and \$2 billion.

Fixed Income:

Fixed income includes investments in a domestic bond fund, 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. 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.

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,

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

5. FAIR VALUE DISCLOSURES: (Continued)

Alternative Investments: (Continued)

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

6. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deposits (bank balance)	\$ 27,133,163	\$ 22,131,291
Cash equivalents	20,185,546	102,923,216
Investments - fair value	2,167,644,717	2,082,316,745
Synthetic Guaranteed Investment contract - contract value	28,342,803	-
	<u>\$ 2,243,306,229</u>	<u>\$ 2,207,371,252</u>

Deposits:

The System's bank deposits were fully insured or secured by perfected liens on the bank's securities as of June 30, 2020 and 2019.

Cash Equivalents:

For the year ended June 30, 2020, cash equivalents in the amount of \$20,185,546 consisted of government pooled investments held and managed by the System's custodian bank.

For the year ended June 30, 2019, cash equivalents in the amount of \$102,923,216 consisted of government pooled investments in which \$74,934,178 was managed by the System's custodian bank and \$27,989,038 was managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the System.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Cash Equivalents: (Continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with Louisiana Revised Statute 33:2955. LAMP is rated AAA by Standard & Poor's.

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.

Synthetic Guaranteed Investment Contract:

The System provides a fully benefit-responsive Synthetic Guaranteed Investment Contract (SGIC) option for members of DROP/IBO participating in the Self-Directed Plan. The primary objective of the SGIC is to seek to provide safety of principal while earning as high a level of return as possible. The SGIC includes a wrap contract providing book value protection for participant withdrawals prior to maturity. The SGIC seeks consistency of returns with minimal volatility, while maintaining a stable credited rate of interest. The investment is reported at contract value in the amount of \$28,342,803 as of June 30, 2020. Market value was not available for Synthetic Guaranteed Investment contract as of June 30, 2020. The System did not have synthetic guaranteed investment contracts as of June 30, 2019.

Investments:

In accordance with Louisiana Revised Statute 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System may not invest more than 65% of the book value of the System's assets in equities and at least 10% of the total equity portfolio must be invested in one or more index funds which seek to replicate the performance of the chosen index or indices.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 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, 2020 and 2019. The System's investment in the domestic index bond fund of \$337,276,425 and \$342,994,552; emerging markets debt fund of \$104,024,407 and \$108,078,663; and bank loan fund of \$39,771,062 and \$39,968,398, respectively, as of June 30, 2020 and 2019 each exceeded 5% of the total fixed income portfolio's market value. All investments were approved by the Board. There were no investments in any issuer that exceeded 5% of the System's net position as of June 30, 2020 and 2019.

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, 2020 and 2019.

Below is a schedule of bonds with their applicable ratings as of June 30, 2020:

	U.S.				
	Corporate	Foreign	Government	Other	Total
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>	
AAA	\$ 1,548,240	\$ 279,272	\$ 27,781,230	\$ 16,364,024	\$ 45,972,766
AA+	-	-	-	100,316	100,316
AA	441,880	540,638	-	657,852	1,640,370
AA-	1,670,925	-	-	398,137	2,069,062
A+	3,320,355	-	-	339,019	3,659,374
A	9,980,623	1,054,691	-	1,238,897	12,274,211
A-	9,083,057	906,045	-	675,700	10,664,802
BBB+	15,303,395	1,028,475	-	2,570,728	18,902,598
BBB	22,103,916	3,735,573	-	189,874	26,029,363
BBB-	22,204,765	4,477,460	-	483,083	27,165,308
BB+	7,522,237	2,009,122	-	206,381	9,737,740
BB	6,894,454	1,441,241	-	622,374	8,958,069
BB-	4,858,407	1,909,900	-	217,097	6,985,404
B+	7,029,726	1,258,618	-	152,909	8,441,253
B	5,033,429	638,242	-	213,139	5,884,810
B-	3,357,619	1,253,454	-	-	4,611,073
CCC+	2,589,788	-	-	-	2,589,788
CCC	1,382,451	784,620	-	-	2,167,071
CCC-	214,702	-	-	-	214,702
CC	-	-	-	160,640	160,640
C+	-	22,815	-	-	22,815
C	74,628	-	-	-	74,628
Not Rated	3,592,728	5,185,081	-	18,175,588	26,953,397
	<u>\$ 128,207,325</u>	<u>\$ 26,525,247</u>	<u>\$ 27,781,230</u>	<u>\$ 42,765,758</u>	<u>\$ 225,279,560</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Credit Risk: (Continued)

Below is a schedule of bonds with their applicable ratings as of June 30, 2019:

	U.S.				<u>Total</u>
	Corporate <u>Bonds</u>	Foreign <u>Bonds</u>	Government <u>Bonds</u>	Other <u>Bonds</u>	
AAA	\$ 2,119,756	\$ 2,433,640	\$ 14,242,001	\$ 7,787,754	\$ 26,583,151
AA+	-	1,626,659	-	218,088	1,844,747
AA	1,075,882	658,544	-	271,543	2,005,969
AA-	2,385,005	-	-	-	2,385,005
A+	4,265,802	-	-	81,425	4,347,227
A	663,071	1,440,604	-	1,597,440	3,701,115
A-	871,875	1,824,422	-	247,954	2,944,251
BBB+	2,965,755	525,553	-	1,947,275	5,438,583
BBB	11,839,409	6,372,413	-	972,090	19,183,912
BBB-	15,895,415	3,831,312	-	1,541,379	21,268,106
BB+	8,605,327	1,410,376	-	897,823	10,913,526
BB	3,388,585	1,902,135	-	-	5,290,720
BB-	7,079,107	1,498,000	-	-	8,577,107
B+	4,814,377	1,386,151	-	247,594	6,448,122
B	7,999,738	-	-	-	7,999,738
B-	5,612,187	1,883,451	-	203,262	7,698,900
CCC+	2,006,241	1,068,155	-	-	3,074,396
CCC	1,359,740	-	-	-	1,359,740
CCC-	31,450	-	-	-	31,450
C+	174,150	-	-	-	174,150
Not Rated	3,511,598	4,866,354	-	18,080,083	26,458,035
	<u>\$ 86,664,470</u>	<u>\$ 32,727,769</u>	<u>\$ 14,242,001</u>	<u>\$ 34,093,710</u>	<u>\$ 167,727,950</u>

The System's investment policy limits its domestic fixed income investments (with the exception of full discretion, core plus, 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, 2020 and 2019, the market value of the fund was \$337,276,426 and \$342,994,552, respectively. The rating of the bonds in the fund ranged from AAA to below B with 69.73% and 72% rated AAA as of June 30, 2020 and 2019 respectively.

The System invested in an emerging markets debt fund. As of June 30, 2020 and 2019, the market value of the fund is \$104,024,407 and \$108,078,663, respectively. The ratings of the bonds in the fund ranged from AAA to CC with 38% rated BBB and 19% rated BB as of June 30, 2020. The ratings of the bonds in the fund ranged from AAA to NR with 40% rated BBB and 24% rated BB as of June 30, 2019.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Credit Risk: (Continued)

The System invested in a Pacific Asset bank loan fund. As of June 30, 2020 and 2019, the market value of the fund is \$39,771,062 and \$39,968,398, respectively. The ratings of the bonds in the fund ranged from BBB to NR with 16% rated BB and 73% rated B as of June 30, 2020. The ratings of the bonds in the fund ranged from BBB to NR with 37% rated BB and 53% rated B as of June 30, 2019.

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, 2020 and 2019, the System is not exposed to custodial risk for investments in the amount of \$2,193,951,476 and \$2,156,707,782, respectively, since the investments are held in the name of the System.

At June 30, 2020 and 2019, the System has \$22,221,590 and \$28,532,179, respectively, in cash equivalents 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 \$4,187,009 and \$7,307,257 as of June 30, 2020 and 2019, 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, 2020 and 2019, the System had the following investments in long-term debt securities:

<u>2020</u>	Fair <u>Value</u>	<u>Maturities</u>			
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater than 10 years</u>
<u>Investment Type</u>					
Corporate Bonds	\$ 128,207,325	\$ 8,915,523	\$ 35,515,975	\$ 64,024,243	\$ 19,751,584
U.S. Government Bonds	27,781,230	332,934	16,556,656	4,110,272	6,781,368
Foreign Bonds	26,525,247	-	9,959,361	11,024,787	5,541,099
Other Bonds	42,765,758	25,520	9,914,509	5,610,850	27,214,879
	<u>\$ 225,279,560</u>	<u>\$ 9,273,977</u>	<u>\$ 71,946,501</u>	<u>\$ 84,770,152</u>	<u>\$ 59,288,930</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Interest Rate Risk: (Continued)

<u>2019</u>	Fair <u>Value</u>	Maturities			
		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	\$ 86,664,470	\$ 6,473,380	\$ 28,648,118	\$ 42,618,428	\$ 8,924,544
U.S. Government Bonds	14,242,001	-	9,060,845	1,079,159	4,101,997
Foreign Bonds	32,727,769	2,228,293	14,764,805	10,942,029	4,792,642
Other Bonds	34,093,710	372,000	10,505,930	6,070,865	17,144,915
	<u>\$ 167,727,950</u>	<u>\$ 9,073,673</u>	<u>\$ 62,979,698</u>	<u>\$ 60,710,481</u>	<u>\$ 34,964,098</u>

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

The maturities of the underlying fixed income investments of the emerging markets debt fund range from 2020 to 2050. There is little to no interest rate risk for the Pacific Asset Bank loan fund since the bank loans have floating rates which adjust with short term interest rates. The information for maturities of the underlying fixed income investments of the domestic index bond fund was not available.

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

Foreign Currency Risk:

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment.

The System's exposure for foreign currency risk consisted of its investment in foreign equities at June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Australia/Dollar	\$ 8,966,421	\$ 13,864,306
Austria/Euro	328,893	-
Belgium/Euro	1,807,318	1,422,059
Canada/Dollar	5,205,011	7,889,242
Denmark/Kroner	14,850,812	10,348,809
Finland/Euro	3,079,900	2,649,296
France/Euro	24,569,835	27,661,738

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Foreign Currency Risk: (Continued)

	<u>2020</u>	<u>2019</u>
Germany/Euro	\$ 15,153,587	\$ 12,921,365
Hong Kong/Dollar	5,285,007	5,897,628
Ireland/Euro	2,496,394	2,225,274
Italy/Euro	4,384,994	5,838,579
Japan/Yen	45,311,370	40,196,833
Luxembourg/Euro	-	509,204
Netherlands/Euro	7,912,114	10,396,618
New Zealand/Dollar	-	301,136
Norway/Kroner	1,061,491	-
Singapore/Dollar	1,233,821	416,414
Spain/Euro	7,020,007	9,674,516
Sweden/Kroner	13,180,349	9,971,881
Switzerland/Swiss Franc	23,028,280	21,124,111
United Kingdom/Euro	376,344	329,170
United Kingdom/Pounds	34,276,538	42,248,015
Various/Emerging Markets Funds	220,770,512	207,176,791
Various/International Index Fund	114,656,354	107,202,730
Total foreign equities	<u>\$ 554,955,352</u>	<u>\$ 540,265,715</u>

The System also invested in foreign equities denominated in United States Dollars totaling \$6,861,126 and \$9,025,832 as of June 30, 2020 and 2019, respectively.

The System's exposure to foreign currency risk also consisted of its investment in cash within trust accounts at June 30, 2020 and 2019 was as follows:

<u>Country/Currency</u>	<u>2020</u> <u>Fair Value</u>	<u>2019</u> <u>Fair Value</u>
Argentina/Peso	\$ 241	\$ -
Australia/ Dollar	12,419	35,704
Canada/Dollar	139,699	123,750
Euro	1,054,759	954,566
Denmark/Krone	196,131	154,478
Japan/Yen	303,000	765,834
Hong Kong/Dollar	-	6,739
Norway/Kroner	4,861	5,500
Poland/Polish Zloty	2,137	2,118
Singapore/Dollar	7,831	-
Sweden/Krone	190,310	26,769
Switzerland/Swiss Franc	462,898	686,249
United Kingdom/Pound	58,705	93,651
Total foreign cash	<u>\$ 2,432,991</u>	<u>\$ 2,855,358</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Foreign Currency Risk: (Continued)

The System's investment policy has a target of 24.5% of total investments in foreign equities, but cannot exceed 34.5%. At June 30, 2020 and 2019, the System's position was 25.19% and 25.14%, 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, 2020 and 2019, the balance consisted of foreign corporate bonds of \$907,725 and \$4,128,201, respectively. The System also invested in foreign long-term debt securities denominated in United States dollars totaling \$25,617,522 and \$28,599,568 as of June 30, 2020 and 2019, respectively. The breakdown per country at June 30, 2020 and 2019 was as follows:

<u>Country/Currency</u>	<u>2020</u> <u>Fair Value</u>	<u>2019</u> <u>Fair Value</u>
Argentina/Peso	\$ 187,820	\$ 337,307
Canada/Dollar	719,905	590,771
Hungary/Forint	-	652,165
Malaysia/Ringgit	-	959,924
Norway/Krone	-	938,888
Poland/Polish Zloty	-	649,146
Total foreign long-term debt	<u>\$ 907,725</u>	<u>\$ 4,128,201</u>

Money-Weighted Rate of Return:

For the years ended June 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.20% and 3.48%, 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, 2020 and 2019, the System had investment in real estate as follows:

The System invested \$20,938,489 and \$20,938,489, respectively, as of June 30, 2020 and 2019 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, 2020 and 2019, the market value of the Fund was \$18,385,421 and \$25,933,284, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

7. INVESTMENTS IN REAL ESTATE: (Continued)

The System invested \$54,040,713 and \$55,741,461, respectively, as of June 30, 2020 and 2019 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, 2020 and 2019, the market value of the Fund was \$155,518,077 and \$157,330,997, respectively.

The System invested \$859,272 for years June 30, 2020 and 2019 in land and an office building for rent. As of June 30, 2020 and 2019, the market value of the land and office building is \$773,438.

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. The System has received a return of capital of all monies funded. As of June 30, 2020 and 2019, the fair market value of the partnership was \$1,048,787 and \$5,589,008, respectively.

The System's commitment to private equity Collier International Partners VII, L.P. is \$15,000,000 of which \$11,504,478 has been funded. 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, 2020 and 2019, the fair market value of the partnership was \$12,107,695 and \$12,314,249, respectively.

The System's commitment to private equity Collier International Partners VIII, L.P. is \$25,000,000 of which \$2,740,052 has been funded. 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, 2020 and 2019, the fair market value of the partnership was \$2,631,861 and \$0-, respectively.

The System's commitment to private equity Warburg Pincus Private Equity XII is \$12,900,000 of which \$12,390,450 has been funded. The partner's principal purpose is the achievement of long-term capital appreciation through purchasing interests in portfolio companies. As of June 30, 2020 and 2019, the fair market value of the partnership was \$13,901,656 and \$11,706,332, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. ALTERNATIVE INVESTMENTS: (Continued)

The System's commitment to private equity Warburg Pincus Global Growth is \$20,000,000 of which \$4,580,000 has been funded. The partner's principal purpose is growth of principal. As of June 30, 2020 and 2019, the fair market value of the partnership was \$4,234,855 and \$89,935, respectively.

The System's commitment to private equity J. F. Lehman & Company is \$12,500,000 of which \$10,687,832 has been funded. The partner's objective is to seek long-term capital appreciation by investing in companies involved in or concerned with defense, aerospace, marine, or engineering industries or other specialized service or manufacturing industries. As of June 30, 2020 and 2019, the fair market value of the partnership was \$14,345,899 and \$10,644,239, respectively.

The System's commitment to private equity HarbourVest Partners Co-Investment Fund IV L.P. is \$12,500,000 of which \$10,111,520 has been funded. The purpose of the partnership is to make investments with a primary emphasis on equity-oriented investments in management buy-in, management buy-out, leveraged buy-out, recapitalization, growth equity, special situation, and mezzanine transactions involving companies having trailing 12-month revenues greater than \$7.5 million. As of June 30, 2020 and 2019, the fair market value of the partnership was \$11,410,660 and \$12,154,171, respectively.

The System's commitment to private equity HarbourVest Partners Co-Investment Fund V L.P. is \$20,000,000 of which \$7,000,000 has been funded. The purpose of the partnership is growth of principal. As of June 30, 2020 and 2019, the fair market value of the partnership was \$8,153,585 and \$1,686,223, respectively.

The System's commitment to private equity Gold Point Partners Co-Investment VI, L.P. is \$15,000,000 of which \$9,417,559 has been funded. The partner's purpose is to provide investors the opportunity to invest in private equity investments with the objective of obtaining long-term growth of capital through direct investment opportunities and investments in other private equity vehicles. As of June 30, 2020 and 2019, the fair market value of the partnership was \$9,637,576 and \$5,110,978, respectively.

The System's commitment to private equity Levine Leichtman Capital Partners VI, L.P. is \$15,000,000 of which \$6,417,619 has been funded. The partner's purpose is to provide investors the opportunity to invest in private equity and private debt investments with the objective of obtaining long-term growth of capital through direct investment opportunities. As of June 30, 2020 and 2019, the fair market value of the partnership was \$4,897,255 and \$5,417,243, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

8. ALTERNATIVE INVESTMENTS: (Continued)

As of June 30, 2020 and 2019, the System had subscription agreements with four limited partnerships and offshore funds, to enhance diversification and provide reductions in overall portfolio volatility. At June 30, 2020 and 2019, the market value of the hedge funds was \$80,322,151 and \$86,979,565, 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. FORWARD CURRENCY CONTRACTS:

The System is a party to various forward currency contracts, as discussed below. At June 30, 2020, 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 – CAD	\$ 608,819	\$ 608,819	\$ 598,471	\$ 10,348
Foreign forward currency contract – EURO	750	750	752	(2)
Foreign forward currency contract – KR	<u>2,612</u>	<u>2,612</u>	<u>2,628</u>	<u>(16)</u>
Total	<u>\$ 612,181</u>	<u>\$ 612,181</u>	<u>\$ 601,851</u>	<u>\$ 10,330</u>

At June 30, 2019, 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 – CAD	\$ 491,195	\$ 491,195	\$ 501,954	\$ (10,759)
Foreign forward currency contract – EURO	145,287	145,287	145,593	(306)
Foreign forward currency contract – JAP	87,982	87,982	88,009	(27)
Foreign forward currency contract – GBP	3,922	3,933	3,922	11
Foreign forward currency contract – SEK	32,733	32,733	32,733	-
Foreign forward currency contract – CHF	<u>37,071</u>	<u>37,132</u>	<u>37,071</u>	<u>61</u>
Total	<u>\$ 798,190</u>	<u>\$ 798,262</u>	<u>\$ 809,282</u>	<u>\$ (11,020)</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

9. FORWARD CURRENCY CONTRACTS: (Continued)

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 Canadian Dollars, Euros, Japanese Yen, British Pounds, Swedish Krona, and Swiss Francs. At June 30, 2020 and 2019, the fair value of the foreign currency contracts receivable was \$612,181 and \$798,262, respectively. At June 30, 2020 and 2019, the fair value of the foreign currency contracts payable was \$601,851 and \$809,282, respectively.

10. 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

10. SECURITY LENDING AGREEMENTS: (Continued)

The System has the following securities on loan:

	<u>2020</u>	<u>2019</u>
	<u>Market Value</u>	<u>Market Value</u>
Marketable Securities - Domestic	\$ 18,228,226	\$ 51,935,023
Marketable Securities - Foreign	10,925,491	5,439,394
Corporate Bonds - Domestic	<u>4,293,827</u>	<u>4,111,170</u>
Total	<u>\$ 33,447,544</u>	<u>\$ 61,485,587</u>

Securities on loan at June 30, 2020 and 2019 are collateralized by cash collateral in the amount of \$4,187,009 and \$7,307,257, and noncash collateral in the amount of \$30,962,128 and \$55,641,417, for total amount of collateral held in the amount of \$35,149,137 and \$62,948,674, respectively.

Loans may be terminated on demand; therefore, 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, 2020 and 2019.

11. 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.

12. TAX QUALIFICATION:

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
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13. CAPITAL ASSETS:

The following is a summary of equipment and fixtures at June 30, 2020 and 2019:

	<u>07/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/20</u>
Land	\$ 614,919	\$ -	\$ -	\$ 614,919
Office building	2,121,646	-	-	2,121,646
Improvements	34,552	-	-	34,552
Furniture	107,484	-	-	107,484
Office equipment	339,918	18,103	-	358,021
Computer equipment and software	309,313	-	-	309,313
Software in progress	803,454	856,690	-	1,660,144
	<u>4,331,286</u>	<u>874,793</u>	<u>-</u>	<u>5,206,079</u>
Less accumulated depreciation	<u>(1,634,094)</u>	<u>(71,565)</u>	<u>-</u>	<u>(1,705,659)</u>
Capital Assets, Net	<u>\$ 2,697,192</u>	<u>\$ 803,228</u>	<u>\$ -</u>	<u>\$ 3,500,420</u>

Depreciation expense charged to pension operations was \$71,565 and \$70,613 for the years ended June 30, 2020 and 2019, respectively.

14. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all System employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an agent multi-employer OPEB Plan whose premiums are paid jointly by the employee and the System. At June 30, 2020, five retirees were receiving postemployment benefits. At June 30, 2019, 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). Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75 to pay related benefits. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
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14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Benefits Provided:

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

Contributions:

The contribution requirements of plan members and the System are established and may be amended by LRS 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and System contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving postemployment benefits. The retirees contribute to the cost of their postemployment benefits based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. Employee premiums for these benefits totaled \$-0- for each of the years ended June 30, 2020 and 2019. Employer contributions to the OPEB Plan from the System were \$62,574 and \$50,114 for the years ended June 30, 2020 and 2019, respectively.

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

<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%

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

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

At June 30, 2020 and 2019, the System reported a total OPEB liability of \$1,904,608 and \$1,958,439, respectively. The total OPEB liability was measured as of July 1, 2019 and July 1, 2018, respectively, and was determined by actuarial valuations as of these dates.

For the years ended June 30, 2020 and 2019, the System recognized OPEB expense of \$85,317 and \$53,111, respectively. As of June 30, 2020 and 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources, respectively:

<u>June 30, 2020</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 308,474
Differences between expected and actual experience	211,654	-
Employer contributions subsequent to the measurement date	62,574	-
Total	<u>\$ 274,228</u>	<u>\$ 308,474</u>
<u>June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 148,172
Differences between expected and actual experience	140,386	-
Employer contributions subsequent to the measurement date	50,114	-
Total	<u>\$ 190,500</u>	<u>\$ 148,172</u>

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$62,574 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

Year Ended June 30	Amount
2021	\$ (29,041)
2022	(29,041)
2023	(19,059)
2024	(19,679)
	<u>\$ (96,820)</u>

Actuarial Methods and Assumptions:

The total OPEB liability in the July 1, 2019 and July 1, 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8% as of July 1, 2019 and 2018
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	2.79% and 2.98%, based on the S&P Municipal Bond 20-Year High Grade Rate Index, as of July 1, 2019 and July 1, 2018, respectively.
Healthcare Cost Trend	7% - 4.5% as of July 1, 2019 and 2018
July 1, 2019 Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018.
July 1, 2018 Mortality Rates	For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2018.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions: (Continued)

The actuarial assumptions used in July 1, 2019 valuation were based on the results of an actuarial experience study performed for the Statewide Retirement Systems. As a result of the 2019 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2019 actuarial valuation to more closely reflect actual experience. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018. As a result of the 2018 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2018 actuarial valuation to more closely reflect actual experience.

Discount Rate:

The discount rate used to measure the total OPEB liability was 2.79% and 2.98% for the years ending June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax-exempt municipal bond yield or index rate.

The discount rate used to measure the total OPEB liability was decreased to 2.79% in the July 1, 2019 valuation from 2.98% as of July 1, 2018. The discount rate used to measure the total OPEB liability was decreased to 2.98% in the July 1, 2018 valuation from 3.13% as of July 1, 2017. The discount rate in the current valuations reflect that the Bond Buyers' 20-Year General Obligation Municipal Bond Index rate was unchanged from the prior years.

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

The following presents the System's total OPEB liability, as well as what the System's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate for the years ended June 30, 2020 and 2019, respectively:

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
Total OPEB liability as of <u>June 30, 2020</u>	\$ 2,309,416	\$ 1,904,608	\$ 1,593,373
Total OPEB liability as of <u>June 30, 2019</u>	\$ 2,362,286	\$ 1,958,439	\$ 1,646,988

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

14. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

The following presents the System's total OPEB liability, as well as what the System's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare trend rates for the years ended June 30, 2020 and 2019, respectively:

	<u>1.0% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.0% Increase</u>
Total OPEB liability as of <u>June 30, 2020</u>	<u>\$ 1,580,034</u>	<u>\$ 1,904,608</u>	<u>\$ 2,331,765</u>
Total OPEB liability as of <u>June 30, 2019</u>	<u>\$ 1,628,410</u>	<u>\$ 1,958,439</u>	<u>\$ 2,393,984</u>

Payables to the OPEB Plan:

As of June 30, 2020 and 2019, the System reported no payables for outstanding contributions to the OPEB plan required for the years ended June 30, 2020 and 2019.

15. DEFINED BENEFIT PENSION PLAN:

Plan Description

All full-time System employees who do not participate in the System participate in the Louisiana State Employees' Retirement System (LASERS). LASERS is a cost-sharing, multiple-employer defined benefit plan administered by the Louisiana State Employees' Retirement System. Section 401 of Title 11 of the Louisiana Revised Statutes (LA. R.S. 11:401) grants, to LASERS Board of Trustees and the Louisiana Legislature, the authority to review administration, benefit terms, investments, and funding of the plan.

LASERS provides retirement, deferred retirement option (DROP), disability, and survivor's benefits. The following is a brief description of the plan and its benefits. Participants should refer to the appropriate statutes for more complete information.

Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The substantial majority of members may retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing 10 years of creditable service. Additionally, members may choose to retire with 20 years of service at any

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
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15. DEFINED BENEFIT PENSION PLAN: (Continued)

Retirement Benefits (Continued)

age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement benefits under any one of six different options providing for reduced retirement benefits payable throughout their life, with certain benefits being paid to their designated beneficiary after their death.

Act 992 of the 2010 Louisiana Regular Legislative Session changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formerly eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after 5 years of creditable service and may also retire at any age, with a reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with 12 years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.3% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House Clerk, Sergeants-at-Arms, or Senate secretary employed after January 1, 2011 was eliminated by Act 992. Specialty plan and regular members hired prior to January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

Act 226 of the 2014 Louisiana Regular Legislative Session established new retirement eligibility for members of LASERS hired on or after July 1, 2015, excluding hazardous duty plan members. Regular members and judges under the new plan are eligible to retire at age 62 after five years of creditable service, and may also retire at any age, with a reduced benefit, after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment. Members in

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
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15. DEFINED BENEFIT PENSION PLAN: (Continued)

Retirement Benefits (Continued)

the regular plan will receive a 2.5% accrual rate, and judges a 3.5% accrual rate, with the extra 1.0% accrual rate based on all years of service as a judge.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit, provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is 10 years of service.

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of 0.5% less than LASERS' realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member *must* choose among available alternatives for the distribution of benefits that have accumulated in the DROP account.

Members who enter DROP on or after January 1, 2004 are required to participate in LASERS' Self-Directed Plan (SDP), which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

Initial Benefit Options

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such an amount may be withdrawn or remain in the IBO account earning interest at a rate of 0.5% less than LASERS' realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004 are required to enter the SDP as described above.

Disability Benefits

All members with 10 or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

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15. DEFINED BENEFIT PENSION PLAN: (Continued)

Disability Benefits (Continued)

Upon reaching age 60, the disability retirement recipient may receive a regular retirement benefit by making an application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefits

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of 20 years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is 10 years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Contributions

Contribution requirements of active employees are governed by Section 401 of Title 11 of the Louisiana Revised Statutes (LA. R.S. 11:401) and may be amended by the Louisiana Legislature. Members are required by state statute to contribute 7.5% of their annual covered salaries if hired before July 1, 2006 and 8.0% of their annual covered salaries if hired after July 1, 2006. The System is required to make employer contributions based on the actuarially determined rate. The employer contribution rate for the fiscal years ended June 30, 2020 and 2019 was 40.7% and 37.9% of annual covered payroll, respectively. The System's contributions to LASERS for the fiscal years ended June 30, 2020 and 2019 were \$97,235 and \$62,972, respectively.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (LASERS) and changes in LASERS' fiduciary net position have been determined on the same basis as they are reported by LASERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
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15. DEFINED BENEFIT PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020 and 2019, the System reported a liability of \$606,109 and \$520,497, respectively, for its proportionate share of LASERS' net pension liability. The net pension liability was measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2019, the System's proportion was 0.00837%, which is an increase of 0.00074% from its proportion measured as of June 30, 2018, which was 0.00763%.

For the fiscal year ended June 30, 2020, the System recognized pension expense of \$259,175. For the fiscal year ended June 30, 2019, the System recognized pension expense of \$199,497. At June 30, 2020 and 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>June 30, 2020</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,722	\$ 1,259
Net difference between projected and actual earnings on pension plan investments	20,940	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,697	9,169
Changes in assumptions	5,194	-
Employer contributions subsequent to the measurement date	97,235	-
Total	\$ 151,788	\$ 10,428
<u>June 30, 2019</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,837
Net difference between projected and actual earnings on pension plan investments	6,749	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	181,908	33,400
Changes in assumptions	5,296	-
Employer contributions subsequent to the measurement date	62,972	-
Total	\$ 256,925	\$ 39,237

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
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15. DEFINED BENEFIT PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$97,235, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30:	
2021	\$ 36,610
2022	(6,094)
2023	5,761
2024	7,848
	\$ 44,125

Actuarial Assumptions

The total pension liability in the June 30, 2019 and June 30, 2018 actuarial valuations was determined using the following actuarial assumptions and applied to all periods included in the measurement. The significant methods and assumptions used in calculating the actuarially determined contributions are as follows:

Valuation date	June 30, 2019 and 2018
Actuarial cost method	Entry age normal
Amortization approach	Closed
Expected remaining service lives	2 years and 3 years, respectively
Investment rate of return	7.60% and 7.65% net of investment expenses, respectively
Inflation rate	2.50% and 2.75%, respectively
Projected salary increases	2.8% - 14.6% varies depending on duration of service
Cost-of-living adjustments	None, since they are not deemed to be automatic
Mortality	Non-disabled members – Mortality rates were based on the RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale for 2019, and the RP-2000 Combined Health Mortality Table with mortality improvement projected to 2015 for 2018. Disabled members – Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination and disability	Termination, disability, and retirement assumptions were based on a five-year (2014-2018) experience study of the System's members for 2019 and a five-year (2008-2013) experience study of the System's members for 2018.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

15. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.75% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 9.00% for 2019. The target allocation and best estimates of geometrical real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 and June 30, 2018 are summarized in the following tables:

<u>Asset Class</u>	<u>2019 Target Allocations</u>	<u>2019 Long-Term Expected Real Rate of Return</u>
Cash	0%	0.24%
Domestic equity	23%	4.83%
International equity	32%	5.83%
Domestic fixed income	6%	2.79%
International fixed income	10%	4.49%
Alternatives investments	22%	8.32%
Risk parity	7%	5.06%
TOTAL FUND	100%	

<u>Asset Class</u>	<u>2018 Target Allocations</u>	<u>2018 Long-Term Expected Real Rate of Return</u>
Cash	0%	-0.48%
Domestic equity	23%	4.31%
International equity	32%	5.26%
Domestic fixed income	6%	1.49%
International fixed income	10%	2.23%
Alternatives investments	22%	7.67%
Risk parity	7%	4.96%
TOTAL FUND	100%	

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

15. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions (Continued)

The discount rate used to measure the total pension liability at June 30, 2019 and June 2018 was 7.60% and 7.65%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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.

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability using the discount rate, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower, or one percentage-point higher, than the current rate:

	1% Decrease <u>6.60%</u>	Current Discount <u>Rate 7.60%</u>	1% Increase <u>8.60%</u>
Net Pension Liability June 30, 2019	<u>\$ 764,987</u>	<u>\$ 606,109</u>	<u>\$ 471,911</u>
	1% Decrease <u>6.65%</u>	Current Discount <u>Rate 7.65%</u>	1% Increase <u>8.65%</u>
Net Pension Liability June 30, 2018	<u>\$ 656,902</u>	<u>\$ 520,497</u>	<u>\$ 403,019</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Louisiana State Employees' Retirement System 2019 Comprehensive Annual Financial Report at www.lasersonline.org.

Payables to the Pension Plan

As of June 30, 2020 and 2019, the System reported a payable of \$1,516 and \$985, respectively, for the outstanding amount of contributions to LASERS.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

16. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

17. RETIREMENT BENEFITS OF POST-MERGER POLICE EMPLOYEES:

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

During the 2019 fiscal year, LA Act 92 of the 2019 Regular Session was passed, relating to City of Baton Rouge overtime. This law affects members who joined the System after the Merger Agreement. For these members active through December 31, 2017, disputed overtime is being reported by Baton Rouge and tracked by the System. When these individual members retire, benefit calculations will be prepared including the disputed overtime and not including the disputed overtime. The System's actuary will then prepare a cost certification to determine the actuarial cost, plus interest, of the actuarial impact of including disputed overtime in the average final compensation of the member. If the actuarial cost exceeds what has been collected for wages reported with disputed overtime, the City of Baton Rouge will pay the amount owed to the System. This calculation also applies to any members who joined the System after the Merger Agreement and began receiving a benefit on or before June 30, 2019. The amount due from the City of Baton Rouge is unknown, thus no receivable has been recorded in the financial statements.

For employees hired after December 31, 2017, the disputed overtime will not be included in their retirement benefit calculations. The System's Board of Directors ratified a memorandum of understanding in November 2019 that stipulates that any contributions remitted on disputed overtime by these employees will be refunded to them.

18. UNCERTAINTY:

As a result of COVID-19 coronavirus, economic uncertainties have arisen which could have a significant impact on the market values of the System's investments. The extent of the financial impact cannot be reasonably estimated at this time.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

19. PRIOR PERIOD ADJUSTMENT/RESTATEMENT:

The System recorded a prior period adjustment to report its participation in Louisiana State Employee's Retirement System. As a result the financial statements for the year ended June 30, 2019 were restated. The effect of the restatement was an increase in deferred outflows of resources in the amount of \$256,925, an increase in deferred inflows of resources in the amount of \$39,237, an increase in net pension liability of in the amount of \$520,497, an increase in pension expense in the amount of \$136,525 and a decrease in net assets available for benefits in the amount of \$166,284.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability:			
Service cost	\$ 57,890,624	\$ 55,682,425	\$ 54,455,139
Interest	221,341,661	214,556,499	211,934,847
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(29,781,524)	(788,461)	(54,697,789)
Changes of assumptions	(30,411,618)	24,575,373	38,696,875
Benefit payments (including DROP and IBO withdrawals)	(164,986,083)	(159,186,593)	(153,120,060)
Refunds	(3,885,219)	(4,195,787)	(4,396,691)
Other	<u>(1,643,264)</u>	<u>(5,375,320)</u>	<u>(3,755,615)</u>
Net change in total pension liability	48,524,577	125,268,136	89,116,706
Total pension liability - beginning	<u>3,132,449,454</u>	<u>3,007,181,318</u>	<u>2,918,064,612</u>
Total pension liability - ending (a)	<u>\$ 3,180,974,031</u>	<u>\$ 3,132,449,454</u>	<u>\$ 3,007,181,318</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 100,615,513	\$ 100,818,492	\$ 90,835,597
Contributions - member	30,264,864	30,427,910	28,746,906
Contributions - non-employer contributing entity	21,797,215	20,587,174	19,733,532
Net investment income (loss)	52,492,225	81,329,838	141,544,619
Benefit payments (including DROP and IBO withdrawals)	(164,986,083)	(159,186,593)	(153,120,060)
Refunds	(3,885,219)	(4,195,787)	(4,396,691)
Administrative expenses	(2,196,255)	(1,898,939)	(2,814,163) *
Other	<u>(1,643,264) **</u>	<u>(5,375,320)</u>	<u>(3,776,843)</u>
Net change in plan fiduciary net position	32,458,996	62,506,775	116,752,897
Plan fiduciary net position - beginning	<u>2,224,281,981</u>	<u>2,161,775,206</u>	<u>2,045,022,309</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,256,740,977</u>	<u>\$ 2,224,281,981</u>	<u>\$ 2,161,775,206</u>
Net pension liability - ending (a) - (b)	<u>\$ 924,233,054</u>	<u>\$ 908,167,473</u>	<u>\$ 845,406,112</u>
Plan fiduciary net position as a percentage of total pension liability	70.94%	71.01%	71.89%
Covered payroll	\$ 309,586,194	\$ 312,615,479	\$ 295,400,315
Net pension liability as a percentage of covered payroll	298.54%	290.51%	286.19%

* 2018 Administrative expenses include \$1,090,517 in prior period adjustment for implementation of GASB 75.

** 2020 Other expenses include \$302,809 in prior period adjustment for the recognition of the System's participation in LASERS.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:				
Service cost	\$ 50,897,473	\$ 48,835,622	\$ 43,010,879	\$ 44,231,463
Interest	205,008,038	198,685,578	186,254,517	178,359,489
Changes of benefit terms	-	-	-	38,929,984
Differences between expected and actual experience	7,622,189	(8,714,512)	(9,412,440)	(14,670,717)
Changes of assumptions	52,448,263	-	91,142,323	(225,724)
Benefit payments (including DROP and IBO withdrawals)	(151,553,474)	(148,169,159)	(140,940,357)	(127,348,774)
Refunds	(4,217,420)	(4,142,582)	(4,257,860)	(4,503,123)
Other	(2,280,589)	(2,827,581)	(1,951,961)	(1,520,753)
Net change in total pension liability	<u>157,924,480</u>	<u>83,667,366</u>	<u>163,845,101</u>	<u>113,251,845</u>
Total pension liability - beginning	<u>2,760,140,132</u>	<u>2,676,472,766</u>	<u>2,512,627,665</u>	<u>2,399,375,820</u>
Total pension liability - ending (a)	<u>\$ 2,918,064,612</u>	<u>\$ 2,760,140,132</u>	<u>\$ 2,676,472,766</u>	<u>\$ 2,512,627,665</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 94,847,073	\$ 82,720,635	\$ 84,324,128	\$ 82,259,694
Contributions - member	29,175,452	27,278,823	26,117,636	25,922,508
Contributions - non-employer contributing entity	19,090,190	18,605,064	17,704,000	16,628,926
Net investment income (loss)	238,535,243	(42,215,916)	26,639,525	296,576,890
Benefit payments (including DROP and IBO withdrawals)	(151,553,474)	(148,169,159)	(140,940,357)	(127,348,774)
Refunds	(4,217,420)	(4,142,582)	(4,257,860)	(4,503,123)
Administrative expenses	(1,432,563)	(1,468,182)	(1,577,279)	(1,529,139)
Other	(2,280,589)	(2,827,581)	(1,951,961)	(1,520,298)
Net change in plan fiduciary net position	<u>222,163,912</u>	<u>(70,218,898)</u>	<u>6,057,832</u>	<u>286,486,684</u>
Plan fiduciary net position - beginning	<u>1,822,858,397</u>	<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>\$ 2,045,022,309</u>	<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>\$ 873,042,303</u>	<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	70.08%	66.04%	70.73%	75.10%
Covered payroll	\$ 298,448,940	\$ 280,124,060	\$ 267,525,787	\$ 265,182,766
Net pension liability as a percentage of covered payroll	292.53%	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
 SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

<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 <u>Liability</u>	<u>Covered Payroll</u>	Employers' Net Pension Liability as a Percentage of Covered <u>Payroll</u>
2020	\$ 3,180,974,031	\$ 2,256,740,977	\$ 924,233,054	70.94%	\$ 309,586,194	298.54%
2019	3,132,449,454	2,224,281,981	908,167,473	71.01%	312,615,479	290.51%
2018	3,007,160,090	2,161,775,206	845,384,884	71.89%	295,400,315	286.18%
2017	2,918,064,612	2,045,022,309	873,042,303	70.08%	298,448,940	292.53%
2016	2,760,140,132	1,822,858,397	937,281,735	66.04%	280,124,060	334.60%
2015	2,676,472,766	1,893,077,295	783,395,471	70.73%	267,525,787	292.83%
2014	2,512,627,665	1,887,019,463	625,608,202	75.10%	265,182,766	235.92%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

<u>Fiscal</u> <u>Year</u>	Actuarially Determined <u>Contribution</u>	Contributions in Relation to the Actuarially Determined <u>Liability</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of Covered <u>Payroll</u>
2020	\$ 122,412,728	\$ 122,412,728	\$ -	\$ 309,586,194	39.54%
2019	121,405,666	121,405,666	-	312,615,479	38.84%
2018	110,569,129	110,569,129	-	295,400,315	37.43%
2017	113,937,263	113,937,263	-	298,448,940	38.18%
2016	101,325,699	101,325,699	-	280,124,060	36.17%
2015	102,028,128	102,028,128	-	267,525,787	38.14%
2014	98,888,620	98,888,620	-	265,182,766	37.29%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE SEVEN YEARS ENDED JUNE 30, 2020

<u>Fiscal Year End</u>	<u>Annual Money-Weighted Rate of Return*</u>
2020	2.20%
2019	3.48%
2018	6.70%
2017	13.30%
2016	-2.80%
2015	1.10%
2014	17.90%

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

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
FOR THE THREE YEARS ENDED JUNE 30, 2020

<u>Fiscal Year*</u>	System's Beginning Total OPEB <u>Liability</u>	Service <u>Costs</u>	<u>Interest</u>	Differences Between Expected and Actual <u>Experience</u>	Changes in <u>Assumptions</u>	<u>Contributions</u>	System's Ending Total OPEB <u>Liability</u>
2020	\$ 1,958,439	\$ 47,950	\$ 59,156	\$ 136,689	\$ (254,763)	\$ (42,863)	\$ 1,904,608
2019	1,794,597	43,590	56,966	177,330	(77,401)	(36,643)	1,958,439
2018	1,869,400	47,795	51,463	-	(137,418)	(36,643)	1,794,597

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

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SYSTEM'S OPEB CONTRIBUTIONS
FOR THE THREE YEARS ENDED JUNE 30, 2020

<u>Fiscal Year</u>	<u>Actuarially Estimated Contributions</u>	<u>System's Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage Of Covered Employee Payroll</u>	<u>Total OPEB Liability as a Percentage of Covered Employee Payroll</u>
2020	\$ 42,863	\$ 62,574	\$ (19,711)	\$ 572,956	10.92%	332.42%
2019	36,643	50,114	(13,471)	597,761	8.38%	327.63%
2018	36,643	38,341	(1,698)	439,450	8.72%	408.37%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF
 THE NET PENSION LIABILITY IN LASERS
FOR THE THREE YEARS ENDED JUNE 30, 2020

<u>Fiscal Year*</u>	<u>System's Proportion of the Net Pension Liability</u>	<u>System's Proportionate Share of the Net Pension Liability</u>	<u>System's Covered Payroll</u>	<u>System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2020	0.00837%	\$ 606,109	\$ 160,000	378.82	62.9%
2019	0.00763%	520,497	160,000	325.31	64.3%
2018	0.00792%	557,616	160,000	348.51	62.5%

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

* The amounts presented for each fiscal year were determined as of the prior fiscal year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS TO LASERS
FOR THE THREE YEARS ENDED JUNE 30, 2020

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>System's Covered Payroll</u>	<u>Contributions as as a Percentage of Covered Payroll</u>
2020	\$ 97,235	\$ 97,235	\$ -	\$ 246,400	39.46%
2019	62,972	62,972	-	160,000	39.36%
2018	50,326	50,326	-	160,000	31.45%

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY:

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

2. SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY:

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

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

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

4. SCHEDULE OF INVESTMENT RETURNS:

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

5. ACTUARIAL ASSUMPTIONS:

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

6. SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY:

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

6. SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY: (Continued)

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

7. SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY IN LASERS:

This schedule reflects the participation of the System employees in LASERS and its proportionate share of the net pension liability, the proportionate share of the net pension liability as a percentage of its covered payroll, and the plan fiduciary net position as a percentage of the total pension liability. The measurement period for the fiscal year ended June 30, 2020 is as of June 30, 2019.

8. SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS TO LASERS

This schedule represents the employer contributions subsequent to the measurement date and recognized as a reduction of the net pension liability in future years.

9. CHANGES IN ACTUARIAL ASSUMPTIONS:

System's Net Pension Liability:

Following is a detail description of the changes in assumptions:

Valuation Date	2020	2019	2018	2017
Investment Rate of Return	6.95%	7.125%	7.200%	7.325%
Inflation Rate	2.50%	2.50%	2.60%	2.70%
Mortality Rate - Annuitant and Beneficiary	The Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Restirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale was used.	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females
Mortality Rate - Employees	The Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Restirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale was used.	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee table set back 4 years for males and 3 years for females	RP-2000 Employee table set back 4 years for males and 3 years for females

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

9. CHANGES IN ACTUARIAL ASSUMPTIONS: (Continued)

System's Net Pension Liability: (Continued)

Valuation Date	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>																														
Mortality Rate - Disabled Annuity	The Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP 2019 scale was used.	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females																														
Salary increases, including inflation and merit	<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>12.30%</td> </tr> <tr> <td>Above 2</td> <td>4.70%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1-2	12.30%	Above 2	4.70%	<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>9.75%</td> </tr> <tr> <td>3-23</td> <td>4.75%</td> </tr> <tr> <td>Above 23</td> <td>4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	Above 23	4.25%	<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>9.75%</td> </tr> <tr> <td>3-23</td> <td>4.75%</td> </tr> <tr> <td>Above 23</td> <td>4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	Above 23	4.25%	<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td>1-2</td> <td>9.75%</td> </tr> <tr> <td>3-23</td> <td>4.75%</td> </tr> <tr> <td>Above 23</td> <td>4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	Above 23	4.25%
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Valuation Date	<u>2016</u>	<u>2015</u>	<u>2014</u>																												
Investment Rate of Return	7.500%	7.500%	7.500%																												
Inflation Rate	2.875%	2.875%	3.000%																												
Mortality Rate - Annuity and Beneficiary	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females	RP-2000 Healthy Annuity 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 Annuity	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																												
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MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020 AND 2019

9. CHANGES ACTUARIAL ASSUMPTIONS: (Continued)

OPEB Plan:

The discount rate changed from 2.98% as of July 1, 2018 to 2.79% as of July 1, 2019 for the State of Louisiana Postemployment Benefit Plan. The discount rate changed from 3.13% as of July 1, 2017 to 2.98% as of July 1, 2018 for the State of Louisiana Postemployment Benefit Plan.

Following is a detail description of the changes in assumptions:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Investment rate of return	7.60%	7.65%	7.70%
Expected remaining service lives	2 years	3 years	3 years
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation rate	2.50%	2.75%	2.75%
Mortality rate - non-disabled members	RP-2014 Healthy Mortality Table with mortality improvement projected using the MP-2018 Mortality Improvement Scale, applied on a fully generational basis	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015	RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015
Mortality rate - disabled members	RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement	RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement	RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement
Termination, disability, and retirement	Projected based on a five-year (2014-2018) experience study of the System's members	Projected based on a five-year (2009-2013) experience study of the System's members	Projected based on a five-year (2009-2013) experience study of the System's members
Salary increases, including inflation and merit	Projected based on a 2014-2018 experience study of the System's members. Salary increases range from 2.8% to 14.0%	Projected based on a 2009-2013 experience study of the System's members. Salary increases range from 2.8% to 14.3%	Projected based on a 2009-2013 experience study of the System's members. Salary increases range from 2.8% to 14.3%

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The per diem paid to the trustees is an expenditure of the Expense Fund. For fiscal years ended June 30, 2020 and 2019, the trustees received per diem at the rate of \$75.00 for each day of a regularly scheduled meeting of the Board of Trustees that they attended. The per diem paid to the trustees for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Darrell Basco	\$ 225	\$ -
Raymond Burkart, Jr.	600	900
Michael Calloway	225	975
Scott Ford	675	750
Michael Glasser	525	900
Willie Joe Greene	150	750
Chad King	600	900
Gerard Landry	675	900
Dwayne Munch	225	75
Larry Reech	675	825
Michael Suchanek	-	750
Donald Villere	675	938
Chris Wilrye	600	-
	<u>\$ 5,850</u>	<u>\$ 8,663</u>

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH AND CASH EQUIVALENTS	\$ 20,185,546	\$ 102,923,216
EQUITIES:		
Domestic	\$ 562,107,868	\$ 538,525,976
International	341,045,966	342,114,756
Emerging Markets	220,770,512	207,176,791
Total Equities	<u>\$ 1,123,924,346</u>	<u>\$ 1,087,817,523</u>
FIXED INCOME:		
Foreign Bonds	\$ 26,525,247	\$ 32,727,769
Corporate Bonds	128,207,325	86,664,470
U.S. Government Bonds	27,781,230	14,242,001
Other Bonds	42,765,758	34,093,710
Emerging Markets Debt Fund	104,024,407	108,078,663
Bank Loan Fund	39,771,062	39,968,398
Domestic Index Bond Fund	337,276,426	342,994,552
Total Fixed Income Securities	<u>\$ 706,351,455</u>	<u>\$ 658,769,563</u>
REAL ESTATE:		
Partnerships	\$ 18,385,421	\$ 25,933,284
Land and Rental	773,438	773,438
Real Estate Funds	155,518,077	157,330,997
Total Real Estate	<u>\$ 174,676,936</u>	<u>\$ 184,037,719</u>
ALTERNATIVE INVESTMENTS:		
Hedge Funds	\$ 80,322,151	\$ 86,979,565
Private Equity	82,369,829	64,712,375
Total Alternative Investments	<u>\$ 162,691,980</u>	<u>\$ 151,691,940</u>
SYNTHETIC GUARANTEED INVESTMENT CONTRACT	<u>\$ 28,342,803</u>	<u>\$ -</u>
TOTAL INVESTMENTS	<u>\$ 2,216,173,066</u>	<u>\$ 2,185,239,961</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF ADMINISTRATIVE EXPENSES
 ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Actual</u>	<u>Budget</u>	Variance Favorable <u>(Unfavorable)</u>
Personal Services:			
Staff salaries	\$ 698,008	\$ 728,194	\$ 30,186
Group insurance	63,735	126,400	62,665
Retirement	112,643	213,335	100,692
Board member - per diem	5,850	6,375	525
Professional Services:			
Accounting	70,224	86,000	15,776
Actuarial	109,863	125,000	15,137
Computer services	236,136	246,000	9,864
Legal	49,257	61,341	12,084
Medical Board	2,732	3,000	268
Death audit	11,401	11,500	99
Communications:			
Postage and printing	20,198	21,000	802
Telephone	18,422	19,000	578
Travel and education	82,405	85,000	2,595
Other:			
Equipment rental and repair	26,893	27,000	107
Dues and subscriptions	8,820	10,000	1,180
Supplies	27,553	36,573	9,020
Election	19,993	22,000	2,007
Advertising	1,786	1,786	-
Board	8,444	9,000	556
Miscellaneous	54,082	45,300	(8,782)
Uniforms	3,567	4,500	933
Medicare and FICA	11,715	17,100	5,385
Building:			
Association dues	1,600	1,600	-
Building maintenance and supplies	70,022	80,995	10,973
Risk management	23,415	23,415	-
Security	2,487	3,000	513
Utilities	38,947	39,000	53
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 1,780,198</u>	<u>\$ 2,053,414</u>	<u>\$ 273,216</u>
CAPITAL OUTLAYS	<u>\$ 874,793</u>	<u>\$ 1,141,459</u>	<u>\$ 266,666</u>

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2020

Agency Head Name: Ben Huxen, CPA, Executive Director and General Counsel

Salary	\$ 166,400
Benefits - insurance	8,302
Benefits - retirement	67,725
Continuing professional education fees	419
Dues	540
Travel	<u>3,072</u>
Total	<u><u>\$ 246,458</u></u>



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(1919-1990)

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(1920-1996)

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

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

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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 14, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Municipal Police Employees' Retirement System as of and for the year ended June 30, 2020, 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 14, 2020.

Internal Control over Financial Reporting

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

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Certified Public Accountants
Society of LA CPAs

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

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

Compliance and Other Matters

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

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, Sharpness, Hogan and Skater, LLP

New Orleans, Louisiana

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Municipal Police Employees' Retirement System for the year ended June 30, 2020 was unmodified.

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

2. Internal Control:

Material weaknesses:	None noted
Significant deficiencies:	None noted

3. Compliance and Other Matters: None noted

MANAGEMENT LETTER COMMENTS:

None noted

SUMMARY OF PRIOR YEAR FINDINGS:

None noted