

R E P O R T

STATE OF LOUISIANA

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

JUNE 30, 2019 AND 2018

STATE OF LOUISIANA
MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

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JUNE 30, 2019 AND 2018

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December 10, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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 \$3,132,449,454 and \$3,007,181,318 at June 30, 2019 and 2018. 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, 2019 and 2018 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 10, 2019 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, Chapman, Hogan and Parker, LLP

New Orleans, Louisiana

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 2019 fiscal year with \$2.2 billion in net position restricted for pension benefits. This is an increase of \$62.5 million or 2.89% from the 2018 fiscal year, primarily due to income returns on the System's investments.
- * Contributions to the System by members and employers totaled \$131.2 million, an increase of \$11.7 million or 9.76% over the prior year. This increase was due to an increase in the employer contribution rate.
- * Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax totaled \$20.6 million, an increase of \$0.9 million or 4.33% over the prior year.
- * The System experienced net investment income in the amount of \$81.3 million during the 2019 fiscal year. This is a 42.54% decrease from net investment income of \$141.5 million during the 2018 fiscal year. The decrease was due primarily to lower market returns due to the current economic climate.
- * Pension benefits paid to retirees and beneficiaries increased by \$5.0 million or 3.57%. This increase was due to larger benefits paid to new retirees.
- * DROP and IBO withdrawals increased by \$1.1 million or 8.83%.
- * Administrative expenses totaled \$1.8 million, an increase of 7.59%. The cost of administering the System for all plan participants during 2019 was \$141.19 per individual compared to \$133.59 per individual in 2018. This increase was due to increased legal, accounting, and actuarial fees associated with the Baton Rouge Police Department.

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, 2019 and 2018.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

FINANCIAL ANALYSIS

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

Statements of Fiduciary Net Position
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|------------------|------------------|
| Cash | \$ 21,707,370 | \$ 28,489,969 |
| Receivables | 19,091,169 | 78,045,353 |
| Investments | 2,185,239,961 | 2,067,300,630 |
| Securities Lending Collateral Held | 7,307,257 | 17,879,578 |
| Prepaid expenses | 520 | - |
| Capital Assets | 2,697,192 | 2,177,692 |
| Total Assets | 2,236,043,469 | 2,193,893,222 |
| Deferred outflows of resources | 190,500 | 38,341 |
| Accounts Payable & Other Liabilities | 4,496,559 | 14,170,035 |
| Securities Lending Obligations | 7,307,257 | 17,879,578 |
| Total Liabilities | 11,803,816 | 32,049,613 |
| Deferred inflows of resources | 148,172 | 106,744 |
| Net Position Restricted for Benefits | \$ 2,224,281,981 | \$ 2,161,775,206 |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|-----------------------|
| Additions: | | |
| Employer Contributions | \$ 100,818,492 | \$ 90,835,597 |
| Employee Contributions | 30,429,790 | 28,746,906 |
| Insurance Premium Taxes | 20,587,174 | 19,733,532 |
| Net Investment Income | 81,329,838 | 141,544,619 |
| Other Income | 119,468 | 17,499 |
| Total Additions | <u>233,284,762</u> | <u>280,878,153</u> |
| Deductions: | | |
| Benefits | 159,186,593 | 153,089,816 |
| Refunds of Contributions | 4,195,787 | 4,396,691 |
| Net Transfers to/from Other Systems | 5,496,668 | 3,794,342 |
| Administrative Expenses | 1,775,215 | 1,649,952 |
| Other Postemployment Benefits | 53,111 | 30,244 |
| Depreciation Expense | 70,613 | 73,694 |
| Total Deductions | <u>170,777,987</u> | <u>163,034,739</u> |
| Net Increase in Net Position | <u>\$ 62,506,775</u> | <u>\$ 117,843,414</u> |
| Net effect of change in accounting principle | <u>\$ -</u> | <u>\$ (1,090,517)</u> |

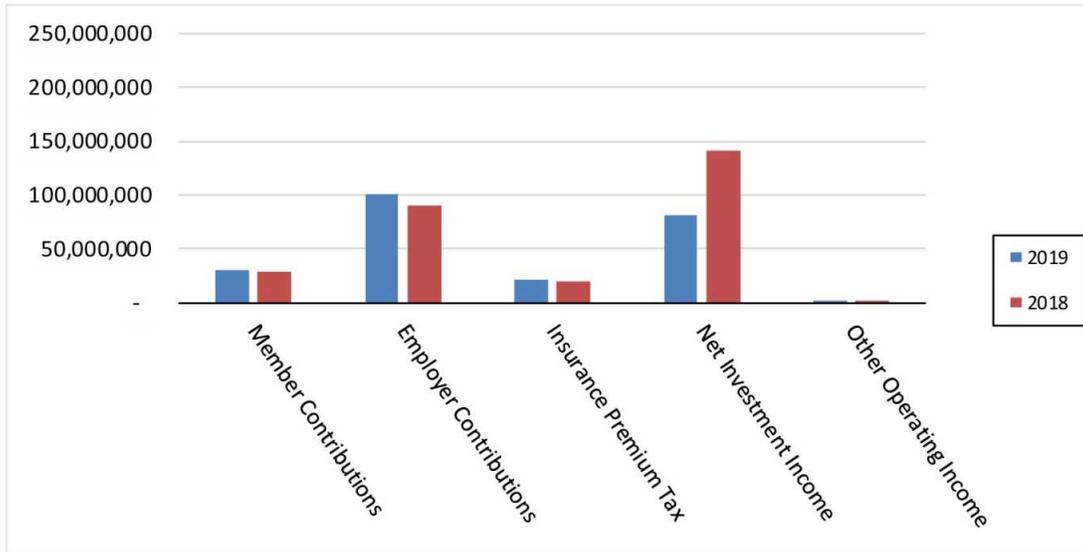
Additions to the System's Fiduciary Net Position

Additions to the System's fiduciary net position are derived from member contributions, employer contributions, and investment income. Member contributions increased by \$1.7 million or 5.85%, and employer contributions increased by \$10 million or 10.99%. The System experienced net investment income of \$81.3 million as compared to a net investment income of \$141.5 million in the previous year. This is a 42.54% decrease in investment income. Funds apportioned by the Public Employees' Retirement Systems' Actuarial Committee from available insurance premiums tax increased by \$0.9 million, or 4.33%.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

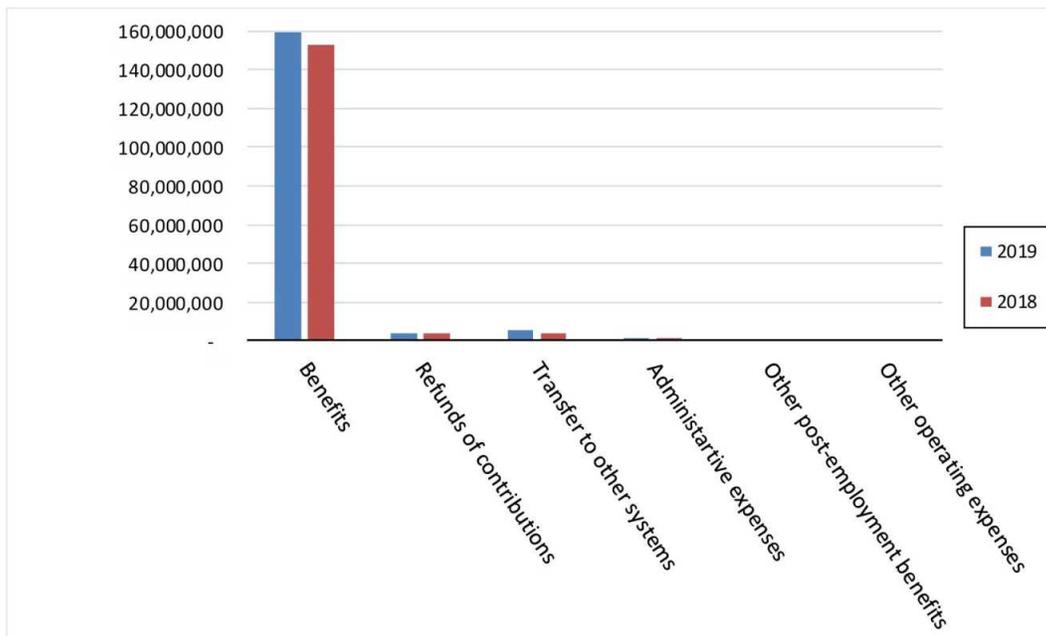
FINANCIAL ANALYSIS (Continued)

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 \$170.8 million in fiscal year 2019. This increase of \$7.7 million or 4.75% 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, 2019

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, 2019 was \$2.2 billion as compared to \$2.1 billion at June 30, 2018, which is an increase of \$117.9 million or 5.7%.

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, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| ASSETS: | | |
| Cash: | | |
| Operating cash | \$ 21,707,370 | \$ 28,489,969 |
| Total cash | <u>21,707,370</u> | <u>28,489,969</u> |
| Receivables: | | |
| Member contributions | 2,697,995 | 2,862,726 |
| Employer contributions | 8,924,985 | 9,075,466 |
| Investment receivable | 1,941,734 | 61,572,811 |
| Accrued interest and dividends | 5,526,455 | 4,534,350 |
| Total receivables | <u>19,091,169</u> | <u>78,045,353</u> |
| Capital assets, net | <u>2,697,192</u> | <u>2,177,692</u> |
| Investments (fair value): | | |
| Cash and cash equivalents | 102,923,216 | 44,997,678 |
| Equities | 1,087,817,523 | 1,187,820,935 |
| Fixed income | 658,769,563 | 420,917,028 |
| Real estate | 184,037,719 | 177,662,809 |
| Alternative investments | 151,691,940 | 130,742,607 |
| Tactical asset allocation | - | 105,159,573 |
| Total investments | <u>2,185,239,961</u> | <u>2,067,300,630</u> |
| Other assets: | | |
| Collateral held under securities lending program | 7,307,257 | 17,879,578 |
| Prepaid expenses | 520 | - |
| Total other assets | <u>7,307,777</u> | <u>17,879,578</u> |
| TOTAL ASSETS | <u>2,236,043,469</u> | <u>2,193,893,222</u> |
| Deferred outflows of resources | <u>190,500</u> | <u>38,341</u> |
| LIABILITIES: | | |
| Accounts payable | 250,881 | 373,018 |
| Refunds payable | 350,025 | 452,832 |
| Obligations under securities lending program | 7,307,257 | 17,879,578 |
| Other postemployment benefits obligation | 1,958,439 | 1,794,597 |
| Investment payable | 1,937,214 | 11,549,588 |
| TOTAL LIABILITIES | <u>11,803,816</u> | <u>32,049,613</u> |
| Deferred inflows of resources | <u>148,172</u> | <u>106,744</u> |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | <u>\$ 2,224,281,981</u> | <u>\$ 2,161,775,206</u> |

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, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|-------------------------|
| ADDITIONS: | | |
| CONTRIBUTIONS: | | |
| Member contributions | \$ 30,429,790 | \$ 28,746,906 |
| Employer contributions | 100,818,492 | 90,835,597 |
| Insurance premium tax | 20,587,174 | 19,733,532 |
| Total contributions | <u>151,835,456</u> | <u>139,316,035</u> |
| INVESTMENT INCOME: | | |
| Net appreciation in fair value of investments | 55,703,875 | 120,257,951 |
| Interest, dividend, and other investment income | 34,887,121 | 29,212,694 |
| Securities lending income | 195,778 | 295,483 |
| | <u>90,786,774</u> | <u>149,766,128</u> |
| Less investment expenses: | | |
| Investment consultant fees | 323,361 | 314,721 |
| Investment manager fees | 8,840,618 | 7,597,759 |
| Interest expense | - | 17,242 |
| Custodian fees | 292,957 | 291,787 |
| | <u>9,456,936</u> | <u>8,221,509</u> |
| Net investment income | <u>81,329,838</u> | <u>141,544,619</u> |
| OTHER ADDITIONS: | | |
| Interest on refund paybacks | 46,812 | - |
| Military purchase | 72,656 | 17,499 |
| Total other additions | <u>119,468</u> | <u>17,499</u> |
| Total additions | <u>233,284,762</u> | <u>280,878,153</u> |
| DEDUCTIONS: | | |
| Retirement benefits | 146,175,074 | 141,134,204 |
| DROP/IBO withdrawals | 13,011,519 | 11,955,612 |
| Refund of contributions | 4,195,787 | 4,396,691 |
| Net transfers to/from other systems | 5,496,668 | 3,794,342 |
| Administrative expenses | 1,775,215 | 1,649,952 |
| Other postemployment benefit expense | 53,111 | 30,244 |
| Depreciation | 70,613 | 73,694 |
| Total deductions | <u>170,777,987</u> | <u>163,034,739</u> |
| NET INCREASE | 62,506,775 | 117,843,414 |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS: | | |
| BEGINNING OF YEAR | 2,161,775,206 | 2,045,022,309 |
| Net effect of change in accounting principle | - | <u>(1,090,517)</u> |
| END OF YEAR | <u>\$ 2,224,281,981</u> | <u>\$ 2,161,775,206</u> |

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 AND 2018

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.

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, 2019 and 2018. 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, 2019 AND 2018

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, 2019 and 2018, there were 137 and 141 contributing municipalities, respectively. At June 30, 2019 and 2018, statewide retirement membership consisted of:

| | <u>2019</u> | <u>2018</u> |
|--|---------------|---------------|
| Inactive plan members or beneficiaries receiving benefits | 4,770 | 4,736 |
| Inactive plan members entitled to but not yet receiving benefits | 1,871 | 1,750 |
| Active plan members | <u>5,932</u> | <u>5,865</u> |
| Total Participants as of Valuation Date | <u>12,573</u> | <u>12,351</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, 2019 AND 2018

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, 2019 AND 2018

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, 2019 AND 2018

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, 2019 AND 2018

3. CONTRIBUTIONS AND RESERVES: (Continued)

Contributions: (Continued)

For the years ended June 30, 2019 and 2018, total employee and employer contribution rates are:

| | June 30, 2019 Contributions | | | June 30, 2018 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% | 32.25% | 42.25% | 10.00% | 30.75% | 40.75% |
| Hazardous Duty Members hired after 1/1/2013 | 10.00% | 32.25% | 42.25% | 10.00% | 30.75% | 40.75% |
| Non Hazardous Duty Members hired after 1/1/2013 | 8.00% | 32.25% | 40.25% | 8.00% | 30.75% | 38.75% |
| Members whose earnable compensation is less than the poverty guidelines | 7.50% | 34.75% | 42.25% | 7.50% | 33.25% | 40.75% |

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, 2019 and 2018, the state appropriated \$20.6 million and \$19.7 million, respectively, in insurance premium tax.

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

Reserves:

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

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the System. When a member terminates his service, or upon his death, before qualifying for a benefit, the refund of his contributions is made from this reserve. If a member dies and there is a survivor who is eligible for a benefit, the amount of the member's accumulated contributions is transferred from the Annuity Savings to the Annuity Reserve. When a member retires, the amount of accumulated contributions is transferred to Annuity Reserve to provide part of the benefits. The balance in Annuity Savings as of June 30, 2019 and 2018 is \$255,873,344 and \$244,794,588, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018 is \$264,623,234 and \$272,829,127, 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, 2019 and 2018 is \$1,584,933,234 and \$1,527,550,242, 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, 2019 and 2018 is \$117,640,673 and \$115,209,953, 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, 2019 and 2018 is \$1,211,496 and \$1,391,296, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| Total Pension Liability | \$ 3,132,449,454 | \$ 3,007,181,318 |
| Plan Fiduciary Net Position | <u>2,224,281,981</u> | <u>2,161,775,206</u> |
| Employers' Net Pension Liability | <u>\$ 908,167,473</u> | <u>\$ 845,406,112</u> |
| Plan Fiduciary Net Position as a % of the Total Pension Liability | 71.01% | 71.89% |

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

The actuarial assumptions used in the June 30, 2019 and 2018 valuation were based on the assumptions used in the June 30, 2019 and 2018 actuarial funding valuation. The assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, unless otherwise noted. Based on the study and expectations of future experience, mortality, retirement, DROP entry, and withdrawal rates were changed. Family statistics were also updated and the salary scale assumption was decreased.

The required Schedules of Employers' Net Pension Liability located in required supplementary information following the *Notes to the Financial Statements* presents multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The total pension liability as of June 30, 2019 and 2018 is based on actuarial valuations for the same period, updated using generally accepted actuarial procedures.

Information on the actuarial valuation and assumptions is as follows:

| | |
|---------------------------|--|
| Valuation date | June 30, 2019 and 2018. |
| Actuarial cost method | Entry Age Normal Cost. |
| Investment rate of return | 7.125% and 7.20% (Net of investment expense) as of June 30, 2019 and 2018, respectively. |
| Inflation rate | 2.50% and 2.60% as of June 30, 2019 and 2018, respectively. |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

June 30, 2019

Mortality

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

June 30, 2018

Mortality

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

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 7.89% and 8.03% for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 are summarized in the following table:

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. NET PENSION LIABILITY OF EMPLOYERS: (Continued)

| <u>Asset Class</u> | June 30, 2019 | | June 30, 2018 | |
|---------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|
| | Long-Term Expected | | Long-Term Expected | |
| | Target Allocation | Portfolio Real Rate of Return | Target Allocation | Portfolio Real Rate of Return |
| Equity | 48.50% | 3.28% | 52.00% | 3.58% |
| Fixed Income | 33.50% | 0.80% | 22.00% | 0.46% |
| Alternative | 18.0% | 1.06% | 20.0% | 1.07% |
| Other | 0.00% | 0.00% | 6.00% | 0.17% |
| Totals | 100.00% | 5.14% | 100.00% | 5.28% |
| Inflation | | 2.75% | | 2.75% |
| Expected Arithmetic | | 7.89% | | 8.03% |

The discount rate used to measure the total pension liability was 7.125% and 7.20% for the years ending June 30, 2019 and 2018, 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, 2019 and 2018, respectively.

| | Changes in Discount Rate | | |
|------------------------------|--------------------------|--------------------------|----------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| Net Pension Liability - 2019 | \$ 1,265,376,513 | \$ 908,167,473 | \$ 608,504,802 |
| Net Pension Liability - 2018 | \$ 1,188,029,596 | \$ 845,406,112 | \$ 557,958,183 |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018, respectively:

| | 6/30/2019 | 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 | \$ 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 | \$ 167,727,950 | \$ 14,242,001 | \$ 153,485,949 | \$ - |
| 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 | \$ 807,957,563 | \$ 807,957,563 | \$ - | \$ - |
| Real Estate Investments | \$ 773,438 | \$ - | \$ 773,438 | \$ - |
| Total Investments at Fair Value Level | \$ 1,079,382,167 | \$ 822,199,564 | \$ 154,270,857 | \$ 102,911,746 |
| 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 | \$ 1,105,857,794 | | | |
| Total Investments at Fair Value | \$ 2,185,239,961 | | | |
| Investment Derivatives: | | | | |
| Forward currency contract receivables | \$ 798,262 | \$ - | \$ 798,262 | \$ - |
| Forward currency contract payables | (809,282) | - | (809,282) | - |
| Total Investment Derivatives | \$ (11,020) | \$ - | \$ (11,020) | \$ - |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. FAIR VALUE DISCLOSURES: (Continued)

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 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 | 64,794,353 | 106,166,165 | N/A | N/A |
| Total Investments at NAV | <u>\$ 1,105,857,794</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, 2018 is presented in the following table:

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. FAIR VALUE DISCLOSURES: (Continued)

Equities:

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

Fixed Income:

Fixed income includes investments in a domestic bond fund, 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, long/short equity, equity market neutral, etc.). The investment objective of the hedge fund portfolio

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

5. FAIR VALUE DISCLOSURES: (Continued)

Alternative Investments: (Continued)

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

Tactical Asset Allocation:

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

6. DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS:

Following are the components of the System's deposits, cash equivalents, and investments at June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|-------------------------|-------------------------|
| Deposits (bank balance) | \$ 22,131,291 | \$ 28,904,062 |
| Cash equivalents | 102,923,216 | 44,997,678 |
| Investments | 2,082,316,745 | 2,022,302,952 |
| | <u>\$ 2,207,371,252</u> | <u>\$ 2,096,204,692</u> |

Deposits:

The System's bank deposits were fully insured or secured by perfected liens on the bank's securities as of June 30, 2019 and 2018.

Cash Equivalents:

For the years ended June 30, 2019 and 2018, cash equivalents in the amount of \$74,934,178 and \$15,723,697, respectively, consisted of government pooled investments. The funds are held and managed by the System's custodian bank.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Cash Equivalents: (Continued)

For the years ended June 30, 2019 and 2018, cash equivalents in the amount of \$27,989,038 and \$29,273,981, respectively, consisted of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the System.

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

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

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

Investments:

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

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Concentration of Credit Risk: (Continued)

The System's investment policy states that no more than 10% of the total stock portfolio value at market may be invested in the common stock of any one organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value or two times that of the underlying index for any given portfolio; and investments in one issuer shall not exceed 5% of any fixed income portfolio's market value unless otherwise authorized by the board. There are no investments greater than 30% in one economic sector at June 30, 2019 and 2018. The System's investment in the pooled bond fund of \$342,994,552 and \$142,620,115; emerging markets debt fund of \$108,078,663 and \$78,134,253; and bank loan fund of \$39,968,398 and \$47,987,161, respectively, as of June 30, 2019 and 2018 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, 2019 and 2018.

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, 2019 and 2018.

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

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Credit Risk: (Continued)

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

| | Corporate | Foreign | U.S. Government | |
|-----------|----------------------|---------------------|---------------------|----------------------|
| | <u>Bonds</u> | <u>Bonds</u> | <u>Bonds</u> | <u>Other</u> |
| AAA | \$ 3,894,678 | \$ 1,517,311 | \$ 4,822,822 | \$ 10,041,696 |
| AA+ | 1,373,077 | - | - | 1,602,942 |
| AA | 2,568,736 | - | - | - |
| AA- | 1,045,207 | - | - | 2,406,788 |
| A+ | 5,332,975 | - | - | 675,757 |
| A | 1,773,277 | - | - | 1,542,357 |
| A- | 3,346,993 | 1,541,266 | - | 1,309,262 |
| BBB+ | 4,683,156 | - | - | 4,122,439 |
| BBB | 10,731,898 | - | - | 7,266,239 |
| BBB- | 15,495,361 | 1,539,734 | - | 5,659,658 |
| BB+ | 11,555,641 | - | - | 1,425,323 |
| BB | 4,552,513 | - | - | 2,484,329 |
| BB- | 2,273,901 | 56,582 | - | 657,260 |
| B+ | 1,406,167 | - | - | 374,378 |
| B | 104,369 | - | - | - |
| B- | 486,759 | - | - | - |
| CCC+ | 416,679 | - | - | - |
| Not Rated | 11,292,044 | 460,137 | - | 20,335,788 |
| | <u>\$ 82,333,431</u> | <u>\$ 5,115,030</u> | <u>\$ 4,822,822</u> | <u>\$ 59,904,216</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, 2019 and 2018, the market value of the fund was \$342,994,552 and \$142,620,115, respectively. The rating of the bonds in the fund ranged from AAA to below B with 72% rated AAA as of June 30, 2019 and 2018.

The System invested in an emerging markets debt fund. As of June 30, 2019 and 2018, the market value of the fund is \$108,078,663 and \$78,134,253, respectively. 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. The ratings of the bonds in the fund ranged from AAA to B with 43% rated BBB and 21% rated A as of June 30, 2018.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Credit Risk: (Continued)

The System invested in a Pacific Asset bank loan fund. As of June 30, 2019 and 2018, the market value of the fund is \$39,968,398 and \$47,987,161, respectively. 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. The ratings of the bonds in the fund ranged from BBB to CCC with 27% rated BB and 53% rated B as of June 30, 2018.

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, 2019 and 2018, the System is not exposed to custodial risk for investments in the amount of \$2,156,707,782 and \$1,940,098,620, respectively, since the investments are held in the name of the System.

At June 30, 2019 and 2018, the System has \$28,532,179 and \$127,202,010, respectively, in cash equivalents, tactical asset allocation, and emerging growth credit fund partnerships, which are managed by fund managers and held with a different custodian and are therefore exposed to custodial credit risk since the investments are not in the name of the System. The underlying assets are held in the name of each individual fund and not the System.

The System reported collateral held for investment purposes in the amount of \$7,307,257 and \$17,879,578 as of June 30, 2019 and 2018, 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, 2019 and 2018, the System had the following investments in long-term debt securities and maturities:

| <u>2019</u> | <u>Fair</u> | <u>Less than</u> | <u>1-5</u> | <u>6-10</u> | <u>Greater than</u> |
|------------------------|---------------|------------------|---------------|---------------|---------------------|
| <u>Investment Type</u> | <u>Value</u> | <u>1 Year</u> | <u>Years</u> | <u>Years</u> | <u>10 years</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 | 34,093,710 | 372,000 | 10,505,930 | 6,070,865 | 17,144,915 |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Interest Rate Risk: (Continued)

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

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 2019 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, 2019 and 2018 as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------|-------------|-------------|
| Austria/Euro | \$ - | \$ 686,336 |
| Australia/Dollar | 13,864,306 | 14,542,807 |
| Belgium/Euro | 1,422,059 | 2,465,331 |
| Canada/Dollar | 7,889,242 | 9,367,659 |
| Denmark/Kroner | 10,348,809 | 9,640,666 |
| Finland/Euro | 2,649,296 | 2,013,665 |
| France/Euro | 27,661,738 | 38,601,896 |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Foreign Currency Risk: (Continued)

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-----------------------|-----------------------|
| Germany/Euro | \$ 12,921,365 | \$ 16,477,683 |
| Hong Kong/Dollar | 5,897,628 | 7,466,460 |
| Ireland/Euro | 2,225,274 | 2,319,371 |
| Italy/Euro | 5,838,579 | 8,605,539 |
| Japan/Yen | 40,196,833 | 58,399,933 |
| Luxembourg/Euro | 509,204 | 2,789,532 |
| Netherlands/Euro | 10,396,618 | 11,599,570 |
| New Zealand/Dollar | 301,136 | - |
| Norway/Kroner | - | 1,302,713 |
| Singapore/Dollar | 416,414 | 900,835 |
| Spain/Euro | 9,674,516 | 11,246,429 |
| Sweden/Kroner | 9,971,881 | 13,525,545 |
| Switzerland/Swiss Franc | 21,124,111 | 13,989,026 |
| United Kingdom/Euro | 329,170 | - |
| United Kingdom/Pounds | 42,248,015 | 50,061,855 |
| Various/Emerging Markets Funds | 207,176,791 | 240,070,043 |
| Various/International Index Fund | 107,202,730 | 105,674,572 |
| | <u>\$ 540,309,361</u> | <u>\$ 621,790,747</u> |

The System also invested in foreign equities denominated in United States Dollars totaling \$9,025,832 and \$5,442,823 as of June 30, 2019 and 2018, respectively.

The System's exposure to foreign currency risk also consisted of its investment in cash in trust accounts at June 30, 2019 and 2018 was as follows:

| <u>Country/Currency</u> | <u>2019</u> <u>Fair Value</u> | <u>2018</u> <u>Fair Value</u> |
|-------------------------|----------------------------------|----------------------------------|
| Australia/ Dollar | \$ 35,704 | \$ 2,472 |
| Canada/Dollar | 123,750 | - |
| Euro | 954,566 | 46,392 |
| Denmark/Krone | 154,478 | - |
| Japan/Yen | 765,834 | 217,631 |
| Hong Kong/Dollar | 6,739 | 10,725 |
| Norway/Kroner | 5,500 | - |
| Poland/Polish Zloty | 2,118 | - |
| Sweden/Krone | 26,769 | (14,126) |
| Switzerland/Swiss Franc | 686,249 | - |
| United Kingdom/Pound | 93,651 | 81,429 |
| TOTAL | <u>\$ 2,855,358</u> | <u>\$ 344,523</u> |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Foreign Currency Risk: (Continued)

The System's investment policy has a target not to exceed 34.5% of total investments in foreign equities. At June 30, 2019 and 2018, the System's position was 25.14% and 30.34%, 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, 2019 and 2018, the balance consisted of foreign corporate bonds of \$4,128,201 and \$5,115,030, respectively. The System also invested in foreign long-term debt securities denominated in United States dollars totaling \$28,599,568 and \$-0- as of June 30, 2019 and 2018, respectively. The breakdown per country at June 30, 2019 and 2018 was as follows:

| <u>Country/Currency</u> | <u>2019</u> <u>Fair Value</u> | <u>2018</u> <u>Fair Value</u> |
|-------------------------|----------------------------------|----------------------------------|
| Argentina/Peso | \$ 337,307 | \$ 460,137 |
| Canada/Dollar | 590,771 | - |
| Columbia/Peso | - | 1,806,980 |
| Hungary/Forint | 652,165 | - |
| Malaysia/Ringgit | 959,924 | - |
| Mexico/Peso | - | 2,847,913 |
| Norway/Krone | 938,888 | - |
| Poland/Polish Zloty | 649,146 | - |
| TOTAL | <u>\$ 4,128,201</u> | <u>\$ 5,115,030</u> |

Money-Weighted Rate of Return:

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.48% and 6.7%, 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, 2019 and 2018, the System had investment in real estate as follows:

The System invested \$20,938,489 and \$19,863,489, respectively, as of June 30, 2019 and 2018 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, 2019 and 2018, the market value of the Fund was \$25,933,284 and \$23,330,842, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

7. INVESTMENTS IN REAL ESTATE: (Continued)

The System invested \$55,741,461 and \$58,227,606, respectively, as of June 30, 2019 and 2018 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, 2019 and 2018, the market value of the Fund was \$157,330,997 and \$153,558,529, respectively.

The System invested \$859,272 for years June 30, 2019 and 2018 in land and an office building for rent. As of June 30, 2019 and 2018, 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. As of June 30, 2019 and 2018, the fair market value of the partnership was \$5,589,008 and \$7,959,815, respectively.

The System's commitment to private equity Collier International Partners VII, L.P. is \$15,000,000. The partner's principal purpose is the achievement of long-term capital appreciation through investing primarily, either directly or indirectly through other entities, in privately negotiated investments acquired in the secondary market. As of June 30, 2019 and 2018, the fair market value of the partnership was \$12,314,249 and \$8,439,522, respectively.

The System's commitment to private equity Warburg Pincus Private Equity XII is \$12,900,000. The partner's principal purpose is the achievement of long-term capital appreciation through purchasing interests in portfolio companies. As of June 30, 2019 and 2018, the fair market value of the partnership was \$11,706,332 and \$7,656,519, respectively.

The System's commitment to private equity Warburg Pincus Global Growth is \$20,000,000. The partner's principal purpose is growth of principal. As of June 30, 2019 and 2018, the fair market value of the partnership was \$89,935 and \$-0-, respectively.

The System's commitment to private equity J. F. Lehman & Company is \$12,500,000. The partner's objective is to seek long-term capital appreciation by investing in companies involved in or concerned with defense, aerospace, marine, or engineering industries or other specialized service or manufacturing industries. As of June 30, 2019 and 2018, the fair market value of the partnership was \$10,644,239 and \$6,074,994, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

8. ALTERNATIVE INVESTMENTS: (Continued)

The System's commitment to private equity HarbourVest Partners Co-Investment Fund IV L.P. is \$12,500,000. The purpose of the partnership is to make investments with a primary emphasis on equity-oriented investments in management buy-in, management buy-out, leveraged buy-out, recapitalization, growth equity, special situation, and mezzanine transactions involving companies having trailing 12-month revenues greater than \$7.5 million. As of June 30, 2019 and 2018, the fair market value of the partnership was \$12,154,171 and \$9,841,628, respectively.

The System's commitment to private equity HarbourVest Partners Co-Investment Fund V L.P. is \$20,000,000. The purpose of the partnership is growth of principal. As of June 30, 2019 and 2018, the fair market value of the partnership was \$1,686,223 and \$-0-, respectively.

The System's commitment to private equity Gold Point Partners Co-Investment VI, L.P. is \$15,000,000. The partner's purpose is to provide investors the opportunity to invest in private equity investments with the objective of obtaining long-term growth of capital through direct investment opportunities and investments in other private equity vehicles. As of June 30, 2019 and 2018, the fair market value of the partnership was \$5,110,978 and \$2,242,675, respectively.

The System's commitment to private equity Levine Leichtman Capital Partners VI, L.P. is \$15,000,000. The partner's purpose is to provide investors the opportunity to invest in private equity and private debt investments with the objective of obtaining long-term growth of capital through direct investment opportunities. As of June 30, 2019 and 2018, the fair market value of the partnership was \$5,417,240 and \$2,567,879, respectively.

As of June 30, 2019 and 2018, 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, 2019 and 2018, the market value of the hedge funds was \$86,979,565 and \$85,959,575, respectively. These funds are subject to the market factors depending on the fund strategy. The value assigned to these investments is based upon available information and does not necessarily represent the amounts that might ultimately be realized, since such investments depend on future circumstances and cannot be determined until the individual investments are actually liquidated.

9. TACTICAL ASSET ALLOCATION:

The System is invested in a tactical asset allocation fund consisting of the Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund. This investment was made to further diversify the portfolio. At June 30, 2019 and 2018, the market value of the fund was \$-0- and \$105,159,573, respectively. This fund is subject to the market factors depending on the fund strategy. During fiscal year 2019, the System redeemed Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

10. FORWARD CURRENCY CONTRACTS:

The System is a party to various forward currency contracts, as discussed below. At June 30, 2019, 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 | 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 | - |

At June 30, 2018, 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 – CHF | 37,071 | 37,132 | 37,071 | 61 |
| Foreign forward currency contract – EURO | 156,668 | 156,668 | 156,681 | (13) |
| Foreign forward currency contract – JAP | 269,266 | 269,266 | 268,979 | 287 |
| Foreign forward currency contract – USD | 96,367 | 97,125 | 96,367 | 758 |

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, 2019 and 2018, the fair value of the foreign currency contracts receivable was \$798,262 and \$523,059, respectively. At June 30, 2019 and 2018, the fair value of the foreign currency contracts payable was \$809,282 and \$522,027, respectively.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

11. SECURITY LENDING AGREEMENTS:

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

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

The System has the following securities on loan:

| | 2019 | 2018 |
|----------------------------------|----------------------|----------------------|
| | <u>Market Value</u> | <u>Market Value</u> |
| Marketable Securities - Domestic | \$ 51,935,023 | \$ 55,333,786 |
| Marketable Securities - Foreign | 5,439,394 | 7,173,814 |
| Corporate Bonds - Domestic | 4,111,170 | 3,082,231 |
| Total | <u>\$ 61,485,587</u> | <u>\$ 65,589,831</u> |

Securities on loan at June 30, 2019 and 2018 are collateralized by cash collateral in the amount of \$7,307,257 and \$17,879,578, and noncash collateral in the amount of \$55,641,417 and \$49,396,127, for total amount of collateral held in the amount of \$62,948,674 and \$67,275,705, respectively.

The term to maturity of the securities on loan is matched with the term to maturity of the investment of the cash collateral at June 30, 2019 and 2018. Such matching did exist since loans may be terminated on demand.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

12. OPERATING BUDGET:

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

13. TAX QUALIFICATION:

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

14. CAPITAL ASSETS:

The following is a summary of equipment and fixtures at June 30, 2019 and 2018:

| | <u>07/01/18</u> | <u>Additions</u> | <u>Deletions</u> | <u>06/30/19</u> |
|---------------------------------|---------------------|-------------------|------------------|---------------------|
| Computer equipment and software | \$ 299,899 | \$ 9,414 | \$ - | \$ 309,313 |
| Furniture | 107,484 | - | - | 107,484 |
| Improvements | 34,552 | - | - | 34,552 |
| Land | 614,919 | - | - | 614,919 |
| Office building | 2,121,646 | - | - | 2,121,646 |
| Office equipment | 337,718 | 2,200 | - | 339,918 |
| Software in progress | 224,955 | 578,499 | - | 803,454 |
| | <u>3,741,173</u> | <u>590,113</u> | <u>-</u> | <u>4,331,286</u> |
| Less accumulated depreciation | <u>(1,563,481)</u> | <u>(70,613)</u> | <u>-</u> | <u>(1,634,094)</u> |
| Total | <u>\$ 2,177,692</u> | <u>\$ 519,500</u> | <u>\$ -</u> | <u>\$ 2,697,192</u> |

Depreciation expense charged to pension operations was \$70,613 and \$73,694 for the years ended June 30, 2019 and 2018.

15. OTHER POSTEMPLOYMENT BENEFITS:

Substantially all System employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the System. These benefits for retirees and similar benefits for active employees are provided through an agent multi-employer OPEB Plan whose premiums are paid jointly by the employee and the System. At June 30, 2019 and 2018, five 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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Plan Description: (Continued)

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.

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 the years ended June 30, 2019 and 2018. Employer contributions to the OPEB Plan from the System were \$50,114 and \$38,341 for the years ended June 30, 2019 and 2018, 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% |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Contributions: (Continued)

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.

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

At June 30, 2019 and 2018, the System reported a total OPEB liability of \$1,958,439 and \$1,794,597, respectively. The total OPEB liability was measured as of July 1, 2018 and July 1, 2017, respectively, and was determined by actuarial valuations as of these dates.

For the years ended June 30, 2019 and 2018, the System recognized OPEB expense of \$53,111 and \$30,244, respectively. As of June 30, 2019 and 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources, respectively:

| <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> |
| | | |
| <u>June 30, 2018</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Changes in assumptions | \$ - | \$ 106,744 |
| Differences between expected and actual experience | - | - |
| Employer contributions subsequent to the measurement date | 38,341 | - |
| Total | <u>\$ 38,341</u> | <u>\$ 106,744</u> |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

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

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date of \$50,114 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

| Year Ended | |
|------------|------------|
| June 30 | Amount |
| 2020 | \$ (4,442) |
| 2021 | (4,442) |
| 2022 | (4,442) |
| 2023 | 5,540 |
| | \$ (7,786) |

Actuarial Methods and Assumptions:

The total OPEB liability in the July 1, 2018 and July 1, 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|--|
| Inflation | 2.8% as of July 1, 2018 and 2017 |
| Salary Increases | Consistent with the pension valuation assumptions |
| Investment Rate of Return | 2.98% and 3.13%, based on the S&P Municipal Bond 20-Year High Grade Rate Index, as of July 1, 2018 and July 1, 2017, respectively. |
| Healthcare Cost Trend | 7% - 4.5% as of July 1, 2018 and 2017 |
| 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. |
| July 1, 2017 Mortality Rates | For healthy lives the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017. |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. OTHER POSTEMPLOYMENT BENEFITS: (Continued)

Actuarial Methods and Assumptions: (Continued)

The actuarial assumptions used in July 1, 2018 valuation were based on the results of an actuarial experience studies performed for the Statewide Retirement Systems. 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. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

Discount Rate:

The discount rate used to measure the total OPEB liability was 2.98% and 3.13% for the years ending June 30, 2019 and 2018, 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 2.98% in the July 1, 2018 valuation from 3.13% as of July 1, 2017. The discount rate used to measure the total OPEB liability was increased to 3.13% in the July 1, 2017 valuation from 2.71% as of July 1, 2016. The discount rate in the current 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, 2019 and 2018, respectively:

| | <u>1.0% Decrease</u> | <u>Discount Rate</u> | <u>1.0% Increase</u> |
|--|----------------------|----------------------|----------------------|
| Total OPEB liability as of <u>June 30, 2019</u> | <u>\$ 2,362,286</u> | <u>\$ 1,958,439</u> | <u>\$ 1,646,988</u> |
| Total OPEB liability as of <u>June 30, 2018</u> | <u>\$ 2,147,922</u> | <u>\$ 1,794,597</u> | <u>\$ 1,519,436</u> |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

15. 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, 2019 and 2018, 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, 2019</u> | <u>\$ 1,628,410</u> | <u>\$ 1,958,439</u> | <u>\$ 2,393,984</u> |
| Total OPEB liability as of <u>June 30, 2018</u> | <u>\$ 1,501,754</u> | <u>\$ 1,794,597</u> | <u>\$ 2,176,840</u> |

Payables to the OPEB Plan:

As of June 30, 2019 and 2018, the System reported no payables for outstanding contributions to the OPEB plan required for the years ended June 30, 2019 and 2018.

16. USE OF ESTIMATES:

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

17. RETIREMENT BENEFITS OF POST-MERGER POLICE EMPLOYEES:

Per Louisiana Revised Statute 11:2213(10), earnable compensation shall mean the full amount of compensation earned by an employee for a given month, including supplemental pay paid by the State of Louisiana, but shall not include overtime. City of Baton Rouge reported monthly compensation to the System without a breakdown 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.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

17. RETIREMENT BENEFITS OF POST-MERGER POLICE EMPLOYEES: (Continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|-------------------------|
| Total Pension Liability: | | | |
| Service cost | \$ 55,682,425 | \$ 54,455,139 | \$ 50,897,473 |
| Interest | 214,556,499 | 211,934,847 | 205,008,038 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (788,461) | (54,697,789) | 7,622,189 |
| Changes of assumptions | 24,575,373 | 38,696,875 | 52,448,263 |
| Benefit payments (including DROP and IBO withdrawals) | (159,186,593) | (153,120,060) | (151,553,474) |
| Refunds | (4,195,787) | (4,396,691) | (4,217,420) |
| Other | (5,375,320) | (3,755,615) | (2,280,589) |
| Net change in total pension liability | <u>125,268,136</u> | <u>89,116,706</u> | <u>157,924,480</u> |
| Total pension liability - beginning | <u>3,007,181,318</u> | <u>2,918,064,612</u> | <u>2,760,140,132</u> |
| Total pension liability - ending (a) | <u>\$ 3,132,449,454</u> | <u>\$ 3,007,181,318</u> | <u>\$ 2,918,064,612</u> |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | \$ 100,818,492 | \$ 90,835,597 | \$ 94,847,073 |
| Contributions - member | 30,427,910 | 28,746,906 | 29,175,452 |
| Contributions - non-employer contributing entity | 20,587,174 | 19,733,532 | 19,090,190 |
| Net investment income (loss) | 81,329,838 | 141,544,619 | 238,535,243 |
| Benefit payments (including DROP and IBO withdrawals) | (159,186,593) | (153,120,060) | (151,553,474) |
| Refunds | (4,195,787) | (4,396,691) | (4,217,420) |
| Administrative expenses | (1,898,939) | (2,814,163) * | (1,432,563) |
| Other | (5,375,320) | (3,776,843) | (2,280,589) |
| Net change in plan fiduciary net position | <u>62,506,775</u> | <u>116,752,897</u> | <u>222,163,912</u> |
| Plan fiduciary net position - beginning | <u>2,161,775,206</u> | <u>2,045,022,309</u> | <u>1,822,858,397</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 2,224,281,981</u> | <u>\$ 2,161,775,206</u> | <u>\$ 2,045,022,309</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 908,167,473</u> | <u>\$ 845,406,112</u> | <u>\$ 873,042,303</u> |
| Plan fiduciary net position as a percentage of total pension liability | 71.01% | 71.89% | 70.08% |
| Covered payroll | \$ 312,615,479 | \$ 295,400,315 | \$ 298,448,940 |
| Net pension liability as a percentage of covered payroll | 290.51% | 286.19% | 292.53% |

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

(Continued)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------------|-------------------------|-------------------------|
| Total Pension Liability: | | | |
| Service cost | \$ 48,835,622 | \$ 43,010,879 | \$ 44,231,463 |
| Interest | 198,685,578 | 186,254,517 | 178,359,489 |
| Changes of benefit terms | - | - | 38,929,984 |
| Differences between expected and actual experience | (8,714,512) | (9,412,440) | (14,670,717) |
| Changes of assumptions | - | 91,142,323 | (225,724) |
| Benefit payments (including DROP and IBO withdrawals) | (148,169,159) | (140,940,357) | (127,348,774) |
| Refunds | (4,142,582) | (4,257,860) | (4,503,123) |
| Other | (2,827,581) | (1,951,961) | (1,520,753) |
| Net change in total pension liability | <u>83,667,366</u> | <u>163,845,101</u> | <u>113,251,845</u> |
| | | | |
| Total pension liability - beginning | <u>2,676,472,766</u> | <u>2,512,627,665</u> | <u>2,399,375,820</u> |
| Total pension liability - ending (a) | <u>\$ 2,760,140,132</u> | <u>\$ 2,676,472,766</u> | <u>\$ 2,512,627,665</u> |
| | | | |
| Plan Fiduciary Net Position: | | | |
| Contributions - employer | \$ 82,720,635 | \$ 84,324,128 | \$ 82,259,694 |
| Contributions - member | 27,278,823 | 26,117,636 | 25,922,508 |
| Contributions - non-employer contributing entity | 18,605,064 | 17,704,000 | 16,628,926 |
| Net investment income (loss) | (42,215,916) | 26,639,525 | 296,576,890 |
| Benefit payments (including DROP and IBO withdrawals) | (148,169,159) | (140,940,357) | (127,348,774) |
| Refunds | (4,142,582) | (4,257,860) | (4,503,123) |
| Administrative expenses | (1,468,182) | (1,577,279) | (1,529,139) |
| Other | (2,827,581) | (1,951,961) | (1,520,298) |
| Net change in plan fiduciary net position | <u>(70,218,898)</u> | <u>6,057,832</u> | <u>286,486,684</u> |
| | | | |
| Plan fiduciary net position - beginning | <u>1,893,077,295</u> | <u>1,887,019,463</u> | <u>1,600,532,779</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 1,822,858,397</u> | <u>\$ 1,893,077,295</u> | <u>\$ 1,887,019,463</u> |
| | | | |
| Net pension liability - ending (a) - (b) | <u>\$ 937,281,735</u> | <u>\$ 783,395,471</u> | <u>\$ 625,608,202</u> |
| | | | |
| Plan fiduciary net position as a percentage of total pension liability | 66.04% | 70.73% | 75.10% |
| | | | |
| Covered payroll | \$ 280,124,060 | \$ 267,525,787 | \$ 265,182,766 |
| | | | |
| Net pension liability as a percentage of covered payroll | 334.60% | 292.83% | 235.92% |

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

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY
FOR THE SIX YEARS ENDED JUNE 30, 2019

| <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> |
|------------------------|--|--|---|--|----------------------------|---|
| 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 SIX YEARS ENDED JUNE 30, 2019

| <u>Fiscal Year</u> | <u>Actuarially Determined Contribution</u> | <u>Contributions in Relation to the Actuarially Determined Liability</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--------------------|--|--|---|------------------------|---|
| 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 SIX YEARS ENDED JUNE 30, 2019

| <u>Fiscal Year End</u> | <u>Annual Money-Weighted Rate of Return*</u> |
|----------------------------|--|
| 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 TWO YEARS ENDED JUNE 30, 2019

| <u>Fiscal Year*</u> | <u>System's Beginning Total OPEB Liability</u> | <u>Service Costs</u> | <u>Interest</u> | <u>Differences Between Expected and Actual Experience</u> | <u>Changes in Assumptions</u> | <u>Contributions</u> | <u>System's Ending Total OPEB Liability</u> |
|---------------------|--|--------------------------|-----------------|---|-----------------------------------|----------------------|---|
| 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 TWO YEARS ENDED JUNE 30, 2019

| <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> |
|------------------------|--|--|---|---|--|---|
| 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018

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, 2019 AND 2018

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. CHANGES ACTUARIAL ASSUMPTIONS:

Pension Plan:

Following is a detail description of the changes:

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---|---|---|
| Investment rate of return | 7.125% | 7.200% | 7.325% |
| Inflation rate | 2.500% | 2.600% | 2.700% |
| Mortality rate - annuitant and beneficiary | RP-2000 Combined Healthy Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females | RP-2000 Combined Healthy Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females | RP-2000 Combined Healthy Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females |
| Mortality rate - employees | RP-2000 Employee Table set back 4 years for males and 3 years for females | RP-2000 Employee Table set back 4 years for males and 3 years for females | RP-2000 Employee Table set back 4 years for males and 3 years for females |
| Mortality rate - disabled annuitants | RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females | RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females | RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females |
| Salary increases, including inflation and merit | Years of Service/Salary Growth Rate 1-2/9.75% 3-23/4.75% Above 23/4.25% | Years of Service/Salary Growth Rate 1-2/9.75% 3-23/4.75% Above 23/4.25% | Years of Service/Salary Growth Rate 1-2/9.75% 3-23/4.75% Above 23/4.25% |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019 AND 2018

7. CHANGES ACTUARIAL ASSUMPTIONS: (Continued)

Pension Plan: (Continued)

| | <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 - annuitant and beneficiary | RP-2000 Combined Healthy Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females | RP-2000 Combined Healthy Blue Collar Adjustment Sex Distinct Tables projected to 2020 by Scale AA set back 1 year for females | RP-2000 Health Annuitant Mortality Table set back 1 year for males and females |
| Mortality rate - employees | RP-2000 Employee Table set back 4 years for males and 3 years for females | RP-2000 Employee Table set back 4 years for males and 3 years for females | RP-2000 Employee Mortality Table set back 1 year for males and females |
| Mortality rate - disabled annuitants | RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females | RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females | RP-2000 Disabled Lives Mortality Table |
| Salary increases, including inflation and merit | Years of Service/Salary Growth Rate 1-2/9.75% 3-23/4.75% Above 23/4.25% | Years of Service/Salary Growth Rate 1-2/9.75% 3-23/4.75% Above 23/4.25% | Years of Service/Salary Growth Rate 1/10% 2/6% 3-19/4.3% 20-29/5.50% 30 & Over/4.00% |

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

OTHER SUPPLEMENTARY INFORMATION

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF PER DIEM PAID TO TRUSTEES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The per diem paid to the trustees is an expenditure of the Expense Fund. For fiscal years ended June 30, 2019 and 2018, 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, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------|-----------------|-----------------|
| Raymond Burkart, Jr. | \$ 900 | \$ 825 |
| Michael Calloway | 975 | 375 |
| Carl Dabadie | - | 75 |
| Scott Ford | 750 | 750 |
| Michael Glasser | 900 | 375 |
| Willie Joe Greene | 750 | 825 |
| Mark Huggins | - | 225 |
| Chad King | 900 | 675 |
| Gerard Landry | 900 | 750 |
| Dwayne Munch | 75 | 150 |
| Larry Reece | 825 | 675 |
| Michael Suchanek | 750 | 825 |
| Donald Villere | 938 | 825 |
| | <u>\$ 8,663</u> | <u>\$ 7,350</u> |

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENTS
JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|-------------------------|-------------------------|
| CASH AND CASH EQUIVALENTS | <u>\$ 102,923,216</u> | <u>\$ 44,997,678</u> |
| EQUITIES: | | |
| Domestic | \$ 538,525,976 | \$ 560,630,646 |
| International | 342,114,756 | 387,120,246 |
| Emerging Markets | 207,176,791 | 240,070,043 |
| Total Equities | <u>\$ 1,087,817,523</u> | <u>\$ 1,187,820,935</u> |
| FIXED INCOME: | | |
| Foreign Bonds | \$ 32,727,769 | \$ 5,115,030 |
| Corporate Bonds | 86,664,470 | 82,333,431 |
| U.S. Government Bonds | 14,242,001 | 4,822,822 |
| Other Bonds | 34,093,710 | 59,904,216 |
| Emerging Markets Debt Fund | 108,078,663 | 78,134,253 |
| Bank Loan Fund | 39,968,398 | 47,987,161 |
| Domestic Index Bond Fund | 342,994,552 | 142,620,115 |
| Total Fixed Income Securities | <u>\$ 658,769,563</u> | <u>\$ 420,917,028</u> |
| REAL ESTATE: | | |
| Partnerships | \$ 25,933,284 | \$ 23,330,842 |
| Land and Rental | 773,438 | 773,438 |
| Real Estate Funds | 157,330,997 | 153,558,529 |
| Total Real Estate | <u>\$ 184,037,719</u> | <u>\$ 177,662,809</u> |
| ALTERNATIVE INVESTMENTS: | | |
| Hedge Funds | \$ 86,979,565 | \$ 85,959,575 |
| Private Equity | 64,712,375 | 44,783,032 |
| Total Alternative Investments | <u>\$ 151,691,940</u> | <u>\$ 130,742,607</u> |
| TACTICAL ASSET ALLOCATION | <u>\$ -</u> | <u>\$ 105,159,573</u> |
| TOTAL INVESTMENTS | <u>\$ 2,185,239,961</u> | <u>\$ 2,067,300,630</u> |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2019

| | <u>Actual</u> | <u>Budget</u> | Variance Favorable <u>(Unfavorable)</u> |
|--------------------------------------|---------------------|---------------------|---|
| Personal Services: | | | |
| Staff salaries | \$ 572,956 | \$ 578,074 | \$ 5,118 |
| Group insurance | 119,974 | 120,000 | 26 |
| Retirement | 171,427 | 169,000 | (2,427) |
| Board member - per diem | 8,663 | 12,375 | 3,712 |
| Professional Services: | | | |
| Accounting | 220,264 | 240,000 | 19,736 |
| Actuarial | 128,562 | 128,562 | - |
| Computer services | 162,324 | 223,500 | 61,176 |
| Legal | 97,341 | 84,000 | (13,341) |
| Medical Board | 5,288 | 13,000 | 7,712 |
| Death audit | 7,022 | 9,140 | 2,118 |
| Communications: | | | |
| Postage and printing | 20,162 | 34,000 | 13,838 |
| Telephone | 11,787 | 13,000 | 1,213 |
| Travel | 35,805 | 44,000 | 8,195 |
| Other: | | | |
| Equipment rental and repair | 26,971 | 35,000 | 8,029 |
| Dues and subscriptions | 6,964 | 6,100 | (864) |
| Office supplies and office furniture | 21,972 | 35,000 | 13,028 |
| Election | 7,251 | 11,000 | 3,749 |
| Advertising | 58 | 1,000 | 942 |
| Board | 25,669 | 30,000 | 4,331 |
| Miscellaneous | 6,471 | 4,100 | (2,371) |
| Uniforms | 3,921 | 4,500 | 579 |
| Medicare and FICA | 8,965 | 11,000 | 2,035 |
| Building: | | | |
| Association dues | 1,600 | 1,600 | - |
| Building maintenance and supplies | 44,528 | 62,338 | 17,810 |
| Risk management | 15,638 | 16,000 | 362 |
| Security | 1,520 | 6,000 | 4,480 |
| Utilities | 42,112 | 50,000 | 7,888 |
| TOTAL ADMINISTRATIVE EXPENSES | \$ <u>1,775,215</u> | \$ <u>1,942,289</u> | \$ <u>167,074</u> |
| CAPITAL OUTLAYS | \$ <u>590,113</u> | \$ <u>1,136,298</u> | \$ <u>546,185</u> |

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

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

| | |
|--|-------------------|
| Salary | \$ 160,000 |
| Benefits - insurance | 18,281 |
| Benefits - retirement | 58,308 |
| Continuing professional education fees | 400 |
| Dues | 1,718 |
| Reimbursements - uniforms | 350 |
| Travel | 2,277 |
| Registration fees | 410 |
| Conference travel | 1,723 |
| Total | <u>\$ 243,467</u> |



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

December 10, 2019

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, 2019, 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 10, 2019.

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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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, Sharpner, Hogan and O'Leary, LLP

New Orleans, Louisiana

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 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

MUNICIPAL POLICE EMPLOYEES'
RETIREMENT SYSTEM

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

JUNE 30, 2019



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

November 26, 2019

To the Board of Trustees of
Municipal Police Employees'
Retirement System
Baton Rouge, LA

We have performed the procedures enumerated below, which were agreed to by the Municipal Police Employees' Retirement System (the System) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The System's management is responsible for those C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the System's written policies and procedures and determined whether those written policies and procedures addressed each of the following categories and subcategories, as applicable:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.

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Written Policies and Procedures (Continued)

- b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) *Disbursements*, including processing, reviewing, and approving.
- d) *Receipts/Collections*, including receiving, recording, and preparing deposits.
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) *Credit Cards (and Debit Cards, Fuel Cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
- h) *Travel and Expense Reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the System's ethics policy.
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency on data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of the antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, process, and tolls needed to recover operations after a critical event.

Results:

No findings were noted.

Non-Payroll Disbursements – (excluding credit card purchases/payments, travel reimbursements, and petty cash purchases)

- 2) We obtained a listing of locations that process payments for the fiscal period. We also obtained management's representation that the listing or general ledger population was complete. One location was identified.

No findings were noted as a result of applying the procedure above.

- 3) For a location selected under number 2 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We also obtained written policies and procedures relating to employee job duties and observed that job duties were properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files, and
 - d) Either the employee/official responsible for signing checks mails the payments or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results:

No findings were noted as a result of applying the procedure above.

- 4) For a location selected under number 2 above, we obtained the System's non-payroll disbursement transaction population and obtained management's representation that the population is complete. We randomly selected five disbursements for each location, obtained supporting documentation for each transaction and:
 - a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence of segregation of duties tested under procedure number 3 above, as applicable.

No findings were noted as a result of applying the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana