2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2011

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, Louisiana

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE COMPREHENSIVE ANNUAL FINANCIAL REPORT- A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, LOUISIANA FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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RETIREMENT ADMINISTRATOR

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EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

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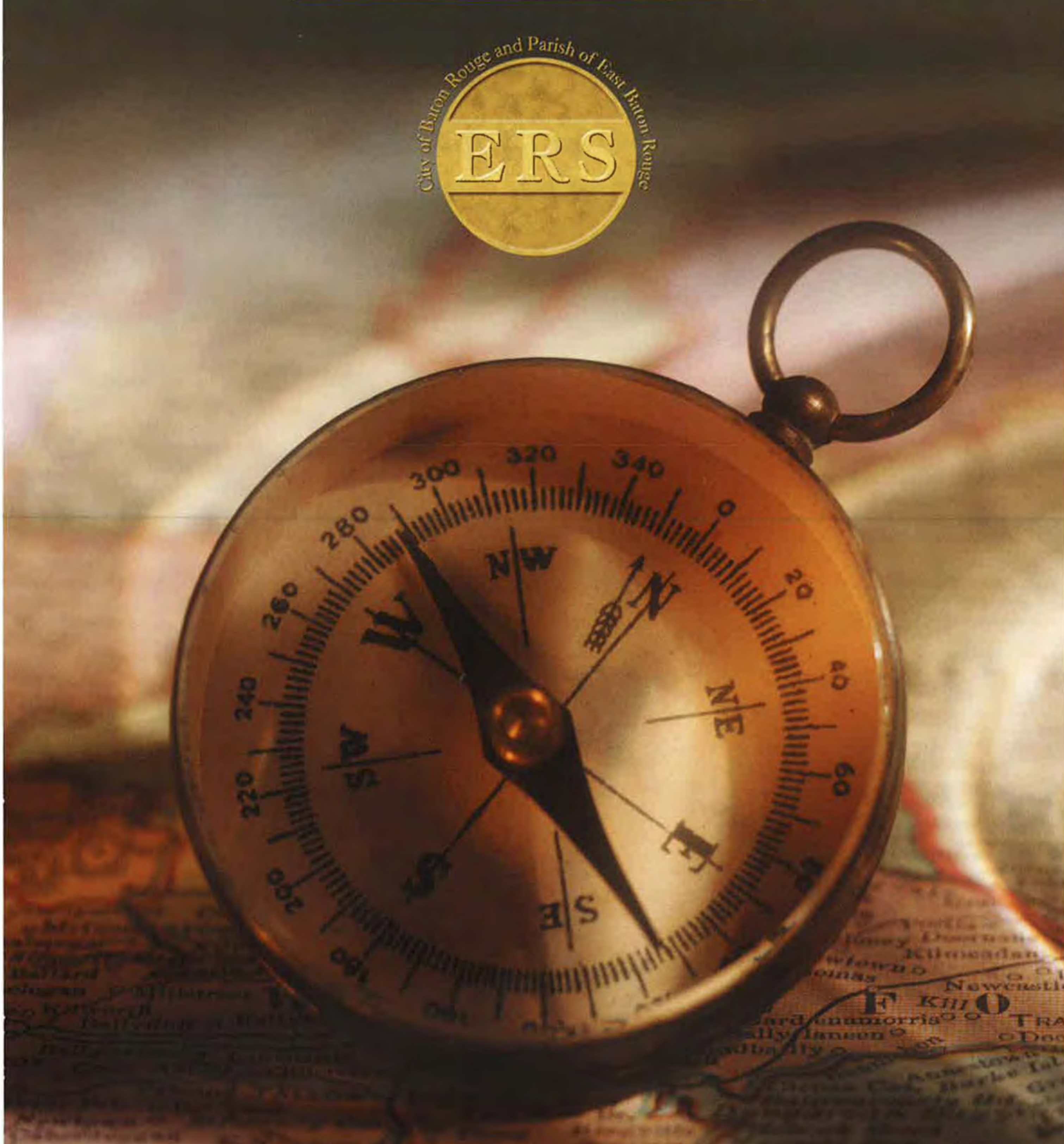
2011



City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

Introductory Section

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Employees' Retirement System

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Parish of East Baton Rouge

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LETTER OF TRANSMITTAL

June 26, 2012

Board of Trustees
Employees' Retirement System of the
City of Baton Rouge and Parish
of East Baton Rouge
Post Office Box 1471
Baton Rouge, LA 70821

Dear Retirement Board Members:

We are pleased to again submit to you the Comprehensive Annual Financial Report (CAFR) for the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the Retirement System) for the fiscal year ended December 31, 2011. This CAFR is submitted in accordance with Section 1:253 of the Retirement Ordinances, which requires an annual audit report. This section specifically mandates that the Board of Trustees shall have prepared and submitted annually to the Metropolitan Council, an audit report by an independent firm of certified public accountants.

Responsibility for the accuracy of financial statements and all disclosures rests with management of the Retirement Office. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). As a supplement to the financial statements, please refer to Management's Discussion and Analysis in the Financial Section.

As in past years, the format for the Comprehensive Annual Financial Report reflects separate disclosures in appropriate sections relative to the City-Parish Employees' Retirement System (CPERS) original trust and the Police Guarantee Trust (PGT). The 2011 CAFR is divided into the following seven sections:

- The Introductory Section contains the letter of transmittal, a listing of the members of the Retirement Board of Trustees, a listing of the administrative staff and professional consultants, the Retirement System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, and an overall plan summary.

- The Financial Section is composed of the Independent Auditors' Report, Management's Discussion and Analysis, the Financial Statements, and Notes to the Financial Statements, followed by Required Supplementary Information and Supporting Schedules.

- The Investment Section is comprised of the investment consultant's report on investment activity, the Statement of Investment Policies and Objectives, Investment Summary, charts showing the actual and target asset allocations, List of Investments, Investment Performance Measurements, Annual Rates of Return, and a Schedule of Commissions Paid to Brokers.

- The Actuarial Section (CPERS trust) sets forth information applicable to the City-Parish Employees' Retirement System CPERS trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, schedules showing accrued liability analysis and reconciliation, an analysis of financial experience, active and retiree membership data, and other pertinent actuarial data.

- The Actuarial Section for the Police Guarantee Trust (PGT) is applicable only to the Police Guarantee Trust, and contains the actuary's certification letter, a summary of principal system provisions, a summary of actuarial assumptions and methods, a summary of actuarial accrued liabilities covered by actuarial value of assets, and active and retiree membership data.

- The Statistical Section displays trend information on selected data such as active, DROP, and retired members, amounts of benefits paid, System revenues and expenses, various statistical graphs, and a list of employing agencies that remit contributions to the Retirement System.

- The last section, Alternative Retirement Plans, contains information on the Retirement System's two additional alternative retirement plans: the Deferred Retirement Option Plan (DROP) and the Excess Benefit Plan, the Independent Auditors' 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, and the Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) has prepared its basic financial statements and is responsible for the integrity and fairness of the information presented. These statements may include amounts that are based on estimates and assumptions, which incorporate sound business practices. CPERS' accounting policies used in the preparation of these statements conform to accounting principles generally accepted in the United States of America. Financial information presented in all sections of the Comprehensive Annual Financial Report is consistent with the basic financial statements. Management has made every effort to insure that internal control and office policies and procedures have been maintained to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained.

CPERS' independent auditors, Postlethwaite & Netterville, have conducted an independent audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. The scope and findings of their audit are presented in their *Independent Auditors' Report* on page 19. Part of this audit includes consideration of CPERS' internal control over financial reporting as expressed in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards* on page 123. Management has provided the independent auditors with unrestricted access to all records, policies, and procedures during this audit.

DEFINITION AND PURPOSE OF ENTITY

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, a defined benefit pension plan, was originally created by Council Ordinance No. 235 and Council Ordinance No. 276, effective December 31, 1953, to provide retirement allowances and other benefits for regular employees of the City of Baton Rouge. Police officers and firefighters were incorporated into the Retirement System effective January 1, 1956 by Council Ordinance No. 474. The Retirement System is governed by a seven member Board of Trustees, and all invested funds, cash and property are held in the name of the City-Parish Employees' Retirement System for the exclusive benefit of the membership, both active and retired.

MAJOR INITIATIVES

Following a lengthy and thorough education process, the CPERS Board, with the recommendation of its investment consultant, Summit Strategies Group, voted to expand its exposure to alternative assets in the form of hedge fund of funds. The Board had considered the move for more than two years, and based the decision on Summit's recommendation, and the need to enhance and further diversify investment performance in keeping with the System's most recent Asset/Liability Study. At year end the decision was finalized to hire Magnitude Capital as the hedge fund of funds manager. Funding for this asset class was completed in January of 2012, and was comprised of a five percent allocation of total assets. It is anticipated that the addition of hedge fund of funds will contribute to investment performance while lowering overall volatility in the portfolio. The education process continues for other alternative investments, particularly for private equity.

Although many public pension systems suspended or reduced their cost of living increases during 2011, CPERS paid out its fifth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2011. The mix of funding sources for the SBP allowed enough funding for repetitive payments to prior recipients, and for a number of new recipients, in accordance with the Board's formula for calculating SBP payments to each eligible retiree. The aggregate amount paid to 2,081 retirees totaled $1.54 million, and no recipient received less than $600. Future declarations and payments of the SBP will depend on availability of funds from excess investment revenues, ad-valorem tax receipts, and differentials in the annual Retirement Benefit Adjustment payments.

CPERS' staff again performed over 1,000 benefit calculations during the year, developed several new retirement brochures, and continued to conduct retirement educational training classes to various member groups.

SERVICE EFFORTS AND ACCOMPLISHMENTS

CPERS continues to concentrate its efforts in providing the highest level of member service possible to both active and retired members. For CPERS, communication and service have always been the key elements to being successful. Increased awareness through improved communication, and technological advances have afforded us the opportunity and capability of continually providing more accurate and timely services such as the issuance of retirement benefit payments, electronic funds transfers, DROP distributions, DROP and contribution tax-deferred rollovers, supplemental funding of DROP accounts, Excess Benefit Plan payments, Supplemental Benefit Payments, refunds of member contributions, member counseling, retiree payroll-related changes, and many more. Federal, state, and local laws affecting pensions frequently change, and CPERS must often change policies and procedures to accommodate the requirements of these laws.

Payments to retirees, survivors, and beneficiaries continued to increase, and in 2011 the System paid out $63.3 million in regular monthly benefits compared to $60.3 million in 2010; an increase of 5.0%. Distributions of $19.5 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to just under $17 million in 2010. This represented an increase of 15.2%. Combined, CPERS and PGT paid out $82.8 million to eligible retirees, survivors, and beneficiaries during the year, exclusive of separation benefits. Compared to just over $77 million paid out in 2010, total benefits paid increased by 7.6%.

The average monthly benefit of CPERS retirees continued to increase as both salaries and the number of retirements increased. For 2011, retirees drew an average monthly benefit of $1,771, which represented an increase of 2.1% over the 2010 average of $1,734. The average monthly withdrawal for DROP funds was $1,556, a stark increase of 12.8% from 2010's average of $1,380. The DROP interest rate fell to 2.7 percent, but continued to outpace the rates offered for traditional savings accounts and money market instruments. DROP withdrawals include $2.6 million in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2011, refunds were issued to 216 members who terminated employment and to beneficiaries of deceased members, compared to 259 issued during 2010. Additionally, some former members chose to rollover the portion of their contributions that was tax-sheltered, into an IRA or another qualified plan. A total of 137 members retired during 2011, which is slightly down from the 141 who retired in 2010. A total of 72 members entered DROP during 2011 compared to 87 during 2010.

INTERNAL CONTROL

In accordance with Board and management's goals and policies, CPERS maintains a system of internal control that provides reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Each year CPERS' independent auditors consider the system of internal control over financial reporting as part of the auditing process. Accordingly, they issue the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards*, included in the last section of this document.

ACCOUNTING SYSTEM

An explanation of CPERS' accounting policies is contained in Note 2 of the Notes to the Financial Statements. The basis of accounting, basis of estimates, methods used to value investments and property and equipment, and other significant financial policy information are also explained in detail in the Notes to the Financial Statements.

FUNDING

The funding requirements for the Retirement System are determined by the Retirement System's actuary through a required annual actuarial valuation. Required contributions are broken down between normal cost and amortization of unfunded accrued liability and then stated as a percentage of total system payroll. CPERS is amortizing the unfunded accrued liability over a perpetual 30-year period, which began in 2004. The actuary has reserved the right to recommend incrementing the amortization funding period in future years, which would pay down the unfunded accrued liability much like a mortgage.

Contributions from members remained at 9.5 percent during 2011 in conformance with the requirement of the Retirement Ordinances which state that the employee contribution rate be set at 50 percent of the maximum employer contribution rate, not to exceed 9.5 percent. A blended employer contribution rate of 24.90 percent produced 2011 General Fund and non-General Fund/Other Employer contribution rates of 22.45 percent and 27.66 percent respectively.

CPERS maintains its goal of becoming a fully funded public employees' retirement system through steady growth of the investment markets, and meeting investment performance objectives. CPERS' 2011 gross investment performance of -1.84 percent fell well short of the target investment performance of 7.5 percent. CPERS' target asset allocation of 65 percent equities and 35 percent fixed income and real estate remained unchanged during the year, in accordance with the recommendation of the investment consultant, and with the expectation that actuarial assumptions and funding goals will be met over an extended time horizon. When comparing the market value of assets with the total actuarial liability, the System's funded ratio decreased to 62.3 percent at December 31, 2011 compared to 68.0 percent at December 31, 2010. Another method of measuring funded status is to compare the actuarial value of assets with the actuarial liability. When comparing the actuarial value of assets with the total actuarial liability, the System's funded ratio decreased to 72.2 percent at December 31, 2011 compared to 73.9 percent at December 31, 2010.

For the Police Guarantee Trust, when comparing the market value of assets with the total actuarial liability, the funded ratio decreased to 59.4 percent at December 31, 2011, compared to 67.2 percent at December 31, 2010. When comparing the PGT actuarial value of assets with the total actuarial liability, the funded ratio decreased to 73.1% at December 31, 2011 from 77.1% at December 31, 2010. Schedules of funding progress for both CPERS and the Police Guarantee Trust, using the total actuarial value of assets, are shown in the Required Supplementary Information on page 45.

CASH MANAGEMENT

Since 2003 CPERS has managed short-term cash through the use of a Short Term Investment Fund (STIF) managed by the custodian bank. Upon the recommendation of the investment consultant, cash management was placed with JPMorgan U.S. Government Money Market Fund, which invests in high-quality, short-term securities issued or guaranteed by the U.S. government or by U.S. government agencies and instrumentalities. This cash represents the daily needs of the Retirement System, primarily for paying benefits to retirees, as well as uninvested cash in the separately managed accounts of the Retirement System's investment managers. With the help of this daily "sweep account", the System is able to stay fully invested at all times.

INVESTMENTS

The investments of the Retirement System are governed by the Statement of Investment Policies and Objectives as shown in summary on pages 58 through 63. The Retirement Board members have the fiduciary duty of overseeing the pension fund investments within the guidelines of the investment policy. Studies show that the most influential tool used by the Board to achieve maximum investment performance is that of asset allocation. With guidance from its investment consultant, the Board has adopted a policy, which currently includes investments in large and small-cap domestic equities, international equities, emerging markets equities, core, core-plus, and absolute return fixed-income securities, real estate, short-term cash, and most recently hedge fund of funds. Within these allocations, both value and growth equity biases are utilized over both large and small capitalization stocks. Charts with the current asset allocations are shown on pages 64 through 66. During 2011, CPERS retained relationships with all of its eleven investment managers, and was preparing to contract with a hedge fund of funds manager. The performances of all the managers are measured against predetermined universally recognized indices (benchmarks) as recommended by the investment consultant. CPERS continues to rebalance the allocation of its portfolio to counter market value changes that occur through market value appreciation and depreciation, thereby ensuring that the asset mix remains within acceptable parameters and the portfolio remains true to the targeted asset allocation. As a separate legal trust, the PGT uses its own asset allocation, which closely resembles that of the original CPERS trust, thereby assuring that investment performance will approximate that of the

CPERS trust. Separate investment reports are issued for the PGT showing performance as measured against standard benchmarks. Investment performance for the two trusts is measured separately and the assets for each are maintained separately. Investment return for CPERS' assets, gross of investment fees for 2011 was -1.84 percent with the three-year, and five-year returns being 12.54, and 1.22 percent respectively. A summary of the largest investment holdings can be found on pages 67 through 69.

INDEPENDENT AUDIT

Each year, independent auditors perform a financial audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*. As part of their audit, the internal control structure of the Retirement System is considered. For the 2011 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letter can be found in the Financial Section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2010. This was the fourteenth consecutive year that CPERS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Thanks are certainly due the Retirement Board of Trustees for continued commitment to the Retirement Office as evidenced by the support and resources provided. Your commitment as fiduciaries to providing excellent retirement benefits to CPERS' members, in a fiscally responsible manner is gratefully acknowledged. The CPERS staff remains committed to working with the Board in every way possible to improve the System for both the members and the participating employers.

I also want to thank the Retirement Office staff for their continued efforts in making the 2011 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it is. While continuing to perform their regular duties in the most professional manner, they were dedicated to gathering data, inputting and typing, proofing and assembling this document. This is the fifteenth CAFR prepared by the Retirement Office for submission to the GFOA, and we are confident that it will again be found deserving of the Certificate of Achievement for Excellence in Financial Reporting for the fifteenth consecutive year.

Jeffrey R. Yates

Jeffrey R. Yates, CPA
Retirement Administrator

Russell Smith

Russell P. Smith, CPA
Retirement Financial Manager

2011
RETIREMENT BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

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Retirement Administrator

Barbara B. LeBlanc, C.I.A.
Assistant Retirement Administrator

Russell P. Smith, C.P.A.
Retirement Financial Manager

Mark Williams
Retirement Benefits Manager

Linda Verbois
Senior Administrative Specialist

Kyle Drago
Senior Financial Analyst

Katherine Wesley
Financial Analyst

Jeffrey Lagarde
Financial Analyst

Marshall Reilly
Financial Analyst

Adrienne Matthews
Senior Retirement Analyst

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Senior Retirement Analyst

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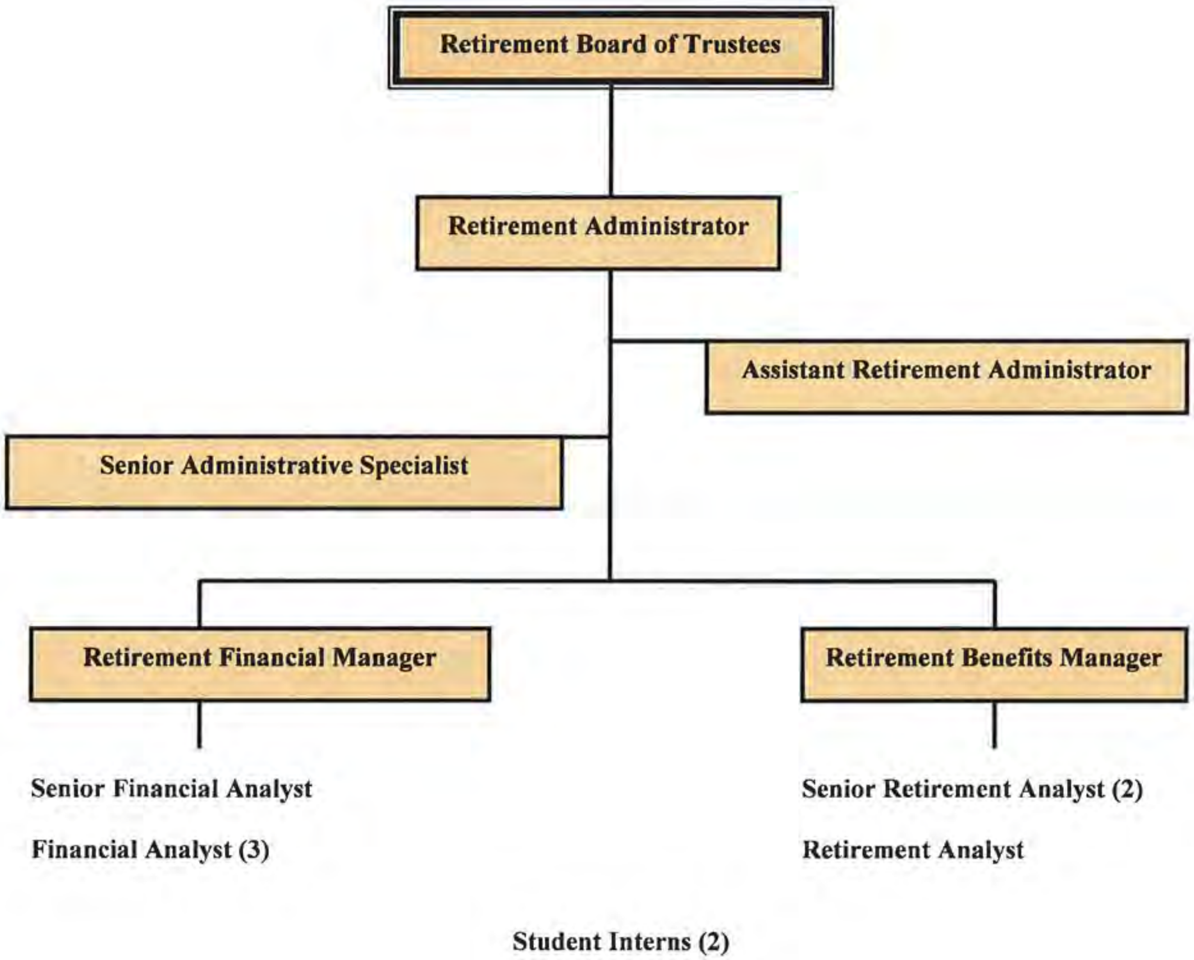
New York, NY 10169

RETIREMENT SYSTEM
ORGANIZATIONAL CHART



See page 12 for specific information regarding investment professionals. A schedule of commissions paid to brokers can be found on page 74 in the Investment Section of this CAFR.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baton Rouge & Parish of East Baton Rouge Employees' Retirement System, Louisiana

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

PLAN SUMMARY

SERVICE RETIREMENT ALLOWANCES

- 25 years or more, any age, 3% of average compensation for each year of service, maximum 90% of average compensation;
- 20 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service less a 3% penalty on the total retirement allowance for each year the member's age at retirement is under 55;
- 10 years or more, but less than 25 years, age 55, 2.5% of average compensation for each year of service; and
- 10 years or more, but less than 25 years, under age 55, 2.5% of average compensation for each year of service upon attaining age 55.

OPTIONAL RETIREMENT ALLOWANCES

- Member may elect a reduced retirement allowance and designate any person to receive the balance of his member contributions in the event member dies before receiving retirement benefits exceeding the amount of his member contributions as of the date of his retirement.
- Member may elect a reduced retirement allowance and designate any person or persons to receive a survivor's benefit certified by the retirement system actuary to be of equivalent actuarial value.

DISABILITY RETIREMENT ALLOWANCES

- Ordinary disability, minimum 10 years service required, minimum 50% of average compensation; additional 2.5% of average compensation for each year of service in excess of 20 years.
- Service-connected disability, no minimum service requirement, minimum 50% of average compensation; additional 1.5% of average compensation for each year of service in excess of 10 years.

SURVIVOR BENEFITS

- The surviving spouse of a contributing member eligible for retirement, or who has at least 20 years of service, receives an actuarially computed benefit for life; or a refund of member contributions.
- The surviving spouse of a contributing member not eligible for retirement receives a monthly benefit of $600 for life or until remarriage, whichever occurs first; or a refund of member contributions limited to the amount remaining after the payment of minor child or unmarried dependent parent benefits, if any.
- The surviving spouse of a service retiree receives a monthly benefit of 50% of the service retiree benefit for life, provided that the surviving spouse was either (1) legally married to the retiree on his date of service retirement or (2) legally married to the retiree for at least 2 years prior to the retiree's death.
- The surviving spouse of a DROP participant receives a monthly benefit of 50% of the DROP participant benefit for life, provided that the surviving spouse was either (1) legally married to the DROP participant on the effective date of his DROP participation or (2) legally married to the DROP participant for at least 2 years prior to the DROP participant's death.
- The surviving spouse of a service-connected disability retiree receives a monthly benefit of 50% of the service-connected disability retiree benefit for life, provided that the surviving spouse was either (1) legally married to the service-connected disability retiree on his date of service-connected disability retirement or (2) legally married to the service-connected disability retiree for at least 2 years prior to the service-connected disability retiree's death.
- Minor child or children of contributing member receive a monthly benefit of $150 per child until age 18, maximum benefit of $300 if survived by more than 2 children.

PLAN SUMMARY (CONTINUED)

DEFERRED RETIREMENT OPTION PLAN (DROP)

- Member must have not less than 25 or more than 30 years of service, regardless of age, to be eligible for up to 5 year participation, or combined service and DROP participation not exceeding 32 years, whichever is less.
- Members with at least 10 years, but less than 25 years of service, and are age 55 or older are eligible for up to 3 year participation.
- Members may participate in DROP only once and are prohibited from becoming a contributing member of the system after participation.
- For DROP participants prior to July 1, 1991 who do not terminate employment at the end of participation, interest earnings on the account are discontinued until termination of employment, and no funds are payable from the account until such termination.
- For DROP participants on or after July 1, 1991 who do not terminate employment at the end of participation, all interest earnings that would have been credited during participation are forfeited, and all funds are immediately distributed to the member or rolled tax-deferred to another qualified pension plan at the member's option.
- Upon employment termination, it is mandatory to roll severance/separation pay into an existing DROP account for members who are non public safety officers age 55 or older, while these members younger than age 55 are given the option to roll the funds into the DROP or another qualified plan, or take receipt of the funds. For public safety officers the key age is 50.

ROLLOVER OF ELIGIBLE DISTRIBUTIONS

- Certain distributions from DROP accounts are eligible for rollover to an Individual Retirement Account (IRA), Code Sec. 403(b), 457 or other qualified plans.

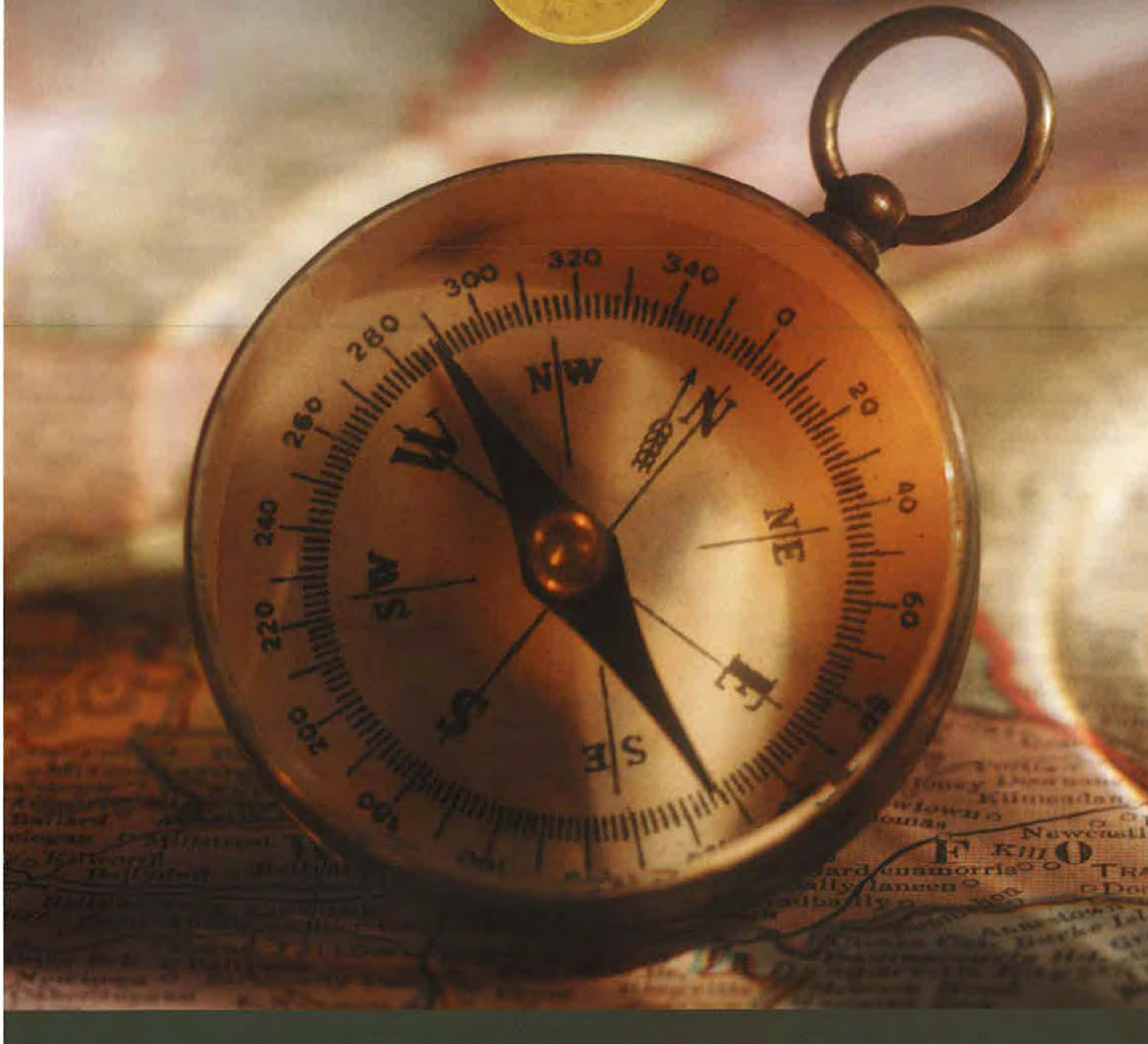
MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

- For members who transferred their membership to the Municipal Police Employees' Retirement System (MPERS) the summary of benefits is generally as shown above. Because of the differences in particular CPERS and MPERS benefit provisions, variations may exist. Only provisions specifically set forth in the contract entitled *Agreement and Guarantee of Retirement Rights and Benefits* are guaranteed by CPERS to transferred members.

2011

ERS

City of Baton Rouge and Parish of East Baton Rouge



Financial Section

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

P&N Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Members of the Board of Trustees
Employees' Retirement System of the
City of Baton Rouge and Parish of East Baton Rouge
Baton Rouge, Louisiana:

We have audited the accompanying statement of plan net assets of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the Retirement System), a component unit of the City of Baton Rouge – Parish of East Baton Rouge, as of December 31, 2011 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System as of December 31, 2011 and the changes in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress and employer contributions listed as Required Supplemental Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Retirement System. The accompanying financial information as listed in the Table of Contents as Schedules of Administrative Expenses, Schedules of Investment Expenses and Schedules of Payments to Consultants is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of

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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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The accompanying financial and explanative information in the investment section, the actuarial section, the statistical section and the Alternative Retirement Plan section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The combined statement of plan net assets and combined statement of changes in plan net assets as of and for the year ended December 31, 2010 are presented for comparative purposes. These combined totals were included as part of the Retirement System's December 31, 2010 basic financial statements which were audited by us and upon which we issued an unqualified opinion in our report dated June 24, 2011.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 26, 2012

P&N

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of the financial performance of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the System). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

FINANCIAL HIGHLIGHTS

- After a two-year double-digit positive run, net assets held in trust for pension benefits experienced negative growth, and declined by $57.3 million, or 5.9 percent. International equity experienced a freefall as investors became fearful of European and emerging market investments. These double digit losses overcame the modest positive returns in the fixed income and equity domestic markets. Real estate continued its surge, generating almost 19 percent, and fixed income investments performed better than expected at 7.15 percent.

- The gross rate of return on the market value of the CPERS Trust's investments in 2011 was a disappointing -1.84 percent, versus a gross return of 15.8 percent in 2010. The system fell 78 basis points short of attaining the return of its policy index of -1.06 percent. Although there were pockets of out-performance, CPERS ranked in the bottom quartile relative to its peers in 2011.

- The amounts of retirement benefit payments paid in 2011 increased by 7.3 percent over 2010 as both the number of retirees and the average benefit amounts continued on an increasing scale. Included in benefit payments was payment of the fifth consecutive Supplemental Benefit Payment of over $1.5 million. Refunds and withdrawals increased by an unusually high 43.7 percent because of contribution transfers to other retirement systems, including those of Fire Protection District No. 6.

- The funded status of the CPERS Trust decreased slightly from 73.9 percent in 2010 to 72.2 percent in 2011, as measured in accordance with GASB 25/27. On a market value basis, the funded ratio took a backward step, going from 68.0 percent to 62.3 percent. The unfunded actuarial accrued liability increased approximately $33 million as the System's investments continued to perform under expected levels. The market value trailed the actuarial value of assets at year end by approximately $141 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the CPERS basic financial statements, together with the related notes to the financial statements, required supplementary information, and the supporting schedules, all of which are described below:

Statement of Plan Net Assets – This statement reports the System's assets, liabilities, and resulting net assets held in trust for pension benefits. The original CPERS trust and Police Guarantee Trust are shown both separately and combined. Although not a comparative financial statement per se, it shows the prior year comparative combined totals by line item. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2011 and provides comparative combined totals at December 31, 2010.

Statement of Changes in Plan Net Assets – This statement reports the results of operations during the calendar years 2011 with comparative combined totals for 2010, categorically disclosing the additions to and deductions from plan net assets. The net decrease to plan assets on this statement supports the change in net assets held in trust for pension benefits on the Statement of Plan Net Assets. The original CPERS trust and Police Guarantee Trust are again shown both separately and combined, and again with a column showing the comparative combined totals for the prior year, although the statement is not a comparative financial statement by definition.

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements - The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements. A description of the information provided in the notes follows:

- Note 1 (Plan Description) provides a general description of the Retirement System, including the original CPERS trust and the Police Guarantee Trust. Information is included regarding plan membership, a description of retirement benefits, a description of the Deferred Retirement Option Plan (DROP), and retirement contributions.

- Note 2 (Summary of Significant Accounting Policies) provides information disclosing certain accounting methods and policies used in determining amounts shown on the financial statements. Included in this note is information relative to the basis of accounting, and the determination of estimates, including System investments and property and equipment.

- Note 3 (Cash and Investments) describes System investments and their relationship with the custodian bank. This note includes information regarding the System's cash and investments, use of the custodian's Short Term Investment Fund (STIF), bank balances and their collateralization, and types of investment risk and measurement of that risk for the CPERS investment portfolio.

- Note 4 (Securities Lending Program) provides details of the System's securities lending program as governed by the contract between CPERS and the custodian bank. This note describes how the program is administered by the custodian, and how loans of securities are collateralized.

- Note 5 (Funded Status and Funding Progress) provides disclosures regarding how well the System is funded and able to meet its obligations. Also included are the actuarial assumptions used for determining the funded status.

- Note 6 (Contingencies) provides information relative to any retirement matters being litigated and possibly subjecting the system to some financial exposure.

Required Supplementary Information – The required supplementary information consists of two schedules and related notes. These schedules show the funding progress and employer contribution data for the original CPERS trust and the PGT separately. The related notes disclose key actuarial assumptions and methods used in the schedules.

Supporting Schedules – These schedules include information on administrative and investment expenses and payments to consultants.

CPERS FINANCIAL ANALYSIS

CPERS provides retirement benefits to essentially all eligible City-Parish employees and employees of other member employers. These benefits are funded through member contributions, employer contributions, and earnings on investments. Total System net assets held in trust for pension benefits at December 31, 2011 were $909.5 million, which represented a decrease of $57.3 million, or 5.9 percent from the $966.8 million held in trust at December 31, 2010.

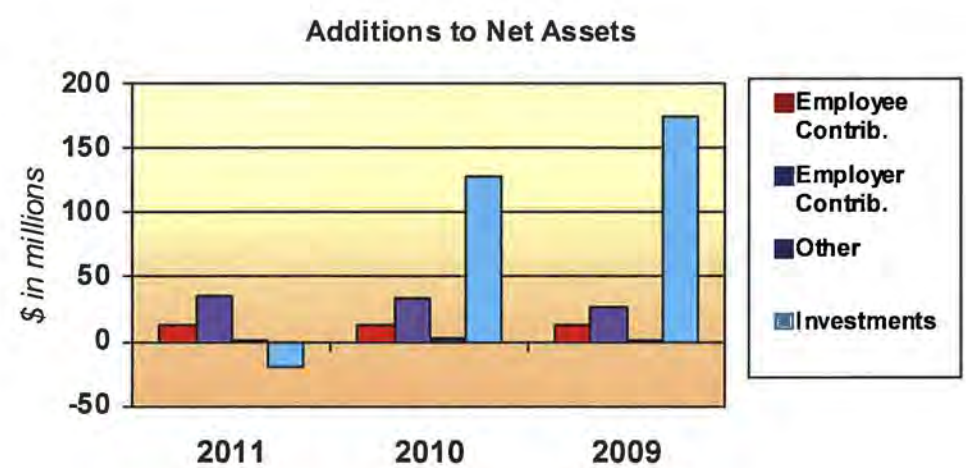
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2011	2010	2009	2011 Increase (Decrease)	2011 % Change
Cash	$ 9,103,065	$ 4,230,933	$ 8,428,044	$ 4,872,132	115.2 %
Receivables	11,484,588	36,075,380	9,096,748	(24,590,792)	(68.2)
Investments (fair value)	928,354,224	966,664,739	866,685,305	(38,310,515)	(4.0)
Securities Lending Collateral	4,849,990	4,848,773	4,654,585	1,217	0.0
Capital Assets	591,725	594,467	601,653	(2,742)	(0.5)
Total Assets	954,383,592	1,012,414,292	889,466,335	(58,030,700)	(5.7)
Total Liabilities	44,845,260	45,566,531	16,807,066	(721,271)	(1.6)
Total Plan Net Assets	$ 909,538,332	$ 966,847,761	$ 872,659,269	$ (57,309,429)	(5.9) %

Additions to Plan Net Assets

Additions to CPERS net assets held in trust for pension benefits include regular contributions from employees and employers, contributions received from employers for purposes of paying severance pay to employees, and investment income. Employee contributions, which continued at 9.5% of payroll for both 2011 and 2010 actually decreased by $120 thousand primarily as salary growth was reduced and job positions went unfilled. Employer contributions increased by $3.4 million, due to another significant increase in the required employer contribution rate as recommended by the System's actuary. The blended employer contribution rate for 2011 was 24.90% of payroll, while in 2010 the rate was set at 22.17%. Investment performance faltered in 2011 as the modest gains during much of the year were more than erased in August and September. In 2011, CPERS recognized a net investment loss of $19.9 million, compared to net investment income in 2010 of $128.1 million. In total, 2011 additions to plan net assets were $30.9 million as compared to additions of $176.0 million for 2010.



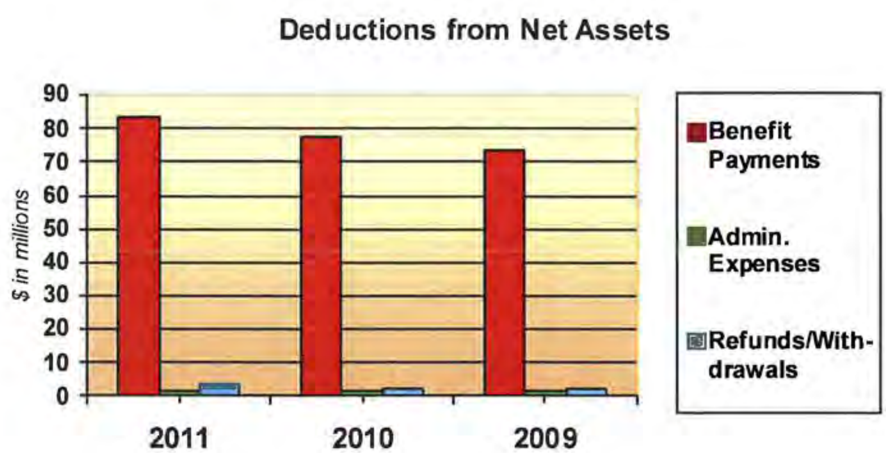
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Net Assets	**2011**	**2010**	**2009**	**2011 % Change**
Employee Contributions	$ 13,310,441	$ 13,430,397	$ 13,398,458	0.9 %
Employer Contributions	35,995,830	32,554,742	27,299,381	10.6
Net Investment Income	(19,906,864)	128,072,880	174,333,006	(115.5)
Other	1,512,701	1,935,967	1,399,949	(21.9)
Total Additions	$ 30,912,108	$ 175,993,986	$ 216,430,794	(82.4) %

Deductions from Plan Net Assets

Deductions from CPERS net assets held in trust for pension benefits are comprised primarily of retirement benefit payments to CPERS retirees, survivors, and beneficiaries. Also included as deductions are administrative expenses, and refunds and withdrawals of employee contributions. For 2011, benefit payments to retirees, survivors, and beneficiaries totaled $83.5 million, which represented an increase of 7.3 percent from the $77.8 million paid out in 2010. The normal monthly payments to pensioners continued to increase, and both the number of pensioners and the average monthly pension increased. The Board of Trustees was pleased to pay the fifth consecutive Supplemental Benefit Payment of $1.5 million to qualifying retirees. The 2011 administrative expenses decreased to $1.38 million from $1.67 million in 2010 representing a decrease of 17.4%. And finally, refunds and withdrawals of member contributions increased by 43.7%, totaling $3.3 million in 2011 from $2.3 million in 2010.



EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Net Assets	**2011**	**2010**	**2009**	**2011 % Change**
Benefit Payments	$ 83,538,041	$ 77,835,709	$ 73,696,868	7.3 %
Refunds and Withdrawals	3,304,186	2,299,742	2,021,306	43.7
Administrative Expenses	1,379,310	1,670,043	1,492,348	(17.4)
Total Deductions	$ 88,221,537	$ 81,805,494	$ 77,210,522	7.8 %

Change in Net Assets (Total Additions less Total Deductions)	$ (57,309,429)	$ 94,188,492	$ 139,220,272	(39.2) %

Investments

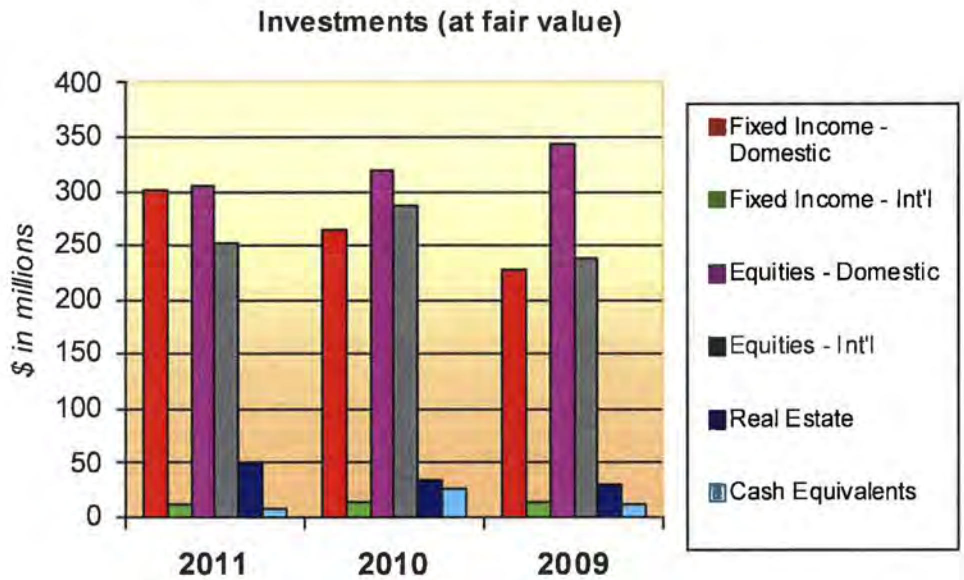
The System's investments, exclusive of securities lending collateral, totaled $928.4 million at December 31, 2011 as compared to $966.7 million at December 31, 2010, which represented a decrease of $38.3 million or 4.0%. 2011 saw moderate growth early in the year, but with a very sharp downward turn in August and September, which more than erased the gains made for the year. US investments outperformed international investments during 2011, as Europe's austerity measures held back optimism for international and emerging markets. Domestic large cap stocks were positive for the year, but were offset by domestic small caps. International equity was negative across the board. Domestic fixed income performed stronger than expected again, as did real estate. The System maintained its target asset allocation of 65% of investments in equities and 35% in fixed-income securities, including a 5% allotment to domestic real estate. At year end, CPERS had made a commitment to a 5% allocation to hedge fund of funds to be funded in January of 2012. Diversification of the portfolio continued to mitigate risk, but could not overcome the downward trend in international equities. Domestic equities performed at a disappointing 1.23% rate, while international equities dragged down total performance with a -15.88% rate for the year. Fixed income continued to do well with a 7.15% performance. CPERS' investment return of -1.84% trailed the benchmark of -1.06 by 78 basis points as several investment managers underperformed for the year. Investment expenses increased 23.5% as three newly hired international managers came on board in 2011. Having increased exposure to international markets, CPERS was hit particularly hard when some European nations threatened default on debt and had to impose austerity measures. CPERS continues to further diversify the portfolio as a means to decrease the overall volatility of the portfolio. The System's asset allocation is set based on long-range performance horizons and no attempts are made to try to time the market. The PGT maintains an asset allocation as similar as possible to that of the CPERS Trust, and investment performance varies slightly between the two trusts.

	2011 %	**2010 %**	**2009 %**
US Equity Composite	1.23	22.15	31.29
International Equity Composite	(15.88)	15.82	39.99
Fixed Income Composite	7.15	8.80	21.27
Real Estate Composite	18.70	19.16	(38.65)
Cash Composite	.02	.30	0.18
Total Fund Composite	(1.84)	15.76	25.43

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

When making comparisons from year to year, it is important to be aware that other factors may affect the change in investments, particularly the changes between investment categories and types, as mentioned above. It is also important to note that the investment portfolio is not stagnant, but is traded in part each business day. Investment managers sometimes change allocations between investment types (e.g. treasury bonds to mortgages) or sectors (e.g. financials to technology). Therefore, the reader should be cautious about drawing conclusions as to how and why the portfolio changed in market value. It is perhaps best to refer to the total investment figures to conclude how the System's investments performed overall.



Investments (at Fair Value)	2011	2010	2009	2011 % Change
Fixed Income – Domestic	$ 301,292,663	$ 263,806,969	$ 227,405,253	14.2 %
Fixed Income – International	11,678,686	13,223,442	14,207,992	(11.7)
Equity securities – Domestic	305,198,630	318,641,169	343,466,712	(4.2)
Equity securities – International	251,981,586	286,732,637	238,739,928	(12.1)
Real Estate	50,832,752	33,823,882	30,133,669	50.3
Cash equivalents	7,369,907	50,436,640	12,731,751	(85.4)
Total Investments	$ 928,354,224	$ 966,664,739	$ 866,685,305	(4.0) %

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This Comprehensive Annual Financial Report is designed to provide a general overview of the finances for the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge for interested parties. Questions concerning any of the information provided herein, or requests for additional financial information should be addressed to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge, P. O. Box 1471, Baton Rouge, Louisiana, 70821-1471.

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

**STATEMENT OF PLAN NET ASSETS AS OF DECEMBER 31, 2011
AND COMPARATIVE COMBINED TOTALS FOR 2010**

	CPERS Trust	Police Guarantee Trust	2011 Combined Total	2010 Combined Total
Assets				
Cash	$ 8,602,172	$ 500,893	$ 9,103,065	$ 4,230,933
Receivables:				
Employer contributions	3,583,154	25,226	3,608,380	3,278,747
Employee contributions	798,582	3,521	802,103	949,273
Interest and dividends	525,008	12	525,020	474,449
Pending trades	6,315,456	100,900	6,416,356	31,087,166
Other	132,729	-	132,729	285,745
Total receivables	11,354,929	129,659	11,484,588	36,075,380
Investments (at fair value):				
Fixed Income – Domestic	292,766,893	8,525,770	301,292,663	263,806,969
Fixed Income – International	11,012,133	666,553	11,678,686	13,223,442
Equities – Domestic	299,394,615	5,804,015	305,198,630	318,641,169
Equities – International	247,015,065	4,966,521	251,981,586	286,732,637
Real estate investments	50,832,752	-	50,832,752	33,823,882
Cash equivalents	6,457,354	912,553	7,369,907	50,436,640
Total investments	907,478,812	20,875,412	928,354,224	966,664,739
Securities lending collateral:				
Short term securities - securities lending program	4,849,990	-	4,849,990	4,848,773
Total securities lending collateral	4,849,990	-	4,849,990	4,848,773
Properties at cost, net of accumulated depreciation of $711,479 and $704,468, respectively	591,725	-	591,725	594,467
Total Assets	932,877,628	21,505,964	954,383,592	1,012,414,292
Liabilities				
Accrued expenses and benefits	789,042	194,911	983,953	1,147,204
Pending trades payable	39,011,317	-	39,011,317	39,570,554
Total accounts payable and other liabilities	39,800,359	194,911	39,995,270	40,717,758
Securities lending obligations:				
Obligations held under securities lending program	4,849,990	-	4,849,990	4,848,773
Total securities lending obligations	4,849,990	-	4,849,990	4,848,773
Total Liabilities	44,650,349	194,911	44,845,260	45,566,531
Net assets held in trust for pension benefits	$ 888,227,279	$21,311,053	$ 909,538,332	$ 966,847,761

See accompanying notes to financial statements

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2011 AND COMPARATIVE COMBINED TOTALS FOR 2010

	CPERS Trust	Police Guarantee Trust	2011 Combined Total	2010 Combined Total
Additions:				
Contributions:				
Employee	$ 13,229,840	$ 80,601	$ 13,310,441	$ 13,430,397
Employer	35,793,135	202,695	35,995,830	32,554,742
Severance contributions from employee	1,512,701	-	1,512,701	1,935,967
Total contributions	50,535,676	283,296	50,818,972	47,921,106
Investment income:				
Net appreciation (depreciation) in fair value of investments	(17,897,367)	(255,187)	(18,152,554)	129,327,310
Interest	2,893,858	1,867	2,895,725	2,489,915
Dividends	129,199	-	129,199	125,054
	(14,874,310)	(253,320)	(15,127,630)	131,942,279
Less investment expenses	4,656,703	131,570	4,788,273	3,876,801
Net investment income (loss) before securities lending	(19,531,013)	(384,890)	(19,915,903)	128,065,478
Securities lending income:				
Income from securities lending activities	15,101	-	15,101	12,338
Less borrower rebates/fees and related expenses	6,062	-	6,062	4,936
Net securities lending income	9,039	-	9,039	7,402
Net investment income (loss)	(19,521,974)	(384,890)	(19,906,864)	128,072,880
Total additions	31,013,702	(101,594)	30,912,108	175,993,986
Deductions:				
Benefit payments	81,852,650	1,685,391	83,538,041	77,835,709
Refunds and withdrawals	3,304,186	-	3,304,186	2,299,742
Administrative expenses	1,065,344	313,966	1,379,310	1,670,043
Total deductions	86,222,180	1,999,357	88,221,537	81,805,494
Net increase (decrease)	(55,208,478)	(2,100,951)	(57,309,429)	94,188,492
Net assets held in trust for pension benefits:				
Beginning of year	943,435,757	23,412,004	966,847,761	872,659,269
End of year	$888,227,279	$21,311,053	$909,538,332	$966,847,761

See accompanying notes to financial statements

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION

A. General Organization

The Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the System or Retirement System) is the administrator of a cost-sharing multiple-employer plan (the Plan). At December 31, 2011 the System provided benefits to employees of the following participating governmental employers:

City of Baton Rouge and Parish of East Baton Rouge (City-Parish)
District Attorney of the Nineteenth Judicial District
East Baton Rouge Parish Family Court
East Baton Rouge Parish Juvenile Court
St. George Fire Protection District (certain electing members)
Brownsfield Fire Protection District
Eastside Fire Protection District
Recreation and Park Commission for the Parish of East Baton Rouge (BREC)
Office of the Coroner of East Baton Rouge Parish

The System is considered a component unit of the financial reporting entity of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) and is included as a pension trust fund in the City-Parish Comprehensive Annual Financial Report. The accompanying financial statements reflect the activity of the Retirement System.

Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the definition of a reporting entity is based primarily on the concept of financial accountability, and the existence of a financial burden/benefit relationship. In determining its component unit status, the Retirement System considered the following:

- The Retirement System exists for the benefit of current and former City-Parish and participating employer employees who are members of the Retirement System;
- Four of the seven Board members are elected by the employees who participate in the Plan, and three are appointed by the Primary Government;
- The Retirement System is funded by the investment of contributions from the City-Parish and member employers who are obligated to make the contributions to the Retirement System based upon actuarial valuations.

The Retirement System itself has no component units as defined under GASB 14.

The Retirement System was created by The Plan of Government and is governed by a seven-member Board of Trustees (the Board). The Board is responsible for administering the assets of the Retirement System and for making policy decisions regarding investments. Four of the trustees are elected members of the Retirement System. Two are elected by non-police and non-fire department employees, and one trustee each is elected by the police and fire department employees. The remaining membership of the Board consists of one member appointed by the Mayor-President, and two members appointed by the Metropolitan Council.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

A. General Organization, Continued

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement System as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

Substantially all full-time non-police employees of the City-Parish and other member employers are covered by the Retirement System. The Retirement System actuarially determines the contributions required to fund the plan and collects the contributions as a percentage of payroll each payroll period. The Retirement System exists for the sole benefit of current and former employees of the member employers.

B. Police Guarantee Trust (PGT)

The Police Guarantee Trust (PGT) was established as a separate legal trust fund on February 26, 2000 to provide for payment of certain guaranteed lifetime benefits for eligible police employees who transferred membership to the Municipal Police Employees' Retirement System of Louisiana (MPERS) while retaining certain rights in CPERS. When established, the Trust was funded from the original CPERS trust through a trustee-to-trustee transfer, for the full actuarially determined amount necessary to pay all present and future contractually guaranteed benefits to eligible members and their survivors. The PGT is charged with all of its direct expenses and charged with a percentage of indirect expenses at the rate of twenty percent (20%) for both 2011 and 2010, based on an administrative cost allocation study performed by an outside consultant. The PGT funds are invested similarly to the original CPERS trust funds, with separate investment performance measurement, separate accounting records, and a separate annual actuarial valuation. The Retirement Board is responsible for administering the assets and making investment policy decisions for the PGT.

C. Membership

At December 31, 2011 and 2010, membership in the Retirement System (CPERS trust only) consisted of:

	2011	2010
Inactive:		
Retirees and beneficiaries currently receiving benefits	2,970	2,876
Vested terminated employees	43	46
Deferred retirees	304	337
Total inactive	3,317	3,259
Active:		
Fully vested	1,408	1,398
Nonvested	1,837	1,981
Total active	3,245	3,379
Total Membership	6,562	6,638

EMPLOYEES' RETIREMENT SYSTEM
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(1) PLAN DESCRIPTION, CONTINUED

C. Membership, Continued

The CPERS trust active members (vested and non-vested), inactives (retirees), beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them, identified in the previous table, are categorized by function as follows:

December 31, 2011		Active		
	Inactive	Vested	Nonvested	Total Active
Regular	2,157	980	1,301	2,281
BREC	150	88	340	428
Police	358	35	0	35
Fire	652	305	196	501
	3,317	1,408	1,837	3,245

December 31, 2010		Active		
	Inactive	Vested	Nonvested	Total Active
Regular	2,106	997	1,400	2,397
BREC	142	79	371	450
Police	365	34	1	35
Fire	646	288	209	497
	3,259	1,398	1,981	3,379

D. Benefits

An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: 1.) full retirement benefits and 2.) minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits:
   a. Granted with 25 years of service, regardless of age.
   b. Defined as 3% of average compensation times the number of years of service.

2. Minimum eligibility benefits:
   a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
   b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. In cases of 20 or more and less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

**EMPLOYEES' RETIREMENT SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

D. Benefits, Continued

Pension provisions include both service-connected and ordinary disability benefits. In the case of a service-connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor (1.5%) for each year of service in excess of ten years. In the case of an ordinary disability, ten years of service are required to receive 50 percent of average compensation, or 2.5% times the number of years of creditable service, whichever is greater. Survivor benefits are granted to qualifying surviving spouses of service-connected disabilities, however, disability benefits cease at the death of the disabled employee who retired with an ordinary disability.

Also included in pension provisions are death benefits whereby a qualifying spouse will receive 50 percent of the retired employee's pension amount at no cost to the retiree. A service allowance retiree may also purchase an optional benefit for a spouse or other designated beneficiary, which reduces the monthly pension benefit by an actuarially computed amount. Should an employee die before retirement, but either was eligible for a benefit, or had attained 20 or more years of service, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit. If the employee dies having less than 20 years of service, before reaching retirement eligibility, the surviving spouse is entitled to $600 per month until the earlier of death or remarriage, plus $150 per month for each minor child (limited to $300), or a refund of the member's retirement contributions.

E. DROP

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are employees who are eligible for retirement, but have chosen to continue employment for a maximum of five years if the member has 25 years of creditable service, or three years if the member has at least 10 but less than 25 years and is age 55 or older. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses, or until the employee discontinues employment, whichever comes first. These accounts bear interest beginning with the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan. Five-year participation in the DROP after 25 years of service is also a guaranteed benefit available to members who transferred membership to MPERS (See Note 1.B). Because MPERS provides for only a three-year DROP, CPERS guarantees the balance of DROP participation, not to exceed the five-year maximum. Penalty provisions remain in place for these members as well. Due to legal requirements, the original CPERS trust DROP accounts are maintained separately from Police Guarantee Trust (PGT) DROP accounts.

DROP deposits are included in plan net assets. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2011 were $180,674,182 and $17,994,521. For December 31, 2010, the DROP accounts for the CPERS and PGT trusts totaled $179,270,858 and $16,363,630 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2011 totaled 1,319 and 153. For December 31, 2010, 1,320 and 147 members maintained DROP accounts in the two trusts respectively.

EMPLOYEES' RETIREMENT SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(1) PLAN DESCRIPTION, CONTINUED

F. Contribution Requirements

Contribution rates for each participating employer and its covered employees are established and may be amended by the Retirement System's Board of Trustees, with approval by the Metropolitan Council of the City-Parish. The contribution rates are determined based on the benefit structure established by the Plan provisions. For both 2011 and 2010, Plan members contributed 9.5% of their annual covered salary, which was the maximum rate under Part IV, Subpart 2, Sec. 1:264A1(b). Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates. For 2011 and 2010, the City General Fund employer rates were 22.45% and 19.83% while the non-general fund and other employer rates were 27.66% and 24.93%. The City-Parish provides annual contributions to the Plan as required by Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge, which requires that the Retirement System be funded on an actuarially sound basis. Administrative costs of the Retirement System are provided through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Presentation

The Retirement System's financial statements are prepared on the accrual basis of accounting. Contributions from the participating entities and their employees are recognized as revenue when due, pursuant to ordinance requirements, formal commitments, and statutory contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The financial statements present the CPERS trust and Police Guarantee Trust separately and combined for 2011, with combined totals for 2010 presented for comparative purposes. The assets of each trust can only be used to pay expenses of that trust, and therefore the combined total columns are not comparable to a consolidation. Inter-trust transactions have not been eliminated in the aggregation of this data.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions to and deductions from plan net assets during the reporting period. Actual results could differ from those estimates.

C. Method Used to Value Investments

CPERS' investments are reported at fair value, as required by GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* as amended by GASB 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.* Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sale price at current exchange rates. Investments that do not have an established market are reported at estimated fair value as determined by the custodian bank and verified by the Retirement System's investment consultant. The fair value of real estate investments is based on quarterly independent appraisals.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

NOTES TO THE FINANCIAL STATEMENTS

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Property and Equipment

Property and equipment are carried at historical cost. Depreciation is computed on the straight-line method over 5 to 25 years. Minor equipment and furniture acquisitions are charged to operations as capital outlays in the period they are made. Depreciation expense totaled $7,011 and $7,186 for years ended December 31, 2011 and December 31, 2010 respectively.

(3) CASH AND INVESTMENTS

A. Deposit and Investment Risk Disclosures

The information below presents disclosures of custodial credit risk, credit risk, interest rate risk and foreign currency risk as outlined by GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. These disclosures are included to inform financial statement users of the investment risks that could affect the Retirement System's ability to meet its obligations. CPERS' Board mitigates custodial credit risk by having the custodian hold securities in CPERS' name as a requirement of the custody contract. CPERS' investment policy, as adopted by the Board, sets limits on interest rate risk by prohibiting investments in high volatility and low quality rated securities. However, interest rate risk is allowed at reasonable levels as determined and monitored by the System's investment consultant in order to allow the Plan the opportunity to achieve satisfactory long-term performance results consistent with its objectives. Because the financial statements present the investments by asset class, and because CPERS has a substantial amount of investments in pooled investment funds, the data in the tables may not categorically correlate directly with the investments shown in the statements.

Standard & Poor's rates investment grade securities, using AAA, AA, A, and BBB. Securities with these ratings are considered "financially secure". For non-investment grade securities, the ratings BB, B, CCC, CC, C, and D are used. These ratings indicate that the security may be "vulnerable" and as such, is regarded as having vulnerable characteristics that may outweigh its strengths. US Treasuries and GNMA's carry a "Government" rating and are explicitly backed by the full faith and credit of the US Government, while US Agencies carry an "Agency" rating, which is considered an implied AAA rating with implicit US Government backing.

B. Cash and Cash Equivalents

All investments of the Retirement System are registered in the System's name, or held by the custodian bank, JPMorgan/Chase, Baton Rouge, LA, or its intermediaries in the System's name. The System utilizes a Short Term Investment Fund (STIF) administered by the custodian bank, JPMorgan/Chase, in which all uninvested cash balances of CPERS and its full discretionary investment managers are automatically swept by the custodian into the JPMorgan US Government Money Market Fund, which is an unrated fund that invests in high-quality, short-term securities issued or guaranteed by the US government or by US government agencies and instrumentalities. Deposits in this fund are not insured by the FDIC.

At December 31, 2011, the carrying amount of the Retirement System's demand deposit accounts classified as cash, was $9,103,065 and the bank balance was $9,623,773, of which $277,251 was protected from custodial credit risk by Federal Depository insurance. The remainder of the demand deposit balances was collateralized by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name. At December 31, 2010, the carrying amount of the Retirement System's cash book balance was $4,230,933 and the bank balance was $4,359,361, of which $2,450,000 was covered by Federal

**EMPLOYEES' RETIREMENT SYSTEM
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(3) CASH AND INVESTMENTS, CONTINUED

B. Cash and Cash Equivalents, Continued

Depository insurance and the remainder by securities held by the System's agent, JPMorgan/Chase, Baton Rouge, Louisiana, in a custodial account in the Retirement System's name.

Included in 2010 cash equivalents is an interest bearing money market demand account with a balance of \$23,192,000. Federal Depository insurance covered \$250,000 of the balance. The remainder of the account was uncollateralized and exposed to custodial credit risk.

C. Short-Term Investments

The System's short-term funds may be invested in cash equivalent securities, which are defined as any fixed income investment with less than one year to maturity with ratings by both Moody's and S&P of A or better, Money Market Funds, or custodian bank STIF or STEP (Short Term Extendable Portfolio) funds.

D. Investments

Section 9.15 of The Plan of Government of the Parish of East Baton Rouge and the City of Baton Rouge authorizes the Retirement Board to have custody of, and invest the assets of the Pension Trust. As fiduciaries of the Pension Trust, the Board developed and adopted *The Total Plan Statement of Investment Policies and Objectives*, in which are set forth the guidelines for investing the Retirement System's assets. The document sets forth permissible investments summarized as follows:

Cash Equivalent Investments – US Treasury Bills, Commercial Paper, Repurchase Agreements, Money Market Funds, Custodian STIF and STEP Funds
Currency Investments – Foreign Exchange Futures, Forwards, Swaps (applies to global or non-US managers for hedging purposes)
Equity Investments – US and Foreign Common and Preferred Stocks, Convertible Bonds, American Depositary Receipts (ADR's), and 144a Securities, and Hedge Fund of Funds
Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, 144a Securities, and Equity Real Estate

The Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investment in derivatives, reverse repurchase agreements and other non-traditional types of investments are not specifically authorized under the Board's investment policy, however, in the case of commingled, or pooled/mutual accounts, the provisions of the prospectus or Declaration of Trust take precedence. At December 31, 2011 the Retirement Board had committed, but not funded, a 5 percent allocation to Hedge Fund of Funds.

Equity securities shall not exceed 5 percent of cost and 7 percent of market value in any one company, and fixed income shall not exceed 2.5 percent of cost and 3 percent of market value; however, the direct debt of the federal government shall not be restricted as a percentage of the portfolio. No investments in any one organization shall represent 5 percent or more of the net assets available for pension benefits, and no single company's securities shall represent more than 5 percent of the cost basis or 7 percent of the market value of any manager's portfolio. There are no investments in loans to, or leases with, parties related to the Plan. Although the Board continued its contractual relationships with outside third party investment managers during 2011 and 2010, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

**EMPLOYEES' RETIREMENT SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

Purchases and sales of investments are recorded on a trade date basis. The Retirement System's Statement of Investment Policies and Objectives prohibits the use of securities that use any form of leverage, or in which interest or principal position is tied to any prohibited type of investment.

CPERS utilizes various investment instruments, which by nature are exposed to a variety of risk levels and risk types, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term, and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

The fair values of the Retirement System's investments as of December 31, 2011 and December 31, 2010 are shown in the table below:

Investment Type	Fair Value @ 12/31/2011	Fair Value @ 12/31/2010
Asset Backed Securities	$ 3,102,513	$ 7,688,728
Corporate Bonds/Notes – Domestic	20,665,907	20,906,813
Domestic Equities - Active Separate Accounts	28,130,878	31,786,742
Domestic Equities – Pooled Funds	277,067,752	286,854,427
Domestic Fixed Income – Pooled Funds	129,441,911	126,769,470
Emerging Markets Equities	82,514,184	111,376,271
Equity Real Estate Fund	50,832,752	33,823,882
International Fixed Income	11,678,686	13,223,442
International Equity - Pooled Funds	169,467,402	175,356,366
Mortgage Backed Securities	65,262,670	39,856,749
Short-Term Investment Fund/Cash Equivalents	7,369,907	50,436,640
United States Government Agencies	7,699,707	2,059,724
United States Treasury Bonds	29,273,293	25,506,605
United States Treasury Inflation-Protected Securities	50,696,652	45,867,653
Total	**$ 933,204,214**	**$ 971,513,512**

E. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name.

CPERS' investments are held by its custodian separately from the custodian's assets in the name of the System, and would not be adversely affected if the custodian were placed in receivership. Investments in external investment pools, mutual funds, and other pooled investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form required by the Securities and Exchange Commission. CPERS had no custodial credit risk as of December 31, 2011, and on December 31, 2010 did have exposure to custodial credit risk as disclosed in Note 3.B.

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NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

F. Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The standardized rating systems are a good tool with which to assess credit risk on debt obligations. CPERS requires that debt obligations be investment grade at time of purchase (BBB / Baa or higher as rated by Standard & Poor's and/or Moody's respectively). Securities that are later downgraded below investment grade are required to be liquidated unless the investment manager and the investment consultant deem it in the System's best interest to continue to hold the securities.

The following table can be used in determining CPERS' level of exposure to credit risk as of December 31, 2011 and December 31, 2010 for fixed-income securities held in trust at the custodian bank. The "not rated" designation is applicable to medium term notes in default.

S&P/Moody Rating	Fair Value @ 12/31/2011	2011 %	Fair Value @ 12/31/2010	2010 %
Government (AA+)	$ 33,872,122	26.9%	$ 26,307,715	27.5%
Agency (AA+)	60,394,643	47.9	35,958,516	37.4
AAA	3,660,686	2.9	9,732,377	10.1
AA	5,115,829	4.1	3,504,646	3.6
A	9,594,957	7.6	11,435,315	11.9
BBB	12,849,719	10.2	7,970,510	8.3
BB	33,602	0.0	--	--
CC	--	--	178,464	0.2
CCC	396,723	0.3	931,046	1.0
D	85,779	0.1	--	--
NR (not rated)	30	0.0	30	0.0
Total	**$ 126,004,090**	**100.0%**	**$ 96,018,619**	**100.0%**

The table above does not include the System's 2011 and 2010 Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed-income strategies managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets and ratings for these funds are shown below.

Pooled Funds	Fair Value @ 12/31/2011	Rating	Fair Value @ 12/31/2010	Rating
Core-Plus	$ 72,551,648	A+	$ 69,894,476	A+
Absolute Return	$ 68,568,949	A	$ 70,098,435	A-
TIPS	$ 50,696,652	AA+	$ 45,867,654	AA+

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NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

G. Concentration of Credit Risk

Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. This form of risk arises when an entity has one or more concentrated investments in a single issuer. CPERS' *Total Plan Statement of Investment Policies and Objectives* limits the concentration in any one issuer to 7 percent of fair value. At December 31, 2011 and 2010 the System had exposure of less than 5 percent in any single investment issuer.

H. Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is applicable to debt investments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates for debt instruments.

The tables below reflect the Retirement System's domestic fixed-income investments and maturities in actively managed accounts at December 31, 2011 and December 31, 2010.

December 31, 2011		**Investment Maturities (in years)**			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**5 – 10**	**> 10**
US Treasuries	$ 29,273,293	$ --	$ 17,849,738	$ 4,599,722	$ 6,823,833
US Gov't Agencies	7,699,707	--	3,655,978	2,632,918	1,410,811
Mortgage Backed Sec.	65,262,670	33,804,751	322,678	704,019	30,431,222
Corp. Bonds/Notes	20,665,907	304,677	11,375,768	5,219,869	3,765,593
Asset Backed Sec.	3,102,513	--	1,835,222	563,639	703,652
Total	**$ 126,004,090**	**$ 34,109,428**	**$ 35,039,384**	**$ 13,720,167**	**$ 43,135,111**

December 31, 2010		**Investment Maturities (in years)**			
Investment Type	**Fair Value**	**Less Than 1**	**1 - 5**	**5 – 10**	**> 10**
US Treasuries	$ 25,506,605	$ --	$ 12,477,367	$ 8,565,783	$ 4,463,455
US Gov't Agencies	2,059,724	--	829,780	311,648	918,296
Mortgage Backed Sec.	39,856,749	14,361,874	631,580	118,135	24,745,160
Corp. Bonds/Notes	20,906,813	1,287,246	7,384,358	7,180,292	5,054,917
Asset Backed Sec.	7,688,728	--	3,308,884	2,650,828	1,729,016
Total	**$ 96,018,619**	**$ 15,649,120**	**$ 24,631,969**	**$ 18,826,686**	**$ 36,910,844**

The tables above do not include the System's 2011 and 2010 Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed-income strategies managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets and average durations for these funds are shown below.

Pooled Funds	**Fair Value @ 12/31/2011**	**Average Duration**	**Fair Value @ 12/31/2010**	**Average Duration**
Core-Plus	$ 72,551,648	4.76 years	$ 69,894,476	4.68 years
Absolute Return	$ 68,568,949	1.35 years	$ 70,098,435	2.69 years
TIPS	$ 50,696,652	8.05 years	$ 45,867,654	5.04 years

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NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

I. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. CPERS' investment policy restricts equity investments to securities that are U.S. dollar denominated and are registered with the SEC. Although foreign exchange futures, forwards and swaps are permissible for those managers with non-US or global mandates, at December 31, 2011 and December 31, 2010, CPERS had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

(4) SECURITIES LENDING PROGRAM

The System has authorized JPMorgan/Chase Bank to act as agent in lending the System's actively managed securities to approved broker-dealers (borrowers) through a Securities Lending Agreement for Non-ERISA Accounts. The terms of the agreement require the borrowers to deliver collateral against each loan for no less than a.) 102% of the market value of the loaned securities if the loaned securities were not foreign securities, b.) 105% of the market value of the loaned securities if the loaned securities were foreign securities, or c.) approved letters of credit.

JPMorgan/Chase Bank manages cash collateral received on the securities loaned in a commingled collateral account. The System owns a pro-rata share of the fund (the CashCo Fund). The income generated from the investment of the cash collateral, in addition to the fee received for the loan of the securities, is allocated among the bank, the borrower, and the System in accordance with the contract. The System can also receive non-cash collateral including US treasuries, government sponsored enterprises and federal agencies, mortgage backed securities (MBS), corporate bonds, asset backed securities (ABS), money market instruments, municipal securities, and private label mortgage backed securities and collateralized mortgage obligations (CMO). However, the System does not have the ability to pledge or sell these non-cash securities; even in the event of default. However, the bank does provide indemnity in this instance. Both the System and the borrowers maintain the right to terminate securities lending transactions. Therefore, the securities loaned do not generally match the duration of the investments made with cash collateral.

In December of 2008, the System imposed a restriction on JPMorgan/Chase whereby the securities lending limit was capped at $5,000,000 until further notice. In the event of a failure or default on the part of a borrower, the bank provides indemnity for the market value of the loaned securities on behalf of the System. There were two names in the collateral account that defaulted in 2008 – Lehman Brothers and Sigma Finance Corporation. There were no new defaults in 2011, and a payout was received for Sigma for 5.2 percent of the outstanding amount. To protect the interest of its clients, in September of 2008 JPMorgan/Chase categorized the collateral security holdings and placed them in three newly created funds. The Active Fund is comprised of securities that continued to be traded and experienced no or little illiquidity. The great majority of CPERS' holdings are traded from this fund, and the investments of any new securities lending clients are designated exclusively for this fund. The Segregated Fund was created for securities that were under liquidity pressure in the investment market. Some of these securities had been downgraded, but there had been no defaults. These securities are predominantly asset-backed securities and debt of various insurance providers. A large percentage of these obligations have matured and paid the face amount to the holders. The others continue to pay down principal and interest, but maturity dates are regularly extended beyond the original expected maturity dates at the time of issuance. When investments in this fund mature, the proceeds become part of the Active fund. The Liquidating Fund contains the non-performing or illiquid securities that have defaulted on the original obligation.

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NOTES TO THE FINANCIAL STATEMENTS

(4) SECURITIES LENDING PROGRAM, CONTINUED

At December 31, 2011, these consisted of only Lehman Brothers and Sigma Finance Corporation in the aggregate amount of $99,140. The inclusion of these securities has a negative impact on both net asset value and portfolio yield.

At December 31, 2011 and December 31, 2010 the System had no credit risk exposure to borrowers because the bank provides indemnity against borrower default. The collateral held on those dates respectively was valued at $4,849,990 and $4,848,773 and the market value of the securities on loan was $4,760,655 and $4,763,191 respectively. The cash portion of the collateral is reflected in the Statement of Plan Net Assets.

The table below shows the December 31, 2011 and December 31, 2010 fair value of the securities loaned and the fair value of the collateral held, categorized by security type. Cash collateral of $4,849,990 consists of US Treasuries, US agencies, and corporate bonds.

Security Type	Fair Value of Securities Loaned at 12/31/2011	Fair Value of Collateral Held at 12/31/2011	Fair Value of Securities Loaned at 12/31/2010	Fair Value of Collateral Held at 12/31/2010
Corporate Bonds	$ 786,637	$ 801,675	$ 355,210	$ 358,625
US Agencies	186,919	189,884	--	--
US Treasuries	3,787,099	3,858,431	4,407,981	4,490,148
Total	**$ 4,760,655**	**$ 4,849,990**	**$ 4,763,191**	**$ 4,848,773**

(5) FUNDED STATUS AND FUNDING PROGRESS - CPERS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	$1,023,450,890	$1,385,722,119	$ 362,271,229	73.9%	$ 136,123,660	266.1%
12/31/11	$1,027,953,907	$1,423,218,176	$ 395,264,269	72.2%	$ 136,781,288	289.0%

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the December 31, 2011 actuarial valuation follows:

Actuarial cost method:	Individual Entry Age Normal Actuarial Cost Method with UAAL
Amortization method:	Level percentage of payroll with 30-year open amortization
Remaining amortization period:	30 years
Asset valuation method:	Expected Value Method with 20 percent of gains/losses recognized each year

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

NOTES TO THE FINANCIAL STATEMENTS

(5) FUNDED STATUS AND FUNDING PROGRESS – CPERS, CONTINUED

Actuarial assumptions:	
Investment rate of return:	7.5 percent compounded annually
Projected salary increases:	3.5 percent compounded annually, plus longevity and merit increases
Aggregate payroll growth:	2.5 percent compounded annually
COLAs	None
Inflation assumption:	3.5 percent

FUNDED STATUS AND FUNDING PROGRESS - PGT

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	$ 26,869,584	$ 34,845,145	$ 7,975,561	77.1%	$ 17,315,930	46.1%
12/31/11	$ 26,206,315	$ 35,864,985	$ 9,658,670	73.1%	$ 15,966,923	60.5%

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits. The above information presented is based on the entry age actuarial cost method. It is intended to approximate the funding progress of the PGT plan. The aggregate actuarial cost method is used for the PGT plan for funding purposes.

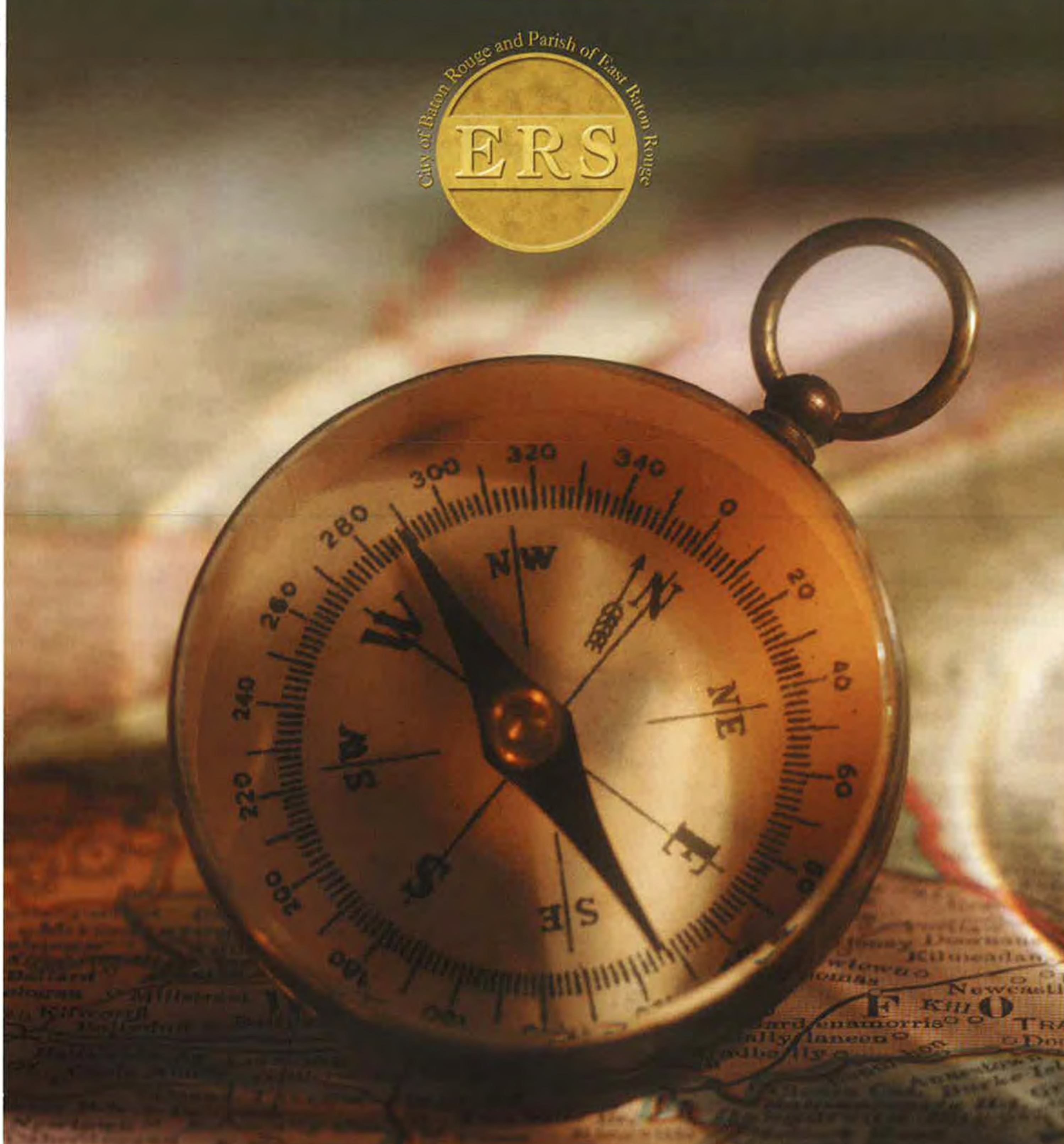
Additional information as of the December 31, 2011 actuarial valuation follows:

Actuarial cost method:	Aggregate Actuarial Cost Method
Asset valuation method:	Expected Value Method with 20 percent of gains/losses recognized each year
Actuarial assumptions:	
Investment rate of return:	7.5 percent compounded annually
Projected salary increases:	3.5 percent compounded annually, plus longevity and merit increases
Aggregate payroll growth:	N/A
COLAs	None
Inflation assumption:	3.5 percent

(6) CONTINGENCIES

The System is defendant to several lawsuits, and is subject to claims of various parties for which the outcome is uncertain. As of the date of these financial statements, these matters are not expected to have a material impact on the financial condition of the System.

2011



Required Supplementary Information

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS

CPERS TRUST

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$		$	
12/31/02	818,150,788	947,726,617	129,575,829	86.3%	101,339,785	127.9%
12/31/03	847,227,425	985,671,695	138,444,270	86.0%	106,240,559	130.3%
12/31/04**	883,663,240	1,057,269,629	173,606,389	83.6%	109,887,349	158.0%
12/31/05	924,904,837	1,111,081,729	186,176,892	83.2%	115,559,703	161.1%
12/31/06	979,597,562	1,163,175,147	183,577,585	84.2%	120,067,013	152.9%
12/31/07	1,020,575,797	1,206,648,213	186,072,416	84.6%	123,524,590	150.6%
12/31/08	997,853,412	1,270,104,552	272,251,140	78.6%	131,041,421	207.8%
12/31/09	1,002,378,598	1,350,074,067	347,695,469	74.3%	136,119,407	255.4%
12/31/10	1,023,450,890	1,385,722,119	362,271,229	73.9%	136,123,660	266.1%
12/31/11	1,027,953,907	1,423,218,176	395,264,269	72.2%	136,781,288	289.0%

PGT TRUST*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$		$	
12/31/02	25,481,771	20,457,991	(5,023,780)	124.6%	19,793,300	(25.4)%
12/31/03	26,468,255	21,765,022	(4,703,233)	121.6%	19,324,588	(24.3)%
12/31/04**	27,588,419	23,978,260	(3,610,169)	115.1%	20,587,122	(17.5)%
12/31/05	27,317,297	24,728,066	(2,589,231)	110.5%	19,964,426	(13.0)%
12/31/06	28,273,898	26,372,573	(1,901,325)	107.2%	20,507,475	(9.3)%
12/31/07	29,042,317	28,724,481	(317,836)	101.1%	19,754,110	(1.6)%
12/31/08	27,725,379	33,196,793	5,471,414	83.5%	20,084,707	27.2%
12/31/09	26,874,490	33,723,310	6,848,820	79.7%	18,836,479	36.4%
12/31/10	26,869,584	34,845,145	7,975,561	77.1%	17,315,930	46.1%
12/31/11	26,206,315	35,864,985	9,658,670	73.1%	15,966,923	60.5%

*The PGT Trust uses the aggregate actuarial cost method, therefore the above schedule of funding progress is prepared using the entry age actuarial cost method. The purpose of this disclosure is to provide information that serves as a surrogate for the funding progress of the plan

**Results reflect the impact of Asset Valuation Method change described in Summary of Actuarial Assumptions and Methods

**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CPERS TRUST

Year Ended	Annual Required Contribution	Percentage Contributed
	$	
12/31/02*	16,110,422	74%
12/31/03	18,479,710	76%
12/31/04*	19,623,023	95%
12/31/05**	20,785,669	106%
12/31/06**	22,129,069	113%
12/31/07**	22,431,367	120%
12/31/08**	22,931,211	118%
12/31/09**	29,050,693	98%
12/31/10**	33,890,884	101%
12/31/11**	35,001,688	107%

*Results reflect the impact of Asset Valuation Method change described in the Summary of Actuarial Assumptions and Methods
**Includes Municipal Employees' Retirement System contribution and DROP Severance Contribution

POLICE GUARANTEE TRUST

Year Ended	Annual Required Contribution	Percentage Contributed
	$	
12/31/02	--	--%
12/31/03	22,283	100%
12/31/04	112,913	74%
12/31/05	127,781	74%
12/31/06	367,957	34%
12/31/07	124,607	99%
12/31/08	215,291	59%
12/31/09	479,630	31%
12/31/10	1,634,905	15%
12/31/11	1,977,834	10%

Note: Police Guarantee Trust was fully funded at inception effective February 26, 2000

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the previous two schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuations is shown on this page and the following page.

CPERS TRUST

Valuation date	December 31, 2011
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	Level percentage of payroll, 30 year open amortization method using payroll growth of 2.5% per annum.
Remaining amortization period	30 years
Asset valuation method	Market value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% unrealized gains (losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.50%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

* compounded annually and including inflation of 3.50%

(1) revised from 2008 assumption of 7.75%
(2) revised from 2008 assumption of 3.75%
(3) revised from 2003 assumption of 5.0%

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE SCHEDULES OF TREND INFORMATION - CONTINUED

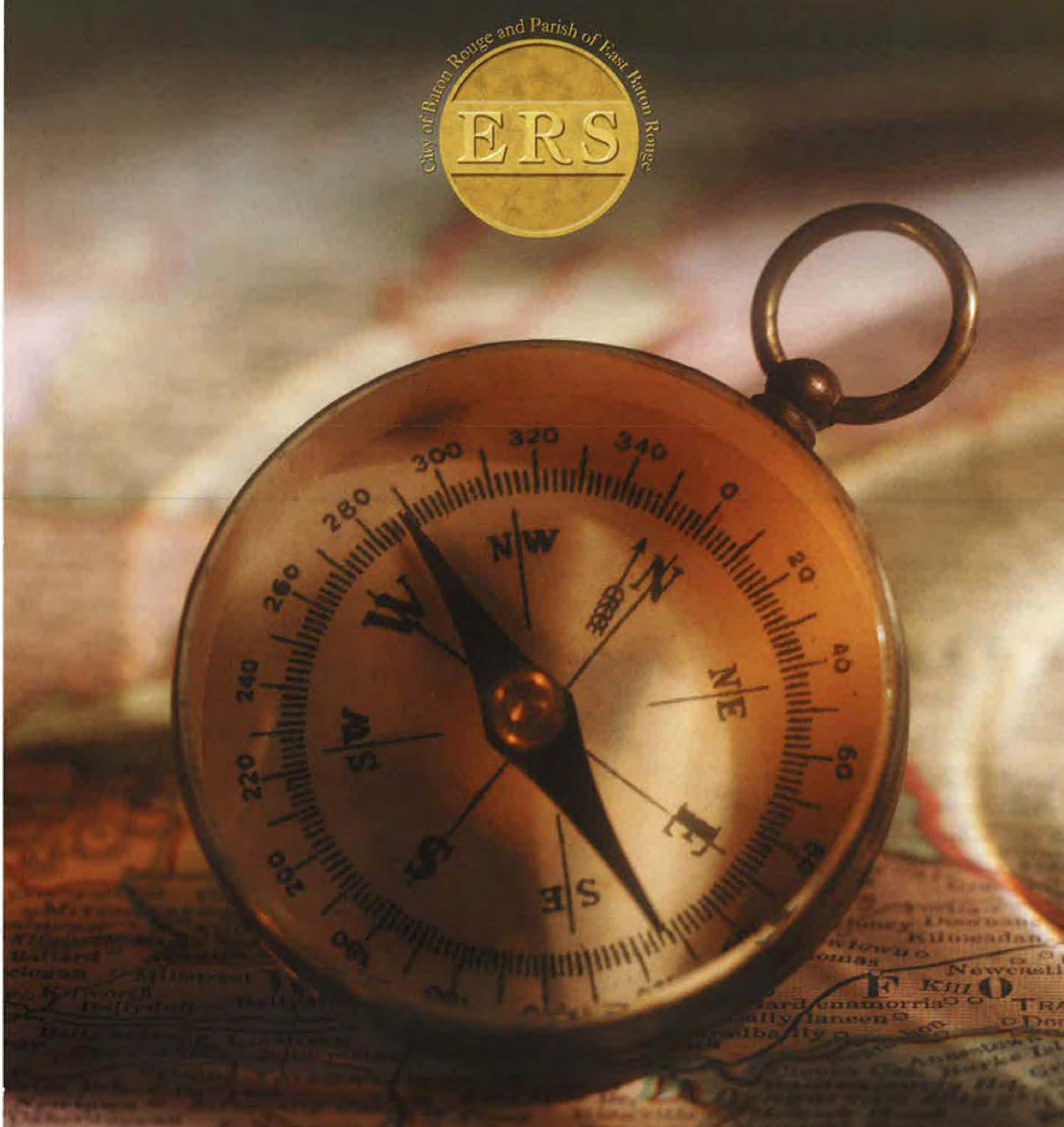
POLICE GUARANTEE TRUST

Valuation date	December 31, 2011
Valuation method	Aggregate Actuarial Cost Method (Does not identify or separately amortize unfunded actuarial liabilities)
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains or (losses) recognized each year.
Actuarial assumptions:	
Investment rate of return	7.50%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	N/A

* compounded annually and including inflation of 3.50%

(1) revised from 2008 assumption of 7.75%
(2) revised from 2008 assumption of 3.75%

2011



City of Baton Rouge and Parish of East Baton Rouge

ERS

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

Supporting Schedules

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	CPERS Trust	Police Guarantee Trust	2011 Combined Total	2010 Combined Total
Salaries:				
Salaries - regular	$ 555,073	$ 138,768	$ 693,841	$ 685,004
Other compensation – severance pay	13,925	3,481	17,406	--
Other compensation – student interns	15,232	3,808	19,040	21,612
Other compensation – auto allowance	3,840	960	4,800	4,819
Related benefits	230,663	57,666	288,329	269,462
Total salaries	818,733	204,683	1,023,416	980,897
Travel and training expenses	13,116	3,279	16,395	21,491
Operating services:				
Dues and memberships	3,680	920	4,600	3,712
Utilities	11,096	2,774	13,870	14,464
Custodial and extermination	14,319	3,580	17,899	16,774
Printing and binding	8,020	1,012	9,032	13,570
Telephone	5,158	1,289	6,447	6,483
Postage	19,136	4,784	23,920	21,474
Insurance	13,429	3,357	16,786	14,066
Rentals – office equipment	2,998	749	3,747	--
Repairs and maintenance - buildings	8,388	2,097	10,485	8,955
Repairs and maintenance - office equipment	9,709	2,427	12,136	11,686
Total operating services	95,933	22,989	118,922	111,184
Supplies	13,160	2,963	16,123	18,812
Professional services:				
Accounting and auditing	18,400	4,600	23,000	22,000
Legal	37,696	51,405	89,101	82,839
Actuarial	49,485	14,953	64,438	79,633
Other professional	79,540	16,022	95,562	74,361
Total professional services	185,121	86,980	272,101	258,833
Depreciation expense	7,011	--	7,011	7,186
Capital outlay	--	--	--	--
Other expenses (revenues)	(67,730)	(6,928)	(74,658)	271,640
Total administrative expenses	$ 1,065,344	$ 313,966	$ 1,379,310	$ 1,670,043

See accompanying independent auditors' report.

SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	CPERS Trust	Police Guarantee Trust	2011 Combined Total	2010 Combined Total
Fixed income:				
Fixed Income - Domestic	$ 652,212	$ 32,229	$ 684,441	$ 711,213
Fixed Income - International	53,659	3,382	57,041	67,491
Real Estate Investments	437,235	--	437,235	310,275
Total fixed income	1,143,106	35,611	1,178,717	1,088,979
Equity Securities				
Equities - Domestic	951,405	11,523	962,928	1,321,931
Equities - International	2,371,699	53,332	2,425,031	1,264,224
Total equity securities	3,323,104	64,855	3,387,959	2,586,155
Custodian fees	78,493	3,104	81,597	61,667
Advisor fees	112,000	28,000	140,000	140,000
Total investment expenses	$ 4,656,703	$ 131,570	$ 4,788,273	$ 3,876,801

See accompanying independent auditors' report.

SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	CPERS Trust	Police Guarantee Trust	2011 Combined Total	2010 Combined Total
Accounting and Auditing	$ 18,400	$ 4,600	$ 23,000	$ 22,000
Auditors - Postlethwaite & Netterville				
Legal	37,696	51,405	89,101	82,839
Legal Counsel - Akers & Wisbar LLC				
Klausner & Kaufman				
Strasburger & Price LLC				
Weiler & Reese LLC				
Actuarial	49,485	14,953	64,438	79,633
Actuary - Nyhart				
Other Professionals:	79,540	16,022	95,562	74,361
Medical Examiner - D. J. Scimeca, Jr. , M.D.				
Computer Consultant - Relational Systems Consultants				
Graphics and Editorial Consultant - JoAnne McMullen				
Cost Allocation Consultant - MAXIMUS, Inc.				
Total	$ 185,121	$ 86,980	$ 272,101	$ 258,833

A schedule of brokerage commissions paid is shown on page 74.

See accompanying independent auditors' report.

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2011

Investment Section

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

Summit Strategies Group

May 7, 2012

Board of Trustees
City of Baton Rouge and Parish of East Baton Rouge
Employees' Retirement System and Police Guarantee Trust
P.O. Box 1471
Baton Rouge, LA 70821

2011 was a year of tremendous volatility and record-setting events, both positive and negative, in the markets. The US market did well early on, with domestic equities having their best first quarter since 1998. Unemployment dropped to a 2-year low, yet consumer confidence fell. Housing remained a concern as home sales fell -16.9% in February, a record drop. Real GDP Growth for the second quarter was +1.6% as consumers reached all-time highs in personal consumption, but the unemployment rate also rose over the quarter to 9.2%. Mixed economic news, along with inflation fears, created volatile equity markets throughout the quarter. An increased US debt ceiling, the first downgrade in 70 years of the US federal government's AAA credit rating and new lows on 10-year Treasury yields contributed to a tremendously volatile third quarter. Equity markets were significantly negative across the board. In the third quarter, the Fed announced their intent to keep the record low target rate through mid-2013. The fourth quarter holiday season helped rally the broad US market into the black for the year with the all domestic equity indices providing double digit returns for the quarter. The "Super Committee's" failure to cut $1.2 trillion from the budget seemed to have little effect on the markets. The US unemployment rate fell to 8.5% in December. In summary, there was no shortage of activity to keep track of in 2011.

After all that, the S&P 500 finished the year with a return of 2.1%. Small Cap Stocks, represented by the Russell 2000 Index, were down -4.2%. On the non-U.S. side, stocks in the EAFE (Europe, Asia and Far East) Index (Net) turned in a -11.78% return for the year, while Emerging Markets were down even more with a -18.4% return. In the bond and credit markets, the Barclays Aggregate Index earned a 7.8% return, while High Yield bonds returned 5.0%.

On December 31, 2011, the CPERS portfolio had a market value of $874.9 million. Assets in the Police Guarantee Trust totaled $21.0 million. For the 12-month period, CPERS returned -1.8% and slightly underperformed its Policy Index. For the trailing three years the fund was up 12.5%, and over the last five years the fund generated 1.2%. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns of -1.5% and 12.8%, respectively. For the five-year period, the PGT earned 1.4%. The two portfolios are invested similarly, but the funds' sizes dictate implementation differences, resulting in some return differences between the two.

The theme of the last two years remains consistent: there continue to be signs of recovery, but not at a pace that most would like to see. Considerable uncertainties remain around the world, such as high unemployment and an election year in the United States, or concerns about European sovereign debt, or slowing growth in Asia. We continue to believe that we will all come through this, but it will take some time. Our focus has been and continues to be on working closely with the Board to refine the System's investment strategies, to prudently diversify the portfolio in these challenging times.

In closing and as always, we here at Summit Strategies Group are proud to be your partners and sincerely appreciate your continued trust and support.

Sincerely,

Mark A. Caplinger

Mark A. Caplinger, CFA
Senior Vice President

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

Investment Goals and Objectives

This Statement of Investment Policy serves as the official communication regarding the investment practices of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge ("CPERS"). This document outlines the goals, objectives, responsibilities and restrictions so that there is a clear understanding of the policies of the Plan by the Board of Trustees, Investment Committee, Staff, Investment Managers, Investment Consultant, and Custodian. In addition, this document provides the Board a meaningful basis for the evaluation of the investment performance of the individual Investment Managers and the Plan as a whole, measuring each relative to a set of clearly defined investment objectives.

Based on general beliefs about the long-term investment returns available from a well-diversified and prudently invested portfolio, the Board has adopted a targeted total annualized return objective which, over time, meets or exceeds its assumed actuarial rate of return on assets. This total return objective will be periodically evaluated by the Board to determine whether it remains relevant given the then-prevailing capital market conditions and the System's financial position.

Asset Allocation

CPERS' Asset Allocation will be the primary tool used to achieve the total return objective. In order to achieve a specified rate of return for the Plan, the Board relies on prevailing financial theory at that point in time, which currently is an investment strategy utilizing an appropriate long-term diversified asset allocation model.

Based on its determination of an appropriate risk posture and its associated long-term return expectations, the Board has adopted the following Asset Allocation Policy for CPERS.

Asset Class	Minimum Allocation	Target Allocation	Maximum Allocation
Public Equities	60%	65%	70%
US		32.5%	
Non-US		32.5%	
Public Fixed Income	25%	30%	35%
Public Real Estate	0%	5%	10%

Rebalancing

In order to maintain its Asset Allocation strategy, a rebalancing program is necessary. Using the policy targets and bands stated in the previous section, a rebalancing event will be triggered whenever the aggregate equity, aggregate bond or real estate allocations exceed either their upper or lower band. At this point, the portfolio will be rebalanced across all asset classes to the target allocations to the extent possible without generating undue transactions costs.

Performance Evaluation and Review

It is necessary and appropriate to maintain a long-term perspective in evaluating the success of the System's investment program. However, shorter-term evaluations are also important. On a quarterly basis, the Committee will review actual investment results to ensure that the System's Asset Allocation is within policy ranges, and that the Investment Managers are maintaining their respective disciplines and meeting expectations.

The Total Fund performance will be measured relative to an appropriately weighted benchmark of relevant broad market indices, referred to as the Policy Index. Based on the current asset allocation mix and investment manager structure, the Policy Index in the following table will be utilized for performance measurement purposes.

Asset Class	Target Allocation	Index
US Equities	32.5%	Russell 3000
Non-US Equities	32.5%	MSCI ACWI ex-US
Public Fixed Income	30%	Barclays US Aggregate
Public Real Estate	5%	NCREIF

While the Total Fund is measured against this Policy Index, individual Investment Managers will be measured against appropriate style indices, and also relative to an appropriate peer universe, as determined by the System's Investment Consultant. Based on

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

the current Investment Manager structure of the System, the indices and peer groups in the following table will be used for performance measurement purposes.

Asset Class/Style	Index	Peer Universe
Public Equity		
Large Cap Core	Russell 1000	Large Cap Core
Non-large Value/Growth	Russell 2000 Value/Growth	Non-large Cap Value/Growth
Non-large Core	S&P 500	Non-large Core
Non-US Core	MSCI EAFE	Non-US Core
Non-US Value/Growth, Small Cap	MSCI EAFE Val/Growth/Small Cap	Non-US Core
Non-US Emerging Markets	MSCI EM	Non-US EM
Public Fixed Income		
Core Fixed Income	Barclays US Aggregate	Core Fixed Income
US TIPS	Barclays US TIPS	US TIPS
Public Real Estate	NCREIF	Private Real Estate

It is recognized that asset classes and investment styles within asset classes go in and out of favor. Therefore, short-term examination of each manager's performance will focus on style adherence, duration, peer comparisons and style benchmarks. The long-term objective for each active investment manager is to add value, net of fees, to its specified broad market benchmark. For these purposes, long-term is defined as a full market cycle, generally thought to be a 3 to 5 year period.

Investment Manager Responsibilities and Communications

The Investment Managers are to manage the assets in accordance with the statutory requirements, policy guidelines and objectives expressed herein. No deviation is permitted unless the ability to do so is given in a separate written agreement. Investment Managers will communicate portfolio valuation and transaction listings on a quarterly basis to the Plan's Staff and Investment Consultant and at least annually report to the Investment Committee investment performance relative to the Fund's policy and objectives, including levels of income and capital appreciation and securities held.

Internal Cash Management Investment Guidelines

The daily cash balances of CPERS are invested in a Short Term Investment Fund (STIF) managed by the custodian bank. The STIF used must be reviewed by the Consultant for adherence to the Fund's risk/return profile and list of approved investments and pre-approved by the Board. It is understood that the STIF may be a commingled investment type and as such would be governed by terms delineated in a prospectus for the fund.

Permissible Investments

The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are represented to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the Board recognizes that a prudent level of risk is necessary in order to allow the Plan the opportunity to achieve satisfactory long-term results consistent with its objectives.

The fund will be invested in a manner consistent with all applicable local and State laws. Investments may not be made in any investment that is prohibited by the Internal Revenue Service, the Department of Labor or statutory restrictions. CPERS' assets may be held in separate accounts, commingled funds or limited partnerships. If held in a commingled fund or limited partnership, the prospectus, Declaration of Trust, or offering document takes precedence over this document.

With the exception of Private Real Estate, all assets selected within any portfolio must have a readily attainable market value, and must be readily marketable. In order to provide the investment managers with flexibility to invest in various types of assets, the following list of assets are among those approved for investment.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Cash Equivalents:
U.S. Treasury Bills
Commercial Paper/Repurchase Agreements
Money Market Funds
Custodian STIF and STEP Funds

Currency Investments:
Foreign exchange futures, forwards and swaps (applies exclusively to those managers with non-US or global mandates, that may utilize these instruments for currency hedging purposes only)

Equities:
U.S. and Foreign Common Stocks
U.S. and Foreign Preferred Stocks (rated A or higher)
Convertible Securities, including Debentures
American Depository Receipts
144a Securities

Domestic Fixed Income:
U.S. Treasury and Agency Securities (Notes and Bonds)
U.S. Corporate Notes and Bonds
Trust Preferred Securities
Medium Term Notes
Yankee Bonds
Mortgage Backed Securities including Collateralized Mortgage
Obligations (CMOs) and Commercial Mortgage Backed Securities (CMBs)
Asset Backed Securities
144a Securities

Real Estate:
The system may from time to time invest in open- or closed-end commingled funds or limited partnerships that invest in real estate. These funds will in turn invest primarily in equity real estate investments. Leverage within these vehicles is permitted, to be consistent with the strategy and in accordance with the prospectus or offering documents of each vehicle. Other than such property as it may elect to purchase and occupy for use as administrative offices, CPERS will not invest directly in real estate as either an equity owner or lender.

Restricted Investments

Categories of investments that are not eligible for investment include, but are not limited to, the following:

- Futures and option transactions (except for those used for bona fide currency hedging purposes or as otherwise expressly permitted);
- Leverage is not permitted in any portfolio, with the exception of Private Equity Real Estate as provided for in its associated offering documents;
- Leveraged derivative securities, including but not limited to Mortgage IOs or POs, inverse floating rate notes, or structured notes are not permitted. Unleveraged floating rate securities are allowed but interest payments must be linked to indices within the portfolio's scope.
- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;
- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board).

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

In the event that an investment manager desires to utilize any type of security or investment strategy not expressly permitted in this policy, it is the responsibility of the manager to request authorization from the Board in advance of so doing. Any losses in principal in a CPERS' portfolio as a result of a manager having to liquidate any non-approved investments that are purchased for the portfolio will be borne by the manager.

General Cash and Cash Equivalent Guidelines

As a long-term investor, CPERS expects its managers to avoid market timing decisions and to stay fully invested in their respective disciplines in order to maintain its asset allocation discipline. Cash may be held briefly following the sale of an existing security and purchase of a new security, cash should not comprise more than five (5) percent of the portfolio for more than 30 days without prior written approval of the Board. Additionally, fixed income managers are exempt from this requirement when cash is used in implementing a "barbell" strategy. For purposes of definition, cash equivalent securities are any fixed income investment with less than one year to maturity. These securities should have a minimum quality rating comparable to an A- bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short-term commingled fund.

General Fixed Income Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded fixed income securities, as described in "Permissible Investments" with an overall average credit quality at "AA" or higher. Securities are not allowed that use any form of leverage The weighted average credit quality calculation shall be performed using the lower of the ratings by Standard & Poor's, Fitch and/or Moody's.

Diversification

Fixed income securities of any one corporation shall be limited to 2.5% at cost of a portfolio and may not exceed 3% at market. This restriction also applies to asset-backed securities, non-agency mortgage-backed securities (including commercial mortgage-backed securities) and taxable municipals. The total holdings of an agency-issued mortgage-backed security of the same coupon and maturity series of the same agency shall not exceed 10% of the manager's portfolio at cost (agency-issued mortgage-backed securities to include GNMA's). The direct debt of the federal government (treasury bonds, bills and notes) shall not be restricted as a percentage of the manager's portfolio. Private placement bonds are not permitted. 144(a) fixed income securities are allowable, limited in total to 5% of the market value of a manager's portfolio. The effective duration of the fixed income portfolio(s) must remain within a range of 75% to 125% of the duration of the benchmark at all times.

Portfolio Quality

Fixed income securities shall not be rated less than Baa3 or its equivalent by a nationally-recognized rating agency (such as Standard & Poor's, Fitch, or Moody's) unless specific permission is granted to a manager. Individual issues rated AAA to AA- or its equivalent may have a 2.5% position at cost and 3% at market value. Individual issues rated below AA- or its equivalent may have a 1.5% position at cost or 2% at market value. Individual issues rated BBB or its equivalent by may have a 1% position at market value. Split-rated securities in which one rating is below investment grade shall not comprise more than 3% of the market value in total for AAA to AA- or its equivalent, 2% for issues rated below AA- to BBB+ or its equivalent and 1% for issues rated BBB or its equivalent of any manager's portfolio unless specific authority has been granted.

The ratings issue does not apply to direct obligations of the U.S. Government and its agencies. If specific managers are given international flexibility, the same quality restrictions apply. Emerging market securities not listed in the Barclays Capital Aggregate are prohibited. Unless specific authority has been granted, in the event of a bond's downgrade below BBB- or its equivalent (excluding split-rate securities discussed above), the Board shall be notified in writing and the manager shall include a recommended course of action in response to the event in a manner it deems most prudent for the Fund in the long term.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio.

- The total return of the fixed income composite should exceed after fees the return of the Barclays Capital Aggregate Bond Index.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Passive fixed income investment products are expected to approximate the return of the underlying index gross of fees.
- The total return of the fixed income segment of the fund should rank above median performance in a universe of managed fixed income portfolios.

General Real Estate Portfolio Guidelines

Core Equity Real Estate

The term "core" refers to a portfolio comprised of well leased-assets that utilizes relatively low leverage. Diversification is achieved on both a property type and geographic basis, and a majority of the total return is generated from income rather than capital appreciation. The term "equity" real estate refers to the direct ownership of tangible properties as compared to a mortgage loan. Though referred to as "equity", with stable cash flows as the primary return component, low volatility, and low correlation to the other major asset classes it behaves substantially more like fixed income than equity. The portion of the fund invested in equity real estate shall be held in commingled fund(s) or limited partnerships. As such, the offering document, prospectus or Declaration of Trust governing the fund must supersede any document such as this Policy. The Board will employ real estate managers whose investment style, diversification targets and risk posture as described in their prospectus or Declaration of Trust shall closely approximate those of CPERS.

Performance Objectives

Primary emphasis is to be placed on relative rates of return. Over a market cycle (usually 3-5 years), the following are the performance expectations for the portfolio:

- The total return of the equity real estate composite should exceed after fees the return of the NCREIF Property Index.
- The total return of the equity real estate portion of the fund should rank above median performance in a universe of managed equity real estate portfolios.

General Equity Portfolio Guidelines

The portfolio will be invested exclusively in publicly traded equities, as described in "Permissible Investments". Restricted or letter stock, etc., is not permitted. Securities are not allowed that use any form of leverage.

Diversification

The diversification of the equity securities held in the portfolio among sectors and issuers is the responsibility of the Investment Manager. No single company's securities shall represent more than 5% of the cost basis or 7% of the market value of any manager's portfolio.

Style Adherence

Quarterly, fundamental portfolio characteristics and style benchmark comparisons will be monitored for adherence to a manager's identified style. Domestic equity managers are allowed to invest in dollar-denominated, SEC registered stock of foreign domiciled companies traded on the NYSE, AMEX or OTC markets. Concentration restrictions for these securities are the same as for any other security. International equity managers may invest in depository receipts as long as the underlying security is permissible within these guidelines and the investment does not expose the Fund to any greater risk than the risk from holding the underlying security. Developed Market International equity managers may also invest in Emerging Markets securities, so long as the aggregate value of those securities do not exceed 10% of the market value of a manager's portfolio.

Proxy Voting

Each Investment Manager is hereby authorized and empowered to vote proxies, said voting to be performed in good faith and for exclusive benefit of CPERS' participants and beneficiaries. Each Investment Manager shall keep accurate records as to the voting of proxies and shall provide information from such records to the Board upon request.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Securities Lending

The Board may select an agent to lend the financial securities of the fund. Any income gained through the lending program will be deposited monthly in a specified account and invested in short-term instruments until allocated to the Investment Managers. The agent may lend any eligible securities, such as U.S. and non-U.S. equities, corporate bonds and U.S. and non-U.S. government securities. The agent will have full discretion over the selection of borrowers and will continually review credit worthiness of potential borrowers through adequate analysis of all material provided to them.

All loans shall be fully collateralized with cash, government securities or irrevocable bank letters of credit. Collateralization of such loans shall be 102% domestic/105% international of the market value of the loaned securities plus accrued income for U.S. and non-U.S. loans, respectively. These collateralization procedures should be marked-to-market daily.

The securities lending program shall in no way inhibit the trading activities of the Investment Managers of CPERS.

The securities lending agent has developed internal guidelines for the investment of cash collateral. The Board has reviewed these guidelines and incorporates them as the CPERS' Investment Policy on Securities Lending Cash Collateral. A copy of the agent's cash collateral Investment Policy shall be sent to the Fund at least annually or any time there is a material change made to the document.

CPERS Brokerage Policy

The Board, at its discretion, may identify a brokerage firm or firms to receive consideration from CPERS' managers when it is viewed to be in the best interest of the beneficiaries. This will be officially acted upon by the Board and communicated to all investment firms utilized by the Fund. With regard to transaction expense, each manager recognizes commissions as an asset of CPERS and accepts same fiduciary responsibility for managing commissions that exist for the management of all assets under their authority. The Board also recognizes that transaction expense includes both commissions and execution costs, and charges the manager with the optimization of both for the lowest possible transaction cost. The Board encourages the equity managers to manage the commission activity using all available trading mechanisms to maintain commission levels on listed trades of three (3) cents per share or less. The Staff shall report on commission levels annually, and a manager's failure to achieve these commission levels should be explained by that manager in writing to Staff. If at any time a manager believes compliance with this policy is adversely affecting its performance, said manager has the responsibility to immediately notify the Board of the concern(s).

Investment Compliance Issues Policy

It shall be the policy for the Consultant to review the Investment Managers' holdings, where possible, on a quarterly basis in order to determine compliance with the Retirement Board's Statement of Investment Policy. Any issues that arise will be discussed with the Manager and forwarded to the Staff and Investment Committee. If the Manager believes that the System's Investment Policy in regard to the issue in question is overly restrictive to its investment activities, the Manager may request relief in writing to the Investment Consultant, Staff and Investment Committee. To the extent possible, each issue will be resolved by the Investment Consultant, working in conjunction with the Staff, then the Investment Committee, and then the full Board.

Anti-Terrorism Investment Policy

The Board recognizes that public pension funds have come under increased pressure from the general public to divest from companies that do business in countries that support terrorism. Unfortunately, a list of companies that are deemed to be supporting terrorism is not publicly available at this time and foreign policy, regulations and sanctions are complex and continually changing to address the needs of national security. Given the importance of this issue, the Board, in an effort to balance their fiduciary obligations to the members of the System with their responsibility as patriots has directed CPERS' Investment Staff to on an annual basis contact federal agencies to provide factual information regarding companies that are supporting terrorism. The results of these contacts will be forwarded to our investment managers for discussion and reported to the Board.

INVESTMENT SUMMARY
AS OF DECEMBER 31, 2011 AND 2010

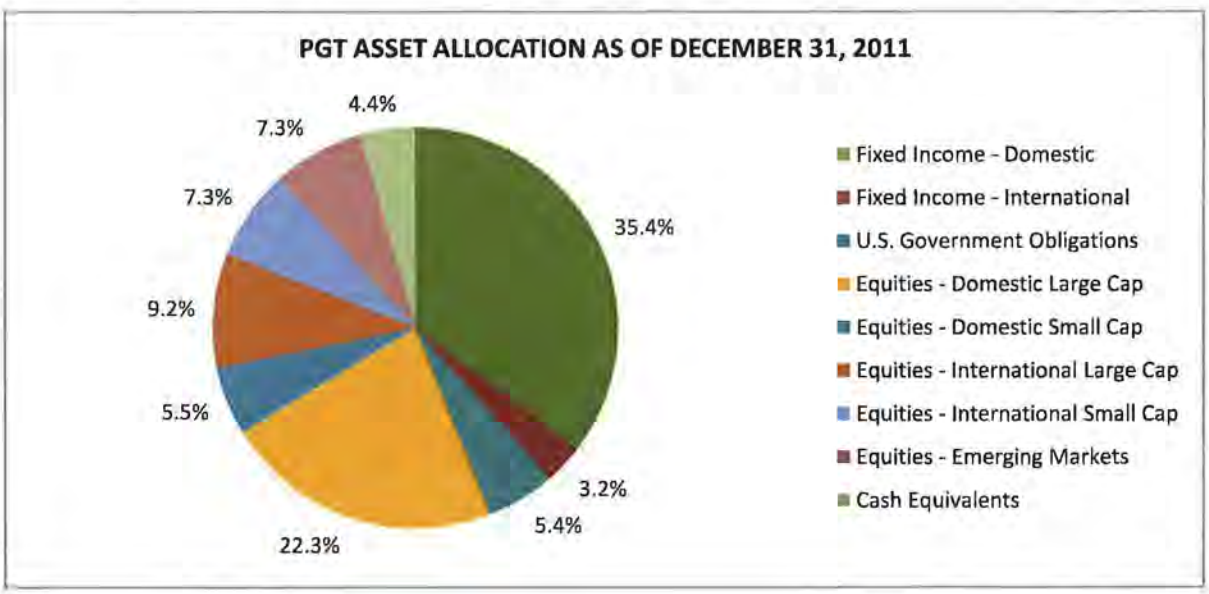
CPERS TRUST

	December 31, 2011		December 31, 2010	
Type of Investment:	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income - Domestic	$ 151,779,959	16.7%	$ 152,860,023	16.2%
Fixed Income - International	11,012,133	1.2%	12,406,272	1.3%
U.S. Government Obligations	140,986,934	15.6%	102,007,051	10.8%
Real Estate Investment Fund	50,832,752	5.6%	33,823,882	3.6%
Equities:				
Equities – Domestic Large Cap	241,573,976	26.6%	245,944,630	26.1%
Equities – Domestic Small Cap	57,820,639	6.4%	66,274,933	7.0%
Equities – International Large Cap	100,735,240	11.1%	118,851,269	12.6%
Equities – International Small Cap	65,297,483	7.2%	52,361,232	5.5%
Equities – Emerging Markets	80,982,342	8.9%	109,125,615	11.6%
Cash Equivalents	6,457,354	0.7%	50,099,866	5.3%
Total Investments	$ 907,478,812	100.0%	$ 943,754,773	100.0%

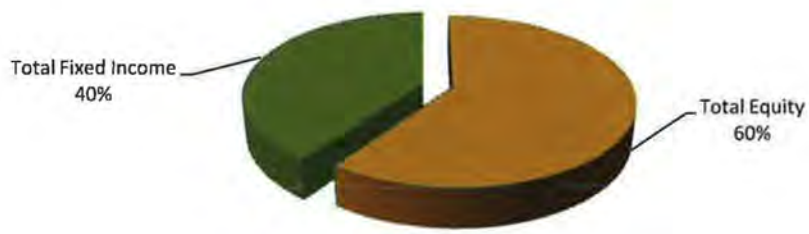
INVESTMENT SUMMARY
AS OF DECEMBER 31, 2011 AND 2010

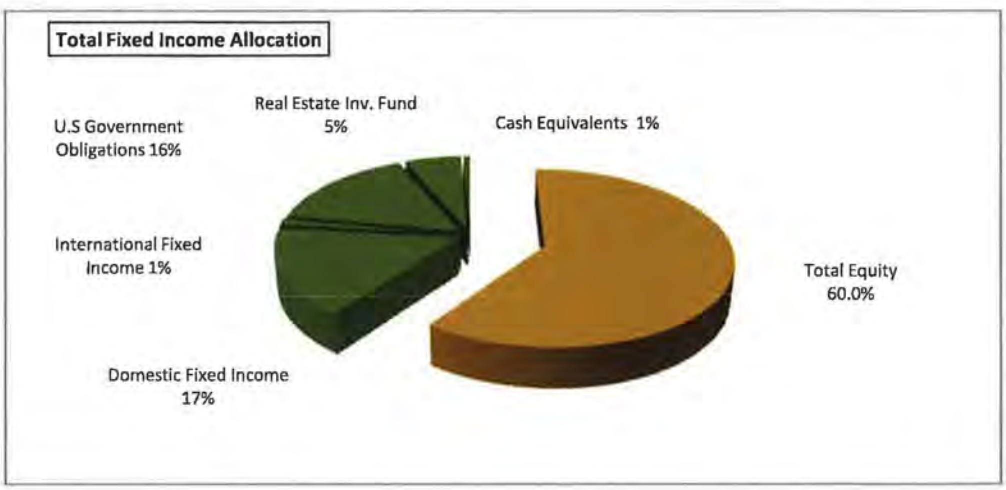
POLICE GUARANTEE TRUST

	December 31, 2011		December 31, 2010	
	Fair Value	**% Total Fair Value**	**Fair Value**	**% Total Fair Value**
Type of Investment:				
Fixed Income:				
Fixed Income - Domestic	$ 7,389,284	35.4%	$ 7,833,881	34.2%
Fixed Income - International	666,553	3.2%	817,170	3.6%
U.S. Government Obligations	1,136,486	5.4%	1,106,014	4.8%
Equities:				
Equities – Domestic Large Cap	4,662,143	22.3%	5,078,383	22.2%
Equities – Domestic Small Cap	1,141,872	5.5%	1,343,223	5.9%
Equities – International Large Cap	1,907,245	9.2%	2,455,121	10.7%
Equities – International Small Cap	1,527,435	7.3%	1,688,744	7.4%
Equities – Emerging Markets	1,531,841	7.3%	2,250,656	9.8%
Cash Equivalents	912,553	4.4%	336,774	1.5%
Total Investments	$ 20,875,412	100.0%	$ 22,909,966	100.0%



ASSET ALLOCATION AS OF DECEMBER 31, 2011





CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2011

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
US GOVERNMENT OBLIGATIONS				
FNMA GTD MTG PASSTHRU	4.000%	02/13/2012	$ 9,700,000	$ 10,189,559
FNMA GTD MTG PASSTHRU	3.500%	02/13/2012	5,900,000	6,067,796
FNMA POOL #AH0944	4.000%	12/01/2040	5,508,192	5,814,723
UNITED STATES TREASURY NOTES	0.375%	11/15/2014	5,415,000	5,418,411
FNMA GTD MTG PASSTHRU	4.500%	01/12/2012	3,900,000	4,149,834
UNITED STATES TREASURY NOTES	0.500%	10/15/2014	3,490,000	3,504,449
FNMA POOL #AB4104	3.500%	12/01/2041	3,195,371	3,289,155
FNMA POOL #AE8212	4.000%	11/01/2040	2,488,152	2,616,118
FNMA DEB	1.375%	11/15/2016	2,266,000	2,286,009
FHLMC CORP PARTN	4.500%	01/12/2012	1,900,000	2,013,107
OTHER US GOVERNMENT OBLIGATIONS			42,460,491	46,077,609
TOTAL US GOVERNMENT OBLIGATIONS			$ 86,223,206	$ 91,426,770

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DOMESTIC FIXED INCOME				
ISRAEL ST GTD NT	5.500%	09/18/2023	$ 1,105,000	$ 1,410,765
GOLDMAN SACHS GROUP INC NT	3.625%	02/07/2016	975,000	942,065
ARRAN RESIDENTIAL MTGS FDG 2011-1	1.675%	11/19/2047	707,017	703,651
BP CAP MKTS P L C GTD NT	3.125%	10/01/2015	575,000	602,267
MORGAN STANLEY GLOBAL MED TERM NT	4.200%	11/20/2014	585,000	564,197
AMERICREDIT AUTO RECEIVABLES TR 2011-1	1.390%	11/08/2013	545,000	544,668
GS MTG SECS CORP II 2004-GG2	5.396%	08/01/2038	435,000	465,785
ML CFC COML MTG TR 2007-8	5.960%	08/12/2049	425,000	461,248
JP MORGAN CHASE COML MTG SECS 2006 LDP9	5.336%	05/15/2047	405,000	429,503
COCA-COLA ENTERPRISES INC	2.000%	08/19/2016	425,000	422,425
OTHER FIXED INCOME HOLDINGS – DOMESTIC			22,596,049	23,180,757
TOTAL DOMESTIC FIXED INCOME			$ 28,778,066	$ 29,727,331

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,725,526	$ 57,201,724
DOMESTIC FIXED INCOME – CORE PLUS	4,040,555	64,850,903
US TREASURY INFLATION PROTECTED SECURITIES	4,050,386	49,560,165
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	11,816,467	$171,612,792

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	485,535	$ 7,454,910
INTERNATIONAL FIXED INCOME – CORE PLUS	221,634	3,557,223
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	707,169	$ 11,012,133

REAL ESTATE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
REAL ESTATE INVESTMENT FUND	54,610	$ 50,832,752

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
COOPER COS INC	16,755	$ 1,181,562
OCZ TECHNOLOGY GROUP	168,910	1,116,495
NCR CORP NEW	50,665	833,946
AIR METHODS CORP	9,465	799,319
CENTENE CORP DEL	19,950	789,821
MEDIVATION INC	16,305	751,824
BRINKER INTL INC	26,700	714,492
ENERSYS	27,040	702,229
HEXCEL CORP	27,135	656,938
OSI SYS INC	13,370	652,189
OTHER EQUITY SECURITIES – DOMESTIC	1,206,589	19,932,064
TOTAL DOMESTIC EQUITY SECURITIES	1,582,884	$28,130,879

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	25,083	$ 29,689,759
RUSSELL 1000 FUND	1,444,338	120,028,151
S&P 500 FUND	8,657,202	121,545,826
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	10,126,623	$ 271,263,736

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	1,159,275	$ 50,755,723
INTERNATIONAL GROWTH EQUITY FUND	3,900,401	49,979,517
INTERNATIONAL SMALL CAP FUND	4,817,403	65,297,483
EMERGING MARKETS FUND	2,401,871	80,982,342
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	12,278,950	$ 247,015,065

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	$ 6,457,354
TOTAL CPERS INVESTMENTS	$ 907,478,812

PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2011

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	225,429	$ 3,461,225
DOMESTIC FIXED INCOME – CORE PLUS	244,739	3,928,059
US TREASURY INFLATION PROTECTED SECURITIES	92,881	1,136,486
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	563,049	$ 8,525,770

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	29,379	$ 451,090
INTERNATIONAL FIXED INCOME – CORE PLUS	13,424	215,463
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	42,803	$ 666,553

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 LARGE CAP FUND	27,607	$ 2,294,198
S&P 500 LARGE CAP FUND	168,659	2,367,945
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	19,984	546,412
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	31,340	595,460
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	247,590	$ 5,804,015

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	21,636	$ 947,266
INTERNATIONAL GROWTH EQUITY FUND	74,884	959,979
INTERNATIONAL SMALL CAP FUND	112,688	1,527,435
EMERGING MARKETS FUND	45,260	1,531,841
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	254,468	$ 4,966,521

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
JPMORGAN US GOVT MONEY MARKET FUND PREMIER SHARES	$ 912,553
TOTAL PGT INVESTMENTS	$ 20,875,412

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	Rate of Return	Rank*
Comparative Rates of Return on Total Fund – Year Ended December 31, 2011		
City-Parish Employees' Retirement System	(1.84)%	89
Police Guarantee Trust	(1.42)%	84
Median Total Fund	.38%	50
Allocation Index **	(2.04)%	92
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2011		
City-Parish Employees' Retirement System	1.23%	28
Police Guarantee Trust	1.52%	26
Median Domestic Equity Composite	0.10%	50
Russell 3000	1.03%	35
Comparative Rates of Return on International Equities – Year Ended December 31, 2011		
City-Parish Employees' Retirement System	(15.88)%	94
Police Guarantee Trust	(15.18)%	88
Median International Equity Composite	(12.64)%	50
EAFE (NET)	(12.14)%	45
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2011		
City-Parish Employees' Retirement System	7.15%	57
Police Guarantee Trust	5.64%	78
Median Bond Composite	7.65%	50
Barclays Capital Aggregate Index	7.84%	46
Comparative Rates of Return on Real Estate – Year Ended December 31, 2011		
City-Parish Employees' Retirement System	18.70%	2
Police Guarantee Trust	N/A%	N/A
Median Real Estate Fund	13.92%	50
NCREIF Property Index	14.26%	45

The total performance as compared to public funds in the Mellon Universe, as reported by Summit Strategies Group, Investment Consultant for City-Parish Employees' Retirement System, is as follows:

One-year period ending December 31, 2011	(1.84)%
Two-year period ending December 31, 2011	6.60%
Three-year period ending December 31, 2011	12.54%
Four-year period ending December 31, 2011	0.48%
Five-year period ending December 31, 2011	1.22%

* Rank indicates CPERS' relative investment performance in relation to other total funds in the Mellon Universe of funds.

** The Allocation Index indicates the return that would have been produced if the same percentage of assets on a quarterly basis was invested in the appropriate market indices.

ANNUAL RATES OF RETURN

						ANNUALIZED	
	2007	2008	2009	2010	2011	3 YRS.	5 YRS.
TOTAL FUND							
City-Parish Emp. Retirement System	4.3%	(28.5)%	25.4%	15.8%	(1.8)%	12.5%	1.2%
Police Guarantee Trust	4.5%	(28.0)%	28.5%	13.5%	(1.5)%	12.8%	1.4%
Median Total Fund	8.4%	(24.0)%	19.7%	12.8%	0.4%	10.7%	2.2%
Inflation (CPI)	2.9%	0.1%	2.8%	1.5%	3.0%	2.4%	2.3%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	(2.2)%	(36.6)%	31.3%	22.2%	1.2%	17.5%	0.1%
Police Guarantee Trust	5.1%	(35.5)%	25.2%	20.5%	1.5%	15.3%	(0.5)%
Median Domestic Equity Fund	5.4%	(37.3)%	29.0%	17.8%	0.1%	15.1%	0.1%
Russell 3000	5.1%	(37.3)%	28.3%	16.9%	1.0%	14.9%	(0.0)%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	10.5%	(43.8)%	40.0%	15.8%	(15.9)%	10.9%	(3.3)%
Police Guarantee Trust	10.4%	(43.8)%	39.7%	16.5%	(15.2)%	11.4%	(3.0)%
Median International Equity Fund	12.9%	(42.6)%	37.2%	12.5%	(12.6)%	10.6%	(2.4)%
EAFE (NET)	11.2%	(43.4)%	31.8%	7.8%	(12.1)%	7.7%	(4.7)%
FIXED INCOME							
City-Parish Emp. Retirement System	4.2%	(6.8)%	21.3%	8.8%	7.2%	12.2%	6.6%
Police Guarantee Trust	3.8%	(11.2)%	27.8%	9.8%	5.6%	14.0%	6.4%
Median Bond Fund	6.7%	(1.4)%	12.1%	8.6%	7.7%	9.8%	7.0%
Barclays Capital Aggregate Index	7.0%	5.2%	5.9%	6.5%	7.8%	6.8%	6.5%
REAL ESTATE							
City-Parish Emp. Retirement System	17.2%	(12.5)%	(38.7)%	19.2%	18.7%	(4.6)%	(2.3)%
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	13.9%	(13.9)%	(27.7)%	10.2%	13.9%	(2.8)%	(0.9)%
NCREIF Property Index	15.8%	(6.5)%	(16.9)%	13.1%	14.3%	2.4%	3.1%

Note: These calculations were prepared using a time-weighted rate of return based on market values at December 31st of the year indicated.

SCHEDULE OF CPERS INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Assets Under Management		Investment Service Fees
Fixed Income:				
Fixed Income - Domestic	$	292,766,893	$	652,212
Fixed Income - International		11,012,133		53,659
Real Estate Investments		50,832,752		437,235
Equity Securities:				
Equities - Domestic		299,394,615		951,405
Equities - International	$	247,015,065		2,371,699
Total Investment Managers' Fees				4,466,210
Custodian Fees				78,493
Advisor Fees				112,000
Securities Lending Fees				6,062
Total Investment Expenses			$	4,662,765

SCHEDULE OF PGT INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Assets Under Management		Investment Service Fees
Fixed Income:				
Fixed Income - Domestic	$	8,525,770	$	32,229
Fixed Income - International		666,553		3,382
Equity Securities:				
Equities - Domestic		5,804,015		11,523
Equities - International	$	4,966,521		53,332
Total Investment Manager's Fees				100,466
Custodian Fees				3,104
Advisor Fees				28,000
Total Investment Expenses			$	131,570

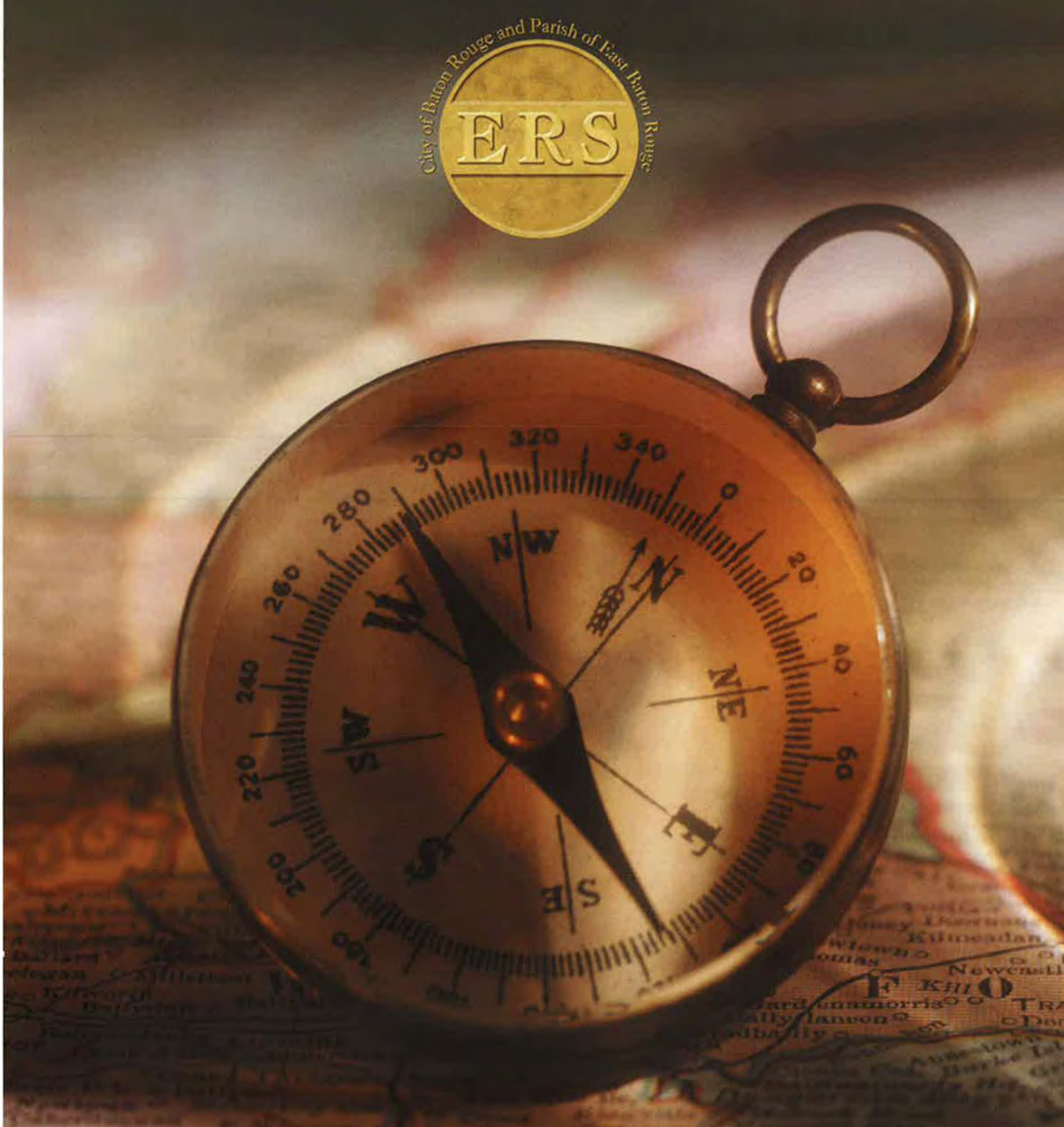
SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2011

		Commission	
Brokerage Firm	**Shares Traded**	**Dollar Amount**	**Per Share**
Instinet Corporation	1,322,644	$ 27,549	$ .0208
Credit Suisse Securities (USA)	1,212,730	12,253	.0101
BNY Convergx Execution Solutions, LLC	258,969	8,730	.0336
Liquidnet Inc.	486,458	8,717	.0179
Robert W. Baird & Co.	232,317	4,686	.0202
Knight Equity Markets L.P.	343,839	4,502	.0131
Piper Jaffray & Co.	182,305	4,192	.0230
Century Securities	135,680	4,130	.0304
Stephens Inc.	142,885	4,103	.0287
Cantor Fitzgerald & Co.	177,919	4,038	.0227
Oppenheimer & Co., Inc.	131,733	3,557	.0270
Lazard Capital Markets, LLC	87,620	3,218	.0367
D.A. Davidson & Co.	92,544	3,052	.0330
Merriman Curhan Ford & Co.	133,300	3,027	.0227
Northland Securities Inc.	98,975	2,925	.0296
Jefferies & Co., Inc.	113,490	2,919	.0257
Sidoti & Company, LLC	100,482	2,824	.0281
Dougherty Company	89,435	2,791	.0312
Gordon, Haskett & Company	85,059	2,659	.0313
Craig-Hallum	79,945	2,512	.0314
Pulse Trading LLC	134,489	2,482	.0185
Pacific Crest Securities	82,250	2,371	.0288
Deutsche Banc Securities Inc.	74,060	2,293	.0310
Morgan Keegan & Company, Inc.	64,638	2,123	.0328
Raymond James & Associates, Inc.	72,405	2,103	.0290
William Blair & Co.	66,475	2,068	.0311
O'Neil, William & Co., Inc.	69,605	1,964	.0282
Keybanc Capital Markets, Inc.	65,300	1,926	.0295
Wedbush Morgan Securities, Inc.	59,819	1,875	.0313
Cowen & Company LLC	68,880	1,839	.0267
Avondale Partners LLC	54,880	1,709	.0311
Mutual Securities	70,640	1,679	.0238
Buckingham Research, New York	61,827	1,521	.0246
Jones Trading Institutional SE	69,976	1,435	.0205
Canaccoro Adams, Inc.	46,088	1,421	.0308
Suntrust Capital Markets, Inc.	40,365	1,358	.0336
Cruttenden Roth, Inc.	44,655	1,340	.0300
Needham & Company	35,753	1,252	.0350
Sterne, Agee & Leach, Inc.	40,955	1,248	.0305
Other (38 Firms) *	601,252	18,239	.0303
Total	7,332,641	$ 164,630	$ .0225

* Firms that had less than $1,248 commissions paid.

2011

City of Baton Rouge and Parish of East Baton Rouge
ERS



Actuarial Section CPERS Trust

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

nyhart

June 4, 2012

Board of Trustees
Employees' Retirement System
City of Baton Rouge and Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge as of January 1, 2012. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Retirement system was established as follows:

a) fully fund all current normal costs determined in accordance with the prescribed funding method; and

b) liquidate the unfunded liability as of January 1, 1995 over a thirty-year period with subsequent changes in unfunded liabilities amortized over thirty years. Note that prior to the January 1, 2001 valuation subsequent changes in unfunded liabilities were amortized over the remaining portion of the original thirty years. This change in amortization was applied to all changes in unfunded liabilities since January 1, 1995. Effective with the January 1, 2004 valuation, this change in amortization was reversed. All changes in unfunded liability are amortized over the remainder of the 30-year period that started on January 1, 1995. Effective with the January 1, 2005 valuation, the amortization approach was changed to use a level percentage of payroll 30-year open amortization method.

Effective with the 2000 year, the Board decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2012 valuation will apply to the year 2013. The 2011 valuation was the basis for the 2012 contribution rate.

The City contribution rate for the 2012 year is set to 25.71%. This reflects a 0.81% increase from the 2011 rate.

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Based on our recommendation, the Board of Trustees approved a change in the method of determining the actuarial value of assets, effective with the January 1, 2002 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. The resulting actuarial value of assets as of December 31, 2011 is $1,027,953,907.

In performing the January 1, 2012 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the January 1, 2011 and January 1, 2012 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions remained unchanged from last year for the January 1, 2012 valuation. At January 1, 2012 the actuarial asset value method remained unchanged. At January 1, 2010 the actuarial cost method was changed from the Aggregate Entry Age Normal Cost Method to the Individual Entry Age Normal Cost Method. There was no further change in the actuarial cost method for the January 1, 2012 valuation. The amortization approach remained unchanged for the January 1, 2012 valuation. The actuarial asset valuation method was changed as of January 1, 2002, to the method outlined above. The funding method used is the Individual Entry Age Normal Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. For 2004 the amortization approach is within the parameters of GASB 25/27. The amortization approach adopted with the January 1, 2005 valuation is within the parameters of GASB 25/27.

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Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 3
June 4, 2012

Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding Objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2011 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 2011 and 2010, Annual Amortization of UAAL, Determination of UAAL, Reconciliation of UAAL, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets / Solvency Test, Analysis of Financial Experience, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,

Randall L. Stanley

Randall L. Stanley, FSA, FCA, MAAA, EA
Actuary

Frans Christ

Frans Christ, FSA, MAAA, EA
Actuary

RLS/FC/di
500401/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2012 Actuarial Report)
(Based on Ordinance Nos. 235 and 276)

Effective Date: (1:250, 1:258)	December 31, 1953, as restated effective April 1, 1997 (Ordinance No. 10779). Amended effective January 1, 1998, (Ordinance No. 11019 and 11020). Amended effective February 23, 2000, August 26, 2000 and December 31, 2001 (Ordinance 11827) and July 1, 2002 (Ordinance 12323).
Fiscal Year	Calendar year.
Membership: (1:259, 1:266)	Any regular employee of the City-Parish, excluding Police employees who elected to transfer into the Municipal Police Employees' Retirement System (MPERS) as of February 26, 2000 and Police employees hired after that date. Part-time council members with service prior to January 1, 1997, retroactive to December 31, 1976.
Contributions:	Members: 8% of compensation (1:264 A1(a)). Effective January 1, 2002, member contribution is equal to Maximum Employer Contribution, if less than 8% (1:264 A1 (c)). If the Maximum Employer Contribution rate is 17% or greater, the members' contribution rate will be 50% of the Employer Contribution rate, but not more than 9.5% (1:264 A(b)). The Maximum Employer Contribution rate is the larger of the City rate and the Special Funds rate.
	Employer Contribution: Balance, actuarially determined (1:253N). Maximum Employer Contribution: Employer Contribution plus adjusting percentages for pro-rata allocation of obligations for transfer of members to plans maintained by the State or a political subdivision thereof (1:251).
	MERS payments received for 2006 and later are reserved for future Supplemental Benefit Payments.
Creditable Service:	Service credited under Retirement System; military service (maximum of three years); additional military service as required under USERRA for which member contributions are received.
Final Average Compensation:	Average compensation during the highest 36 successive months of Creditable Service.
Service Retirement Eligibility: (1:265A)	(1) Full retirement: 25 years of service, regardless of age. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service, regardless of age.
Service Retirement Benefits: (1:265A-1, 1:265A-3)	Full Retirement: 3.0% of Final Compensation for each year of Creditable Service.
	Minimum Eligibility: 2.5% of Final Average Compensation for each year of Creditable Service.
	Maximum of 90% of Final Average Compensation.
Early Service Retirement: (1:265A-2)	If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Disability: (1:265D)	Ordinary Disability: After 10 or more years of Creditable Service, 2.5% of Final Average Compensation times Creditable Service, with a minimum benefit of 50% of Final Average Compensation. Service-Connected: 50% of Final Average Compensation, plus 1.5% of Final Average Compensation times Creditable Service in excess of 10 years, with a maximum benefit of 90% of Final Average Compensation. Benefits are offset by Workers' Compensation (1:264F). Ordinary disability benefits are paid on a life annuity basis; service-connected disabilities are paid on a 50% Joint & Survivor basis.
Survivor Benefits: (1:270)	(1) If Member eligible for retirement, or at least twenty (20) years of Creditable Service, surviving spouse may elect Option 2 benefits (including 100% Joint & Survivor actuarially equivalent to 50% Joint & Survivor, without reduction for early commencement) or a refund of the Member's contributions. (2) If not eligible for retirement, surviving spouse may elect a monthly benefit of $600 payable until remarriage, or a refund of the Member's contributions. (3) If eligible children under age 18, monthly benefit of $150 per child (maximum $300), payable until age 18. These benefits are in addition to any benefits payable under (1) or (2). (4) If member died prior to May 24, 1989, monthly benefit to surviving spouse of $600. (July 1, 2002) (5) If no benefits are payable under (1), (2) or (3), $150 monthly benefit to unmarried dependent parent until death or remarriage.
Employment Termination: (1:267, 1:268)	After 10 years of Creditable Service, based on Creditable Service and Final Average Compensation at termination date. Benefits are deferred to age 55. If Member contributions are withdrawn, benefit is forfeited.
Optional Allowances: (1:264C)	Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance: Option 1: Refund of excess of Member's contributions over aggregate benefits paid; Option 2: 100% Joint & Survivor to designated contingent annuitant; Option 3: Any other form approved by the Board.
Retirement Benefit Adjustments: (1:269)	For members who retired on or before December 31, 1989, or surviving spouses of such members, who did not enter DROP, an annual payment of $600 effective July 1, 1992 plus $30 for each full year retired.
Supplemental Benefit Payments: (1:269)	To be funded from (i) 1/10 of the first 2%, and 1/20 of the remainder, of excess return on the actuarial value of assets, provided the aggregate experience from all sources is an actuarial gain; and (ii) decreases in Retirement Benefit Adjustment payments under 1:269 since July, 2002; and (iii) MERS payments received for 2006 and later.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Deferred Retirement Option Plan (DROP): (1:271)	Prior to July 1, 1991: Eligibility: If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of Creditable Service. Duration: The lesser of 5 years, or 32 years minus Creditable Service at DROP entry. Benefits: Service retirement allowances are paid into the Member's DROP account, and credited with interest at the rate set by the actuarial formula. No further Member or employer contributions are payable, and no further benefits are accrued. Upon retirement and termination of DROP participation (or death), the Member (or beneficiary) may elect one of the following: (a) A lump sum of DROP account balance; (b) A life annuity based on the DROP balance; (c) Any other method of payment approved by the Board of Trustees. Normal survival benefits payable to survivors of retirees are paid upon death of the Member while a DROP participant.
Deferred Retirement Option Plan (DROP): (1:271)	On and after July 1, 1991: Comparable to pre-July 1, 1991 provisions, except interest is not credited to DROP account until the conditions of DROP participation have been satisfied. If the Member does not terminate employment at the end of the DROP period, potential interest credits are forfeited. On and after July 1, 2002: If the Member has at least ten (10) years of Creditable Service and has attained at least age 55, with DROP duration not greater than three (3) years.
Compensated Absences: (1:262)	Upon written consent of the Member or his surviving spouse, the Retirement System will provide the following with respect to unused, accumulated vacation time and sick leave: (a) Cash payment for a portion, with the remainder added to the Member's Creditable Service, on the basis of one (1) hour for each two (2) hours of unused time. (b) Conversion of all of the accumulated time to Creditable Service, on the basis of one (1) hour for each hour of unused accumulated vacation time and sick leave. Any unused time converted to service credit is included in determining eligibility for retirement and benefits. For purposes of determining Final Average Compensation, compensation at the time of retirement or death is assumed to continue for the period of added service.
Changes Since Prior Valuation:	None.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

(Source: 2012 Actuarial Report)

Valuation Date: December 31, 2011

Valuation Method: Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. *(Adopted March 25, 2010)*

Asset Valuation Method: Market Value as of January 1, 1996. Beginning January 1, 1997, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year. Beginning January 1, 2002, Expected Value Method, with 20% of investment gains or (losses) recognized each year.

Actuarial Assumptions:

Investment Return: 7.50% compounded annually. *(Adopted March 25, 2010)*

Salary Increases: 3.50% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted March 25, 2010)*

Age	BREC/Regular	Fire/Police
30	+2.50%	+4.00%
35	+1.50%	+2.00%
40	+1.25%	+2.00%
45	+.75%	+1.00%
50	+.50%	0%
55	0%	0%

Aggregate Payroll Growth: 2.5% compounded annually. *(Adopted October 18, 2004)*

Non-Disabled Mortality: 1994 Group Annuity Mortality Table, producing following specimen rates: *(Adopted October 18, 2004)*

Age	Male	Female
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

Disabled Mortality: Same as Non-Disabled Mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: *(Adopted July 13, 2000)*

Age	Disability	Turnover
20	.0006	.079
25	.0006	.077
30	.0006	.072
35	.0007	.063
40	.0011	.052
45	.0022	.040
50	.0046	.026
55	.0102	.009
60	.0320	.001
61	.0355	.000
62	.0400	.000
63	.0450	.000
64	.0410	.000
65	.0195	.000

The ultimate turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

Year	BREC, Regular	Fire, Police
0-1	330%	90%
2	225%	70%
3	180%	35%
4-10	150%	35%
11-15	60%	20%
16+	40%	10%

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5. The disability rates for Fire and Police are increased by 100% and by 25% for BREC and Regular.

Assumed Transfers to Retirement System for accumulated vacation and sick leave, e.g.: *(Adopted July 13, 2000)*

	Total
BREC	1.0 year
Regular	1.0 year
Fire	1.75 years
Police	1.50 years

No provision is included for cash payment by the System under the one for two provisions.

Retirement: Regular, BREC, Police	Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. *(Adopted March 2, 1995)*
Retirement: Fire	Earlier of 26 years of service credit or age 61 with 11 years of service credit. *(Adopted March 2, 1995)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Type of Disability:	A percentage of disabilities is assumed to be ordinary disabilities, as shown below: *(Adopted October 18, 2004)*

BREC, Regular	25% service-connected, 75% ordinary
Fire	50% service-connected, 50% ordinary
Police	75% service-connected, 25% ordinary

Recovery:	No probabilities of recovery are used. *(Adopted March 2, 1995)*
Remarriage:	No probabilities of remarriage are used. *(Adopted March 2, 1995)*
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. *(Adopted March 2, 1995)*
Marital Status:	80% of employees are assumed to be married. *(Adopted March 2, 1995)*
Amortization Method:	Level percentage of payroll 30-year open amortization.
Investment Expenses:	The rate of return on assets is assumed to be net of investment expense. *(Adopted October 18, 2004)*
Administrative Expenses:	The actual amount of the prior year's expense is added to the normal cost.
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted March 2, 1995)*
Changes in Ordinance Provisions Not Reflected:	None.
Other:	The liability for Retirement Benefit Adjustments and the funding of the Supplemental Benefit Payments from decreases in the Retirement Benefit Adjustments is combined into a perpetuity.
Sources of Data:	Membership and asset data as of December 31, 2011 was furnished by Retirement Office staff.
Changes Since Prior Valuation:	None

ACCRUED LIABILITY ANALYSIS FOR 2012 AND 2011
(Source: 2012 Actuarial Report)

	2012	2011
Present Value of Future Benefits:		
Active Members:		
Retirement	$ 461,532,173	$ 442,467,278
Disability	7,677,506	7,719,550
Death	4,476,771	4,557,828
Vesting	7,193,573	7,073,583
Total	480,880,023	461,818,239
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	581,373,072	556,404,551
Disability Retirements	27,767,473	25,735,102
Terminated Vested Members	4,255,920	4,396,791
Leave Balances	4,290,599	3,325,183
DROP (Future Benefits)	138,229,782	146,525,721
DROP (Accounts)	175,975,307	177,070,532
RBA Benefits	10,446,000	10,446,000
Total	942,338,153	923,903,880
Total Accrued Liability	$1,423,218,176	$1,385,722,119

ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2012 Actuarial Report)

Date Established	Initial Amount	Remaining Balance at 12/31/10	Amortization Payment as of 01/01/11	Remaining Balance at 12/31/11	Amortization Payment as of 01/01/12
	$	$	$	$	$
12/31/02	41,180,218	41,077,947	3,270,885	--	--
12/31/03	9,190,241	9,190,241	731,785	--	--
12/31/04	173,606,389	--	--	173,606,389	10,892,894
12/31/05	186,176,892	--	--	186,176,892	11,681,627
12/31/06	183,577,585	--	--	183,577,585	11,518,534
12/31/07	186,072,416	--	--	186,072,416	11,675,072
12/31/08	272,251,140	--	--	272,251,140	17,082,336
12/31/09	347,695,469	--	--	347,695,469	21,267,217
12/31/10	362,271,229	--	--	362,271,229	22,158,761
12/31/11	395,264,269	--	--	395,264,269	24,176,820
		50,268,188	4,002,670	2,106,915,389	130,453,261

Note: This table reflects a 2004 change in the amortization method to utilize a level percentage of payroll 30-year open amortization method. This new method uses the revised payroll growth assumption of 2.5% per annum.

DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2012 Actuarial Report)

Entry Age Normal Actuarial Accrued Liability:	
Active Members	$ 480,880,023
Retired Members and Beneficiaries	942,338,153
Total	1,423,218,176
Actuarial Asset Value as of December 31, 2011	1,027,953,907
Unfunded Actuarial Accrued Liability as of December 31, 2011	$ 395,264,269

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2012 Actuarial Report)

A. Unfunded Actuarial Accrued Liability as of December 31, 2010	$ 362,271,229
B. Unfunded Actuarial Accrued Liability Increase Due to Revised Assumptions and Methods	N/A
C. Valuation System Change	N/A
D. Normal Cost for 2011	21,736,711
E. Interest at 7.50% on (A), (B), (C) and (D)	28,800,596
F. Net Contributions	(47,957,631)
G. Interest on (F)	(3,596,822)
H. Expected Unfunded Actuarial Liability as of December 31, 2011	361,254,083
I. 2010 (Gain) Loss	34,010,186
J. Unfunded Actuarial Accrued Liability as of December 31, 2011	395,264,269
K. Assumptions and Methods	N/A
L. Final Unfunded Actuarial Accrued Liability as of December 31, 2011	$ 395,264,269

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE TEN YEARS ENDED DECEMBER 31, 2011 (Source: 2012 Actuarial Report)

Valuation Date	(1) Active Members' Contributions* -$-	(2) Terminated Vested Members -$-	(3) Retirees And Survivors** -$-	(4) Active Members Employer Contribution -$-	Actuarial Value of Assets -$-	Percentage of Actuarial Liabilities Covered by Assets (1) -%-	(2) -%-	(3) -%-	(4) -%-
12/31/02	179,875,436	4,224,586	485,156,581	278,470,014	818,150,788	100.0	100.0	100.0	53.5
12/31/03	190,501,659	3,441,763	508,211,266	283,517,007	847,227,425	100.0	100.0	100.0	51.2
12/31/04	166,648,034	2,810,515	559,595,787	328,215,293	883,663,240	100.0	100.0	100.0	47.1
12/31/05	185,590,714	2,777,542	592,961,470	329,752,003	924,904,837	100.0	100.0	100.0	43.5
12/31/06	196,143,559	3,398,410	629,048,416	334,584,762	979,597,562	100.0	100.0	100.0	43.3
12/31/07	212,407,644	3,229,816	660,297,629	330,713,124	1,020,575,797	100.0	100.0	100.0	43.7
12/31/08	235,554,734	3,719,456	689,274,354	341,556,008	997,853,412	100.0	100.0	100.0	20.3
12/31/09	256,663,672	4,156,485	720,761,899	368,492,011	1,002,378,598	100.0	100.0	100.0	5.6
12/31/10	267,075,592	4,396,791	742,436,557	371,813,179	1,023,450,890	100.0	100.0	100.0	2.6
12/31/11	270,043,946	4,255,920	762,106,926	386,811,384	1,027,953,907	100.0	100.0	98.9	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF FINANCIAL EXPERIENCE
(Source: 2012 Actuarial Report)

GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2007 – 2011 RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

	$ Gain or (Loss) For Year				
	2007	2008	2009	2010	2011
Investment Return	$ 3,703,857	$ (71,465,958)	$ (38,437,581)	$ (20,396,885)	$ (35,231,052)
Salary Increases	(11,057,142)	(12,291,095)	2,882,364	7,087,550	(623,723)
Retirements	(2,085,335)	2,975,339	3,839,301	26,986,427	15,933,989
Mortality	2,002,693	8,050,198	(6,198,778)	(9,830,807)	(14,988,684)
Disability	(623,951)	(70,536)	163,987	(570,786)	(10,597)
Turnover	(1,343,869)	(494,934)	(9,883,007)	(10,119,063)	1,878,566
New Members	(2,193,515)	(2,418,464)	(2,143,500)	(1,461,549)	(1,671,178)
Contribution Differences	3,620,538	5,303,016	N/A	N/A	N/A
Leaves, Transfers, Etc.	4,558,277	(13,925,568)	1,630,981	(3,055,745)	702,493
Gain or (Loss) from Financial Experience	(3,418,447)	(84,338,002)	(48,146,233)	(11,360,858)	(34,010,186)
Non Recurring Elements:					
Valuation Software	--	--	--	--	--
Assumption Changes	--	--	(24,625,616)	--	--
Asset Method Changes	--	--	--	--	--
Plan Amendment	--	--	--	--	--
Composite Gain/(Loss) During Year	$ (3,418,447)	$ (84,338,002)	$ (72,771,849)	$ (11,360,858)	$ (34,010,186)

ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2011
(Source: 2012 Actuarial Report)

Valuation Date	Total Active Members	Percentage Change -%-	Annual Payroll -$-	Average Annual Pay -$-	% Increase in Average Pay -%-
12/31/02	3,220	(2.9)	101,339,785	31,472	1.5
12/31/03	3,321	3.1	106,240,559	31,991	1.6
12/31/04	3,314	(0.0)	109,887,349	33,159	3.6
12/31/05	3,229	(2.6)	115,559,704	35,788	7.9
12/31/06	3,309	2.5	120,067,016	36,285	1.4
12/31/07	3,313	0.1	123,524,590	37,285	2.8
12/31/08	3,357	1.3	131,041,421	39,035	4.7
12/31/09	3,419	1.8	136,119,407	39,813	2.0
12/31/10	3,379	(1.2)	136,123,660	40,285	1.2
12/31/11	3,245	(4.0)	136,781,288	42,151	4.6

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2011
(Source: 2012 Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances	Deletions	Annual Allowances	Number of Annuitants	Percentage Change in Membership	Annual Annuities	Percentage Change in Annuities	Average Annual Allowances
		-$-		-$-		-%-	-$-	-%-	-$-
12/31/02	129	2,808,183	66	891,291	2,135	3.0	37,120,221	5.4	17,387
12/31/03	127	3,029,116	70	1,157,493	2,192	2.7	38,991,844	5.0	17,788
12/31/04	146	3,214,961	60	549,921	2,278	3.9	41,656,884	6.8	18,287
12/31/05	171	4,053,408	46	718,363	2,403	5.5	44,991,929	8.0	18,723
12/31/06	192	4,543,484	64	1,042,766	2,531	5.3	48,492,647	7.8	19,159
12/31/07	195	5,114,419	89	1,107,527	2,637	4.2	51,529,267	6.7	19,541
12/31/08	158	3,275,314	84	1,261,826	2,711	2.8	53,542,755	3.9	19,750
12/31/09	195	4,109,206	105	1,403,519	2,801	3.3	56,248,442	5.1	20,082
12/31/10	167	4,401,513	92	964,405	2,876	2.7	59,685,550	6.1	20,753
12/31/11	173	4,400,751	79	1,227,453	2,970	3.3	62,858,848	5.3	21,165

TOTAL MEMBERSHIP DATA
(Source: 2012 Actuarial Report)

Actives:

	2011		2010	
	Count	Average Salary	Count	Average Salary
BREC	428	$35,173	450	$33,635
Regular	2,281	39,287	2,397	37,722
Fire	501	59,723	497	57,238
Police	35	62,652	35	60,618
Total/Average	3,245	$42,151	3,379	$40,285

Annuitants:

	2011		2010	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,787	$21,601	2,705	$21,164
Disabilities	183	14,512	171	14,257
DROP	304	40,225	337	38,456
Total/Average	3,274	$22,934	3,213	$22,471

Inactive Members:

	2011		2010	
	Count	Average Deferred	Count	Average Deferred
Deferred Vested	43	$12,882	46	$12,793

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2011

City of Baton Rouge and Parish of East Baton Rouge

ERS

Actuarial Section Police Guarantee Trust

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

nyhart

June 4, 2012

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
209 St. Ferdinand Street
Post Office Box 1471
Baton Rouge, Louisiana 70821

Dear Board Members:

As requested, we have completed our annual valuation of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge Police Guarantee Trust as of January 1, 2012. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The funding objective of the Police Guarantee Trust was established as follows:

a) fully fund all projected liabilities determined at inception, through a trust-to-trust transfer of $24,627,209 in assets from CPERS; and

b) fund any future actuarial losses through employee and employer contributions on included compensation for CPERS that is excluded for MPERS benefits; and

c) in the event that there is a shortfall after taking into account the above, the shortfall will be funded as a level percentage of future payrolls, using the Aggregate Actuarial Cost Method.

The Board has decided to introduce a one-year delay from the valuation date to the year for which the contribution rate calculated in the valuation is applied. Thus the contribution rate calculated in the 2012 valuation will apply to the year 2013.

In order to maintain comparability and consistency with results for the Employees' Retirement System, the Police Guarantee Trust uses the same actuarial assumptions and the same actuarial valuation methodology. This year the actuarial assumptions for PGT were the same as the CPERS assumptions based on the 1999-2003 experience study. Since the intent was to fund the projected liability through the initial trust to trust transfer of $24,627,209 from the Employees' Retirement System, no unfunded actuarial accrued liability was expected. However, due to actuarial losses in 2001 through 2011, there is an unfunded liability in the PGT of $11,516,783, as of December 31, 2011.

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Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 4, 2012

Effective February 26, 2000, there were 637 police officers who had elected to transfer to the statewide Municipal Police Employees' Retirement System. This group of 637 officers is the closed group of members entitled to benefits from the Police Guarantee Trust. The initial valuation was prepared as of January 1, 2000, and is the basis for City contribution rates of 0% for the 2000 and 2001 years.

The method of determining the actuarial value of assets is the same method as is currently used for CPERS, effective with the January 1, 2003 valuation. Under this method, 20% of the difference between the expected asset value and market value is recognized each year. Under this method, the actuarial value of assets as of December 31, 2011 is $26,206,315.

In performing the January 1, 2012 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the January 1, 2012 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions are identical to the assumptions used for the January 1, 2012 valuation of the Employees' Retirement System. The funding method used is the Aggregate Cost Method. The actuarial assumptions and methods used for funding purposes comply with and are within the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 25. Under the Aggregate Cost Method there is no amortization of unfunded liabilities.

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Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and Parish of East Baton Rouge
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June 4, 2012

Additional information is provided in the Summary of Actuarial Assumptions and Methods. The same actuarial assumptions and methods were employed in the development of the schedules which we prepared for the Actuarial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principles and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents our best estimate of the funding requirement to achieve the Retirement System's funding objective.

Our firm prepared a number of schedules which are included in the Retirement System's 2011 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Summary of Actuarial Accrued Liabilities and Percentage covered by Actuarial Value of Assets/Solvency Test, Active Membership Data, Schedule of Retirees and Beneficiaries Added, and Total Membership Data. In addition, we prepared the Required Supplementary Information under GASB Statement No. 25, which includes the Schedule of Funding Progress, the Schedule of Employer Contributions, and the Notes to the Schedules of Trend Information.

Sincerely,

Randall L. Stanley

Randall L. Stanley, FSA, FCA, MAAA, EA
Actuary

Frans Christ

Frans Christ, FSA, MAAA, EA
Actuary

RLS/FC/di
500201/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2012 PGT Actuarial Report)
(Based on Ordinance No. 11669)

Effective Date:	February 26, 2000, amended February 28, 2001.
Fiscal Year:	Calendar year.
Membership:	Eligible police employees who were active members or in the Deferred Retirement Option Plan (DROP) of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) on February 26, 2000 who elected to transfer into the Municipal Police Employees' Retirement System of Louisiana (MPERS) are automatically included in the Police Guarantee Trust (PGT).
Transferred Assets:	Initially funded by a trust to trust transfer of $24,627,209 from CPERS, as of January 1, 2000.
Contributions:	Members: Based on current member contribution rate under CPERS, applied to member's compensation not covered by MPERS. Member contributions are "picked up" by the City. City: Actuarially determined.
Benefit Amounts:	The excess of the benefits that would have been payable under CPERS, based on the provisions in effect on February 26, 2000, over the benefits payable under MPERS. MPERS benefits are calculated under a 50% joint and survivor option. PGT benefits reflect any increases in MPERS benefits due to cost-of-living adjustments.
DROP:	A. Members in CPERS DROP at February 26, 2000: (1) If in CPERS DROP for 3 or more years, DROP payments are credited to PGT DROP account. Investment returns for CPERS and PGT accounts are credited to PGT account after February 26, 2000. (2) If in CPERS DROP less than 3 years, up to 3 years since transfer, in MPERS DROP. After 3 years in DROP (CPERS and MPERS combined) DROP payments are credited to PGT DROP account for remainder of DROP period (5 years maximum for total DROP periods). Investment returns for CPERS, MPERS, and PGT accounts are credited to the PGT account after February 26, 2000. B. Active members at February 26, 2000: Members enter PGT DROP first, with payments credited to PGT DROP account, until the later of 2 years or eligibility for MPERS DROP. Investment returns for MPERS and PGT DROP accounts are credited to PGT DROP account.
Changes since Prior Valuation:	None

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
(Source: 2012 PGT Actuarial Report)

Valuation Date:	December 31, 2011
Valuation Method:	Aggregate Actuarial Cost Method.
Asset Valuation Method:	Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, adjusted Market Value with 20% of unrealized gains (or losses) recognized each year.
Actuarial Assumptions:	
Investment Return:	7.5% compounded annually, net of investment expenses. *(Adopted March 25, 2010)*
Salary Increases:	3.5% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: *(Adopted March 25, 2010)*

Age	PGT
30	+4.00%
35	+2.00%
40	+2.00%
45	+1.00%
50	0.00%
55	0.00%

Aggregate Payroll Growth:	Not applicable.
Non-Disabled Mortality:	1994 Group Annuity Mortality Table set forward two years, producing following specimen rates: *(Adopted October 18, 2004)*

Age	Male	Female
20	.0556%	.0289%
30	.0839%	.0397%
40	.1252%	.0825%
50	.3213%	.1734%
60	1.0147%	.5832%
70	2.8481%	1.6506%

Disabled Mortality:	Same as non-disabled mortality.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: *(Adopted February 26, 2000)*

Age	Disability	Turnover
20	.0012	.079
25	.0012	.077
30	.0012	.072
35	.0014	.063
40	.0022	.052
45	.0044	.040
50	.0092	.026
55	.0204	.009
60	.0640	.001
61	.0710	.000
62	.0800	.000
63	.0900	.000
64	.0820	.000
65	.0390	.000

Probabilities of disability are double the rates from the Eleventh Actuarial Valuation of the Railroad Retirement System. Turnover is based on Table T-5.

The turnover rates are modified as follows, based on years of employment: *(Adopted October 18, 2004)*

Year	PGT
1-4	60%
5-10	50%
11+	25%

Assumed transfers to CPERS (for accumulated vacation and sick leave e.g.): 1.5 years. *(Adopted October 18, 2004)*

Retirement: Earlier of 25.5 years of service credit or age 61 with 11 years of service credit. *(Adopted October 18, 2004)*

Type of Disability: A percentage of disabilities is assumed to be ordinary disabilities, as shown below: *(Adopted February 26, 2000)*

75% service connected, 25% ordinary. *(Adopted February 26, 2000)*

Recovery: No probabilities of recovery are used. *(Adopted February 26, 2000)*

Remarriage: No probabilities of remarriage are used. *(Adopted February 26, 2000)*

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. *(Adopted February 26, 2000)*
Marital Status:	80% of employees are assumed to be married. *(Adopted February 26, 2000)*
Interest on Future MPERS DROP Accounts:	Three years of interest, compounded annually at 7.75%, on CPERS DROP deposits while member participates in MPERS DROP, payable at DROP exit. *(Adopted October 18, 2004)*
Investment Expenses:	None provided for. *(Adopted October 18, 2004)*
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. *(Adopted February 26, 2000)*
COLA:	MPERS benefits in pay status are assumed to increase 2% annually. *(Adopted February 26, 2000)*
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) were assumed to be greater than CPERS ancillary benefits. *(Adopted February 26, 2000)*
Sources of Data:	Membership data, asset information, and aggregate DROP balances as of December 31, 2011 were furnished by Retirement Office. For active members, MPERS compensation was estimated as: CPERS compensation, minus member contributions to PGT divided by .095. For members who are in CPERS DROP but not in MPERS DROP, MPERS compensation was estimated as City-Parish contributions to MPERS divided by .095.
Changes Since Prior Valuation:	None

SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST FOR THE TEN YEARS ENDED DECEMBER 31, 2011 (Source: 2012 PGT Actuarial Report)

Valuation Date	(1) Active Members' Contributions* -$-	(2) Retirees And Survivors** -$-	(3) Terminated Vested Members -$-	(4) Active Members Employer Contribution -$-	Actuarial Value of Assets -$-	Percentage of Actuarial Liabilities Covered by Assets (1) -%-	(2) -%-	(3) -%-	(4) -%-
12/31/02	6,737,203	4,285,414	--	10,008,154	25,481,771	100.0	100.0	100.0	100.0
12/31/03	8,231,086	3,182,942	--	10,890,774	26,468,255	100.0	100.0	100.0	100.0
12/31/04	9,641,791	3,143,864	--	10,261,837	27,588,419	100.0	100.0	100.0	100.0
12/31/05	9,314,027	1,630,156	--	10,414,479	27,317,297	100.0	100.0	100.0	100.0
12/31/06	9,570,474	1,713,136	--	11,467,524	28,273,898	100.0	100.0	100.0	100.0
12/31/07	10,755,863	2,895,401	--	11,458,129	29,042,317	100.0	100.0	100.0	100.0
12/31/08	13,570,146	4,236,669	--	11,708,710	27,725,379	100.0	100.0	100.0	84.7
12/31/09	15,408,593	3,746,234	--	11,065,584	26,874,490	100.0	100.0	100.0	69.8
12/31/10	17,009,458	4,491,949	--	10,097,628	26,869,584	100.0	100.0	100.0	53.2
12/31/11	18,720,950	4,343,650	--	9,672,138	26,206,315	100.0	100.0	100.0	32.5

* Including DROP accounts.
** Including DROP participants' future benefits.

ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2011
(Source: 2012 PGT Actuarial Report)

Valuation Date	Total Active Members	Percentage Change -%-	Annual Payroll -$-	Average Annual Pay -$-	% Increase in Average Pay -%-
12/31/02	455	(5.8)	19,793,300	43,502	0.4
12/31/03	419	(7.9)	19,324,588	46,121	6.0
12/31/04	385	(8.1)	20,587,122	53,473	16.0
12/31/05	372	(3.4)	19,964,426	53,668	0.4
12/31/06	350	(5.9)	20,507,475	58,593	9.2
12/31/07	329	(6.0)	19,754,110	60,043	2.5
12/31/08	297	(9.7)	20,084,707	67,625	12.6
12/31/09	275	(7.4)	18,836,479	68,496	1.3
12/31/10	252	(8.4)	17,315,930	68,714	0.3
12/31/11	235	(6.7)	15,966,923	67,944	(1.1)

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2011
(Source: 2012 PGT Actuarial Report)

	Change in Number at EOY								
Valuation Date	Additions	Annual Allowances -$-	Deletions	Annual Allowances -$-	*Number of Annuitants	Percentage Change in Membership -%-	**Annual Annuities -$-	Percentage Change in Annuities -%-	Average Annual Allowances -$-
12/31/02	4	18,088	2	86,057	12	20.0	116,305	(36.9)	9,692
12/31/03	4	50,585	1	45,062	15	25.0	121,828	4.7	8,122
12/31/04	3	79,818	2	26,418	16	6.7	175,228	43.8	10,952
12/31/05	4	29,124	0	--	20	25.0	204,352	16.6	10,218
12/31/06	3	85,113	2	45,007	21	5.0	244,458	19.6	11,641
12/31/07	4	21,093	4	116,893	21	0.0	148,658	(39.2)	7,079
12/31/08	0	--	1	40,338	20	(4.8)	108,320	(27.1)	5,416
12/31/09	3	86,204	0	--	23	15.0	194,524	79.6	8,458
12/31/10	1	30,713	1	33,897	23	0.0	191,340	(1.6)	8,319
12/31/11	0	--	2	69,297	21	(8.7)	122,043	(36.2)	5,812

* Includes only those annuitants who receive full or partial monthly retirement benefits from PGT.

** Includes only monthly annuities paid through PGT annualized

TOTAL MEMBERSHIP DATA
(Source: 2012 PGT Actuarial Report)

Actives:

	2011		2010	
	Count	Average Salary	Count	Average Salary
Police	235	$67,944	252	$68,714

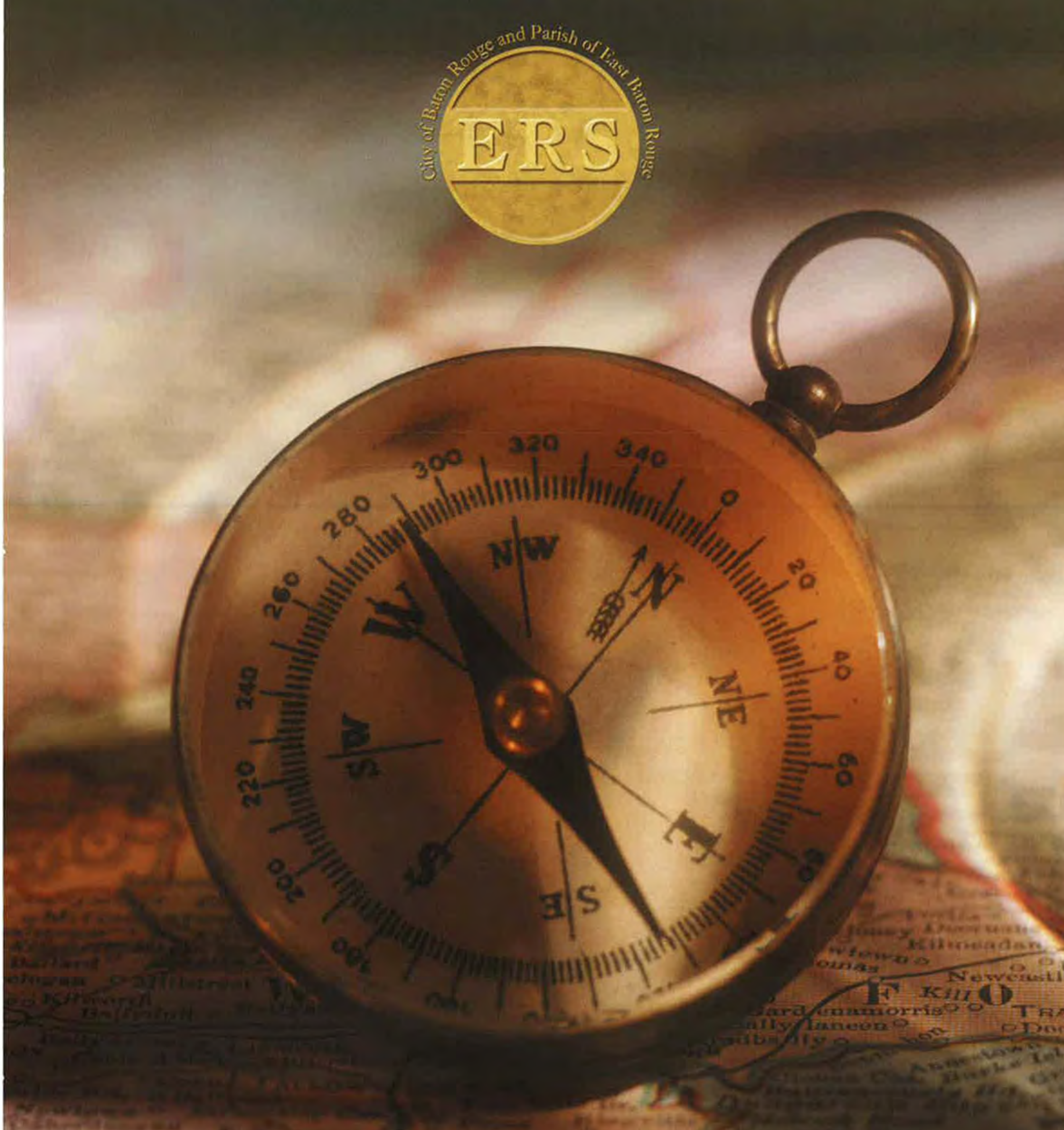
Annuitants:

	2011		2010	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	21	$37,906	24	$37,030
Disabilities	--	--	--	--
DROP	71	62,978	71	60,077
Total	92	$57,225	95	$54,255

Inactive Members:

	2011		2010	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	--	--	--	--

2011



City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

Statistical Section

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

STATISTICAL SECTION

DATA SOURCES, ASSUMPTIONS, AND METHODOLOGIES

Data for the statistical section is derived from financial statements, active member data files, and retired member data files, all of which are prepared by CPERS. These data files are also used by CPERS' independent actuary to prepare the annual actuarial valuations.

For the purposes of the schedules contained in the statistical section, active members are defined as those actively employed full time by an eligible employer and contributing to the system at the end of the current fiscal year. Deferred retirees are those members who have, in lieu of immediate termination of employment and receipt of a service allowance retirement, elected to continue employment with an eligible employer for a specified period of time, while deferring the receipt of retirement benefits. Retirees and beneficiaries are those who were receiving benefits at the end of the current fiscal year, including those members who retired after participating in the Deferred Retirement Option Plan (DROP).

CPERS uses custom computer programming as well as database queries to extract data to produce the information for the statistical section. The data is either imported into pre-defined file formats or personal computer software applications for further analysis, calculations, and formatting for presentation in the statistical section.

NUMBER OF ADMINISTRATIVE STAFF POSITIONS

Fiscal Year	Staff	% Increase Each Year
2002	12	0.00%
2003	12	0.00%
2004	11	(8.33)%
2005	11	0.00%
2006	11	0.00%
2007	11	0.00%
2008	11	0.00%
2009	12	9.00%
2010	12	0.00%
2011	12	0.00%

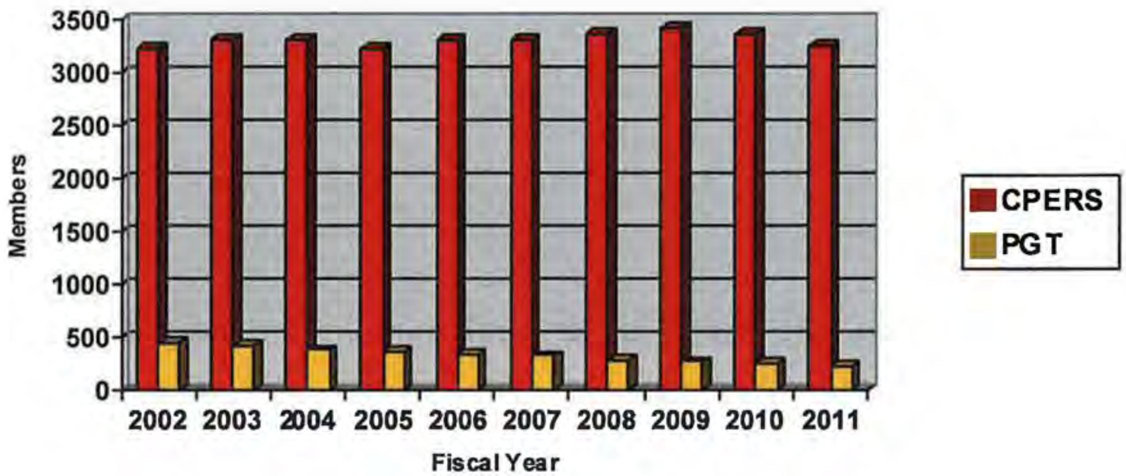
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2011 AND 2002

Participating Employer	Covered Active Employees	Rank	Percentage of System Membership
2011			
City of Baton Rouge and Parish of East Baton Rouge	2,697	1	83.11%
Recreation and Park Commission for the Parish of East Baton Rouge	428	2	13.19%
District Attorney of the Nineteenth Judicial District	77	3	2.37%
East Baton Rouge Parish Juvenile Court	14	4	.43%
East Baton Rouge Parish Family Court	11	5	.34%
Office of the Coroner of East Baton Rouge Parish	10	6	.31%
Brownsfield Fire Protection District	4	7	.13%
St. George Fire Protection District	3	8	.09%
Eastside Fire Protection District	1	9	.03%
2011 Total	3,245		100.00%

2002	Covered Active Employees	Rank	Percentage of System Membership
City of Baton Rouge and Parish of East Baton Rouge	2,812	1	87.33%
Recreation and Park Commission for the Parish of East Baton Rouge	234	2	7.27%
District Attorney of the Nineteenth Judicial District	80	3	2.48%
St. George Fire Protection District	36	4	1.12%
East Baton Rouge Parish Juvenile Court	19	5	.59%
East Baton Rouge Parish Family Court	11	6	.34%
Office of the Coroner of East Baton Rouge Parish	11	7	.34%
East Baton Rouge Parish Fire Protection District No. 6	6	8	.19%
Central Fire Protection District	6	9	.19%
Brownsfield Fire Protection District	3	10	.09%
Eastside Fire Protection District	2	11	.06%
2002 Total	3,220		100.00%

NUMBER OF ACTIVE MEMBERS

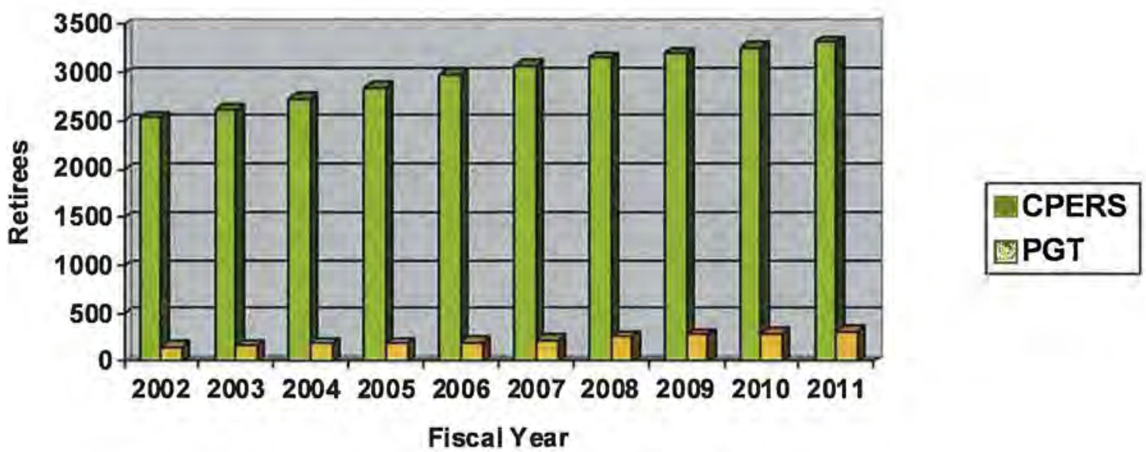
	CPERS		PGT	
Fiscal Year	Members	% Increase Each Year	Members	% Increase Each Year
2002	3,220	(2.9)%	455	(5.8)%
2003	3,321	3.1%	419	(7.9)%
2004	3,314	(0.2)%	385	(8.1)%
2005	3,229	(2.6)%	372	(3.4)%
2006	3,309	2.5%	350	(5.9)%
2007	3,313	0.1%	329	(6.0)%
2008	3,357	1.3%	297	(9.7)%
2009	3,419	1.8%	275	(7.4)%
2010	3,379	(1.2)%	252	(8.4)%
2011	3,245	(4.0)%	235	(6.7)%



NUMBER OF RETIREES, BENEFICIARIES, VESTED TERMINATED, AND DEFERRED RETIREES

	CPERS		PGT	
Fiscal Year	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
2002	2,537	6.0%	149	12.0%
2003	2,621	3.3%	163	9.4%
2004	2,733	4.3%	183	12.3%
2005	2,852	4.4%	191	4.4%
2006	2,980	4.5%	201	5.2%
2007	3,074	3.2%	226	12.4%
2008	3,155	2.6%	258	14.2%
2009	3,208	1.7%	276	7.0%
2010	3,259	1.6%	298	8.0%
2011	3,317	1.8%	314	5.4%

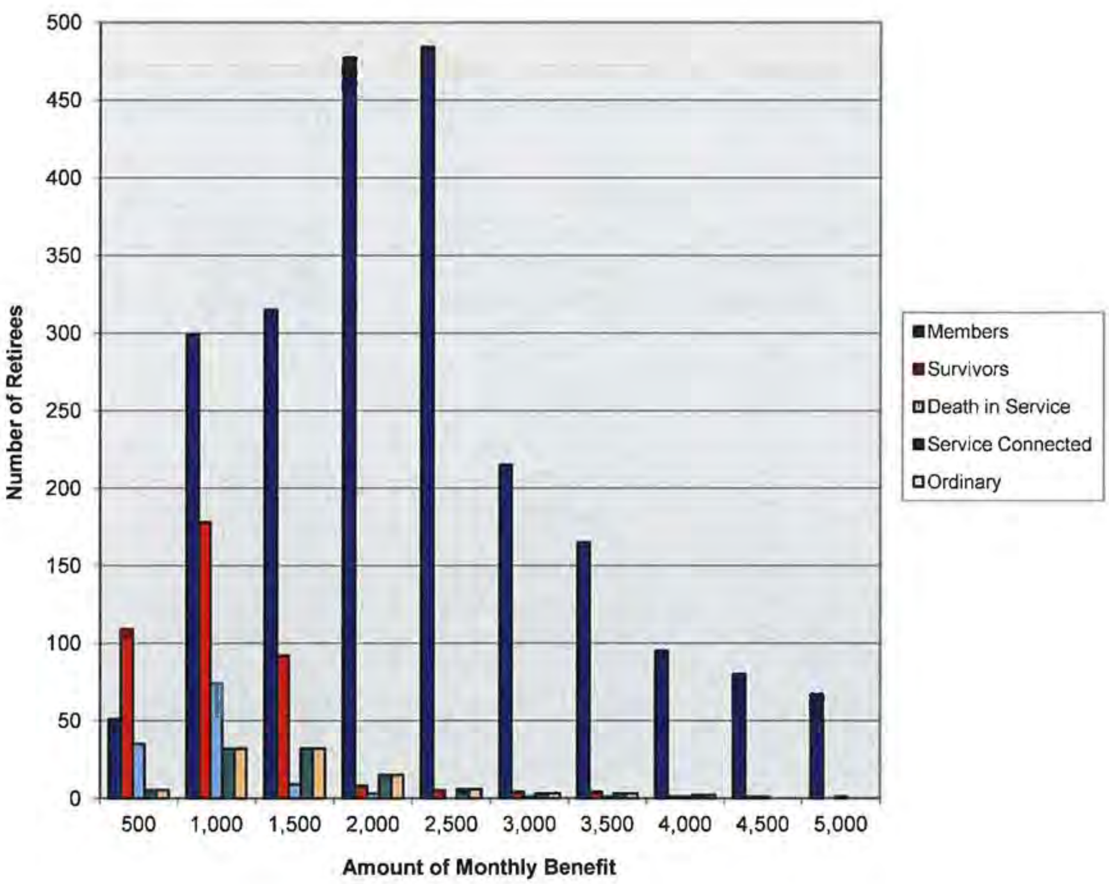
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (CPERS)

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement				
		Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
$1-500	205	51	109	35	5	5
501-1,000	613	299	178	74	32	30
1,001-1,500	494	315	92	9	32	46
1,501-2,000	513	477	8	3	15	10
2,001-2,500	500	484	5	--	6	5
2,501-3,000	224	215	4	1	3	1
3,001-3,500	173	165	4	1	3	--
3,501-4,000	99	95	1	1	2	--
4,001-4,500	81	80	--	1	--	--
Above $4,500	68	67	--	1	--	--
Totals	2,970	2,248	401	126	98	97

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

	CPERS		PGT	
Fiscal Year	Retirees	Benefit Expenses	Retirees*	Benefit Expenses
		$		$
2002	2,135	36,982,809	12	118,046
2003	2,192	39,037,900	15	130,839
2004	2,278	41,239,596	16	162,885
2005	2,403	43,982,717	20	184,736
2006	2,531	47,494,047	21	187,492
2007	2,637	52,037,439	21	202,542
2008	2,711	54,496,365	20	136,906
2009	2,801	56,806,690	23	156,548
2010	2,876	59,849,703	23	195,643
2011	2,970	63,126,784	21	179,342

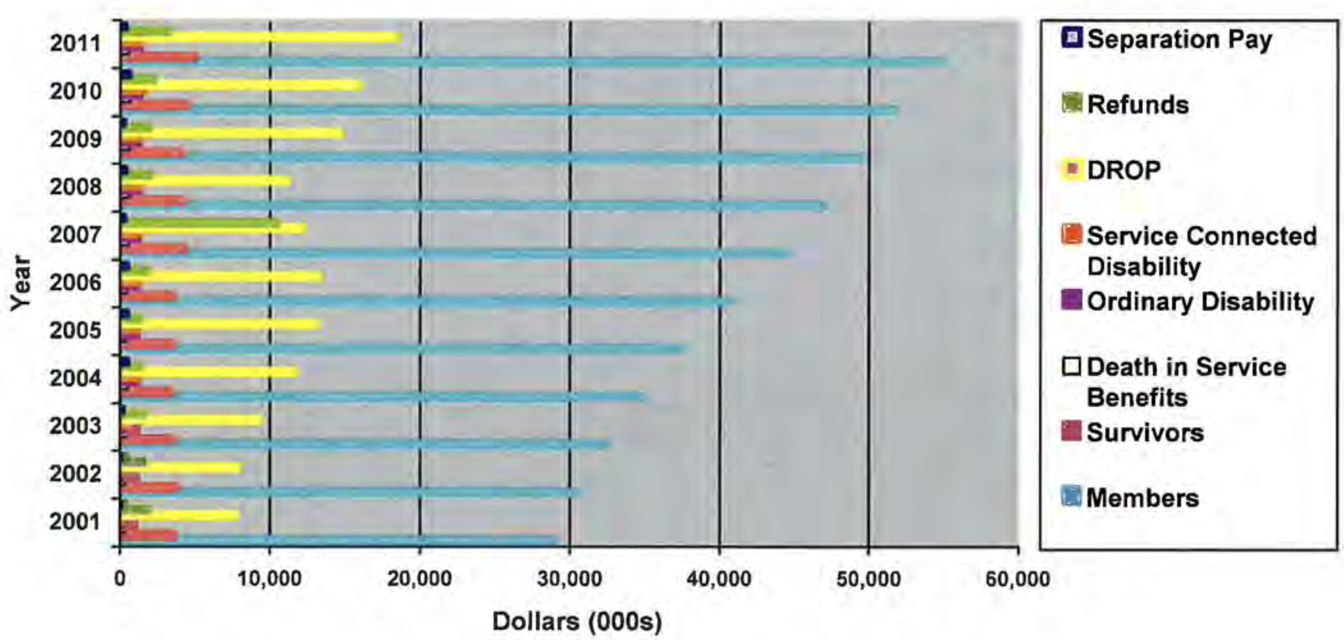
* Includes only retirees receiving monthly benefits from PGT.

NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

	CPERS		PGT	
Fiscal Year	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses
		$		$
2002	486	7,882,624	31	366,547
2003	520	9,305,178	32	727,756
2004	566	11,704,825	40	882,895
2005	645	13,139,478	54	2,045,762
2006	683	13,294,922	55	1,205,207
2007	772	12,252,218	66	1,009,996
2008	820	11,103,463	69	1,196,429
2009	895	14,650,958	69	1,350,644
2010	963	15,952,259	73	1,003,754
2011	983	18,354,844	78	1,171,784

SCHEDULE OF BENEFIT EXPENSES BY TYPE (CPERS)

	Service Benefits			Disability Benefits					
Year Ending	Members $	Survivors $	Death in Service Benefits $	Ordinary $	Service Connected $	DROP $	Refunds $	Separation Benefits $	Total $
2002	30,562,762	3,813,030	325,511	1,152,986	1,128,521	7,882,624	1,670,141	420,608	46,956,183
2003	32,606,340	3,573,038	452,365	1,187,346	1,218,810	9,305,178	1,681,537	218,298	50,242,912
2004	34,998,477	3,400,247	479,215	1,161,635	1,200,022	11,704,825	1,432,612	481,921	54,858,954
2005	37,624,671	3,530,787	416,203	1,166,417	1,244,639	13,139,478	1,462,779	469,930	59,054,904
2006	40,989,616	3,563,309	479,965	1,182,300	1,278,858	13,294,922	1,858,661	466,207	63,113,838
2007	44,615,779	4,294,423	529,944	1,268,931	1,328,362	12,252,218	10,507,501	277,739	75,074,897
2008	47,001,074	4,197,385	560,819	1,306,957	1,430,130	11,103,463	2,092,148	390,186	68,082,161
2009	49,453,836	4,066,816	577,864	1,286,099	1,422,075	14,650,958	2,016,840	264,263	73,738,751
2010	51,729,953	4,454,287	635,750	1,395,276	1,634,438	15,952,259	2,297,390	593,625	78,692,978
2011	54,839,755	4,957,864	518,070	1,367,049	1,444,046	18,354,844	3,304,186	371,022	85,156,836



AVERAGE MONTHLY SERVICE RETIREE BENEFIT (CPERS) *

Retirement Date		Years		of	Service		Credit	
		0-5	6-10	11-15	16-20	21-25	26-30	>30
2002	Avg. Monthly Benefit - $	850.98	871.70	993.70	1,434.57	2,527.85	2,991.54	0.00
	Avg. Final Average Salary - $	1,701.97	2,216.38	2,722.76	3,151.58	3,493.53	3,844.01	0.00
	Number of Retirees	3	8	14	7	64	22	0
2003	Avg. Monthly Benefit - $	926.16	1,016.17	1,465.53	1,706.54	2,261.76	3,197.90	5,215.26
	Avg. Final Average Salary - $	1,852.31	3,302.81	3,453.42	3,832.95	3,190.77	4,034.68	5,794.74
	Number of Retirees	2	6	8	8	58	24	1
2004	Avg. Monthly Benefit - $	1,611.89	809.29	1,123.58	1,723.81	2,742.79	3,014.85	0.00
	Avg. Final Average Salary - $	3,223.78	2,940.57	2,902.41	3,839.94	3,701.81	3,943.00	0.00
	Number of Retirees	1	8	12	10	72	35	0
2005	Avg. Monthly Benefit - $	884.10	748.71	952.19	1,419.70	2,748.10	3,183.44	0.00
	Avg. Final Average Salary - $	9,455.60	2,340.64	2,901.88	3,227.51	3,841.90	3,968.87	0.00
	Number of Retirees	1	17	32	22	80	41	0
2006	Avg. Monthly Benefit - $	0.00	683.76	1,101.62	1,329.48	2,451.22	3,676.65	0.00
	Avg. Final Average Salary - $	0.00	2,528.22	3,056.20	2,928.08	3,476.60	4,599.53	0.00
	Number of Retirees	0	12	16	18	75	34	0
2007	Avg. Monthly Benefit - $	1,315.24	771.71	966.65	1,488.95	2,663.42	3,539.33	2,774.38
	Avg. Final Average Salary - $	2,630.49	2,549.70	2,680.06	3,425.21	3,622.59	4,546.12	3,087.05
	Number of Retirees	1	20	23	18	62	48	2
2008	Avg. Monthly Benefit - $	0.00	783.48	1,016.27	1,448.35	2,633.26	3,379.46	0.00
	Avg. Final Average Salary - $	0.00	2,674.87	2,870.19	3,004.84	3,569.12	4,202.29	0.00
	Number of Retirees	0	15	28	11	36	26	0
2009	Avg. Monthly Benefit - $	809.90	770.58	1,311.42	1,385.63	2,796.54	3,216.72	0.00
	Avg. Final Average Salary - $	1,613.80	2,439.51	3,281.63	3,013.08	3,808.43	4,068.46	0.00
	Number of Retirees	1	13	24	14	40	42	0
2010	Avg. Monthly Benefit - $	1,211.09	0.00	922.01	1,824.21	2,758.81	3,827.58	0.00
	Avg. Final Average Salary - $	2,422.18	0.00	2,496.55	3,715.00	3,804.22	4,799.70	0.00
	Number of Retirees	2	0	24	15	37	59	0
2011	Avg. Monthly Benefit - $	0.00	860.54	1,210.84	1,617.64	3,073.10	3,604.76	0.00
	Avg. Final Average Salary - $	0.00	2,675.43	3,043.27	3,491.40	4,300.47	4,513.19	0.00
	Number of Retirees	0	12	19	15	42	38	0

* Includes service and disability retirees with effective retirement dates as shown. Does not include survivor or beneficiary annuitants.

NUMBER OF EXCESS BENEFIT PLAN PARTICIPANTS AND BENEFIT EXPENSES

	CPERS		PGT	
Fiscal Year	Excess Benefit Plan Participants	Benefit Expenses	Excess Benefit Plan Participants	Benefit Expenses
		$		
2002	5	33,968	N/A	N/A
2003	5	51,279	N/A	N/A
2004	4	43,913	N/A	N/A
2005	5	74,118	N/A	N/A
2006	5	77,924	N/A	N/A
2007	6	76,515	N/A	N/A
2008	5	66,176	N/A	N/A
2009	5	52,431	N/A	N/A
2010	7	95,741	N/A	N/A
2011	9	125,174	N/A	N/A

NUMBER OF REFUNDS OF CONTRIBUTIONS

	CPERS		PGT	
Fiscal Year	Number of Refunds	% Increase Each Year	Number of Refunds	% Increase Each Year
2002	232	0.87%	4	0.00%
2003	236	1.72%	5	25.00%
2004	237	0.42%	3	(40.00)%
2005	245	3.38%	4	33.33%
2006	262	6.94%	3	(25.00)%
2007	272	3.82%	2	(33.33)%
2008	259	(4.78)%	1	(50.00)%
2009	263	1.54%	2	100.00%
2010	259	(1.52)%	2	0.00%
2011	216	(16.60)%	0	(100.00)%

SCHEDULE OF CHANGES IN NET ASSETS (CPERS)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Assets
	$	$	$	$
2002	9,223,966	12,053,689	(62,739,109)	(41,461,454)
2003	9,063,451	14,531,806	157,622,501	181,217,758
2004	11,148,409	17,739,809	90,816,134	119,704,352
2005	12,597,356	20,637,086	75,536,830	108,771,272
2006	12,828,206	23,833,249	133,028,303	169,689,758
2007	13,724,573	25,221,447	42,508,100	81,454,120
2008	13,841,465	26,117,571	(294,455,535)	(254,496,499)
2009	14,716,581	27,150,202	169,456,489	211,323,272
2010	15,288,316	32,304,628	125,408,049	173,000,993
2011	14,742,541	35,793,135	(19,521,974)	31,013,702

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Assets	Total Changes in Net Assets
	$	$	$	$	$
2002	45,286,042	1,670,141	817,319	47,773,502	(89,234,956)
2003	48,561,375	1,681,537	954,294	51,197,206	130,020,552
2004	53,426,342	1,432,612	836,043	55,694,997	64,009,355
2005	57,592,125	1,462,779	878,515	59,933,419	48,837,853
2006	61,255,177	1,858,661	1,042,144	64,155,982	105,533,776
2007	64,567,396	*10,507,501	1,073,946	76,148,843	5,305,277
2008	65,990,013	2,092,148	1,095,697	69,177,858	(323,674,357)
2009	71,721,911	2,016,840	1,216,718	74,955,469	136,367,803
2010	76,395,588	2,297,390	1,390,779	80,083,757	92,917,236
2011	81,852,650	3,304,186	1,065,344	86,222,180	(55,208,478)

* Includes $8,161,037 for the transfer of 33 members to the Firefighter's Retirement System of Louisiana

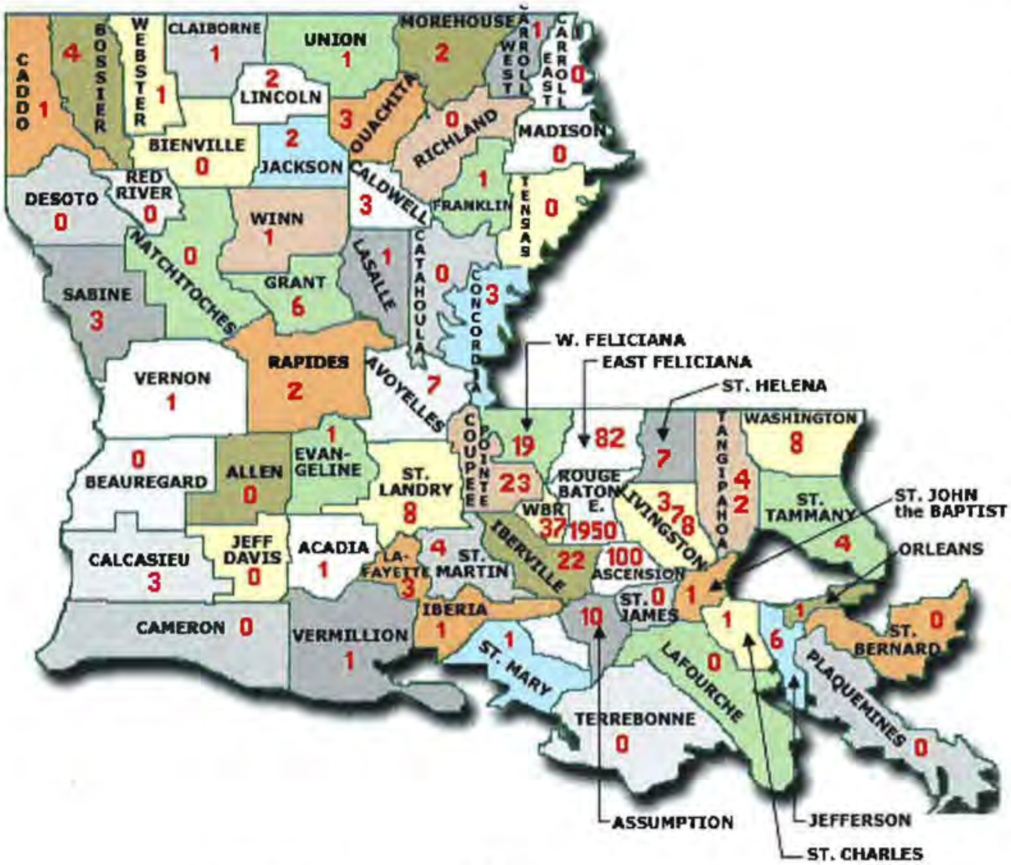
SCHEDULE OF CHANGES IN NET ASSETS (PGT)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Assets
	$	$	$	$
2002	43,427	55,955	(1,820,472)	(1,721,090)
2003	49,586	76,982	4,926,746	5,053,314
2004	55,315	83,317	3,097,500	3,236,132
2005	53,883	93,973	1,835,087	1,982,943
2006	62,990	125,314	3,904,125	4,092,429
2007	67,285	123,140	1,006,614	1,197,039
2008	65,944	127,087	(7,844,055)	(7,651,024)
2009	81,826	149,179	4,876,517	5,107,522
2010	78,048	250,114	2,664,831	2,992,993
2011	80,601	202,695	(384,890)	(101,594)

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Assets	Total Changes in Net Assets
	$	$	$	$	$
2002	531,005	600	258,758	790,363	(2,511,453)
2003	988,682	644	219,814	1,209,140	3,844,174
2004	1,134,928	1,097	200,810	1,336,835	1,899,297
2005	2,405,005	212	266,382	2,671,599	(688,656)
2006	1,562,831	3,137	230,070	1,796,038	2,296,391
2007	1,501,715	61	251,644	1,753,420	(556,381)
2008	1,596,636	432	263,376	1,860,444	(9,511,468)
2009	1,974,957	4,466	275,630	2,255,053	2,852,469
2010	1,440,121	2,352	279,264	1,721,737	1,271,256
2011	1,685,391	0	313,966	1,999,357	(2,100,951)

RETIREES AT DECEMBER 31, 2011

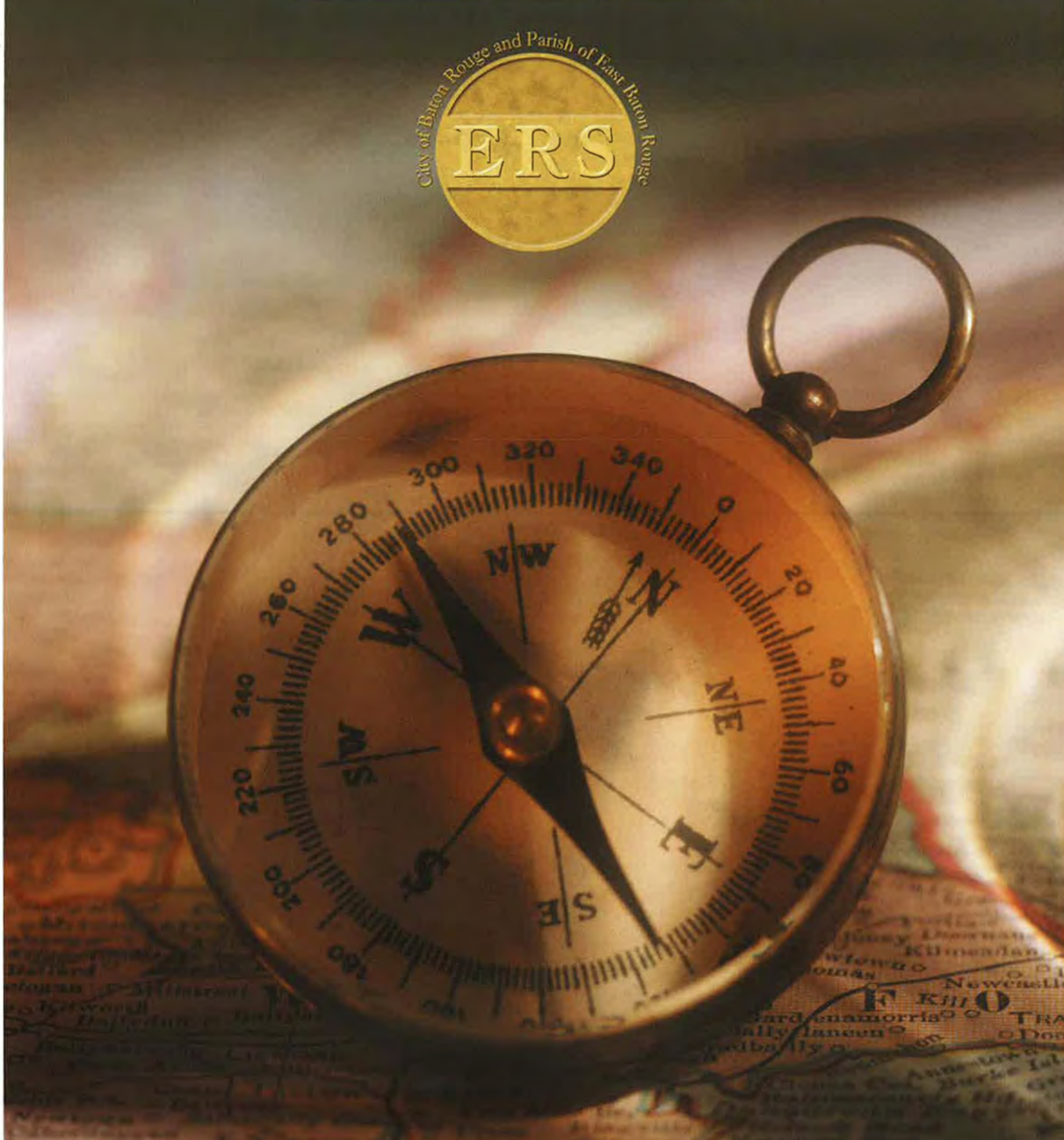
Louisiana Breakdown by Parish



LOUISIANA	**2,760**
OTHER STATES	**210**
TOTAL RETIREES	**2,970**

STATES	
ALABAMA	**7**
ARKANSAS	**8**
ARIZONA	**2**
CALIFORNIA	**3**
COLORADO	**4**
DIST. OF COLUMBIA	**1**
FLORIDA	**22**
GEORGIA	**3**
IDAHO	**1**
ILLINOIS	**2**
KANSAS	**1**
KENTUCKY	**4**
MAINE	**1**
MASSACHUSETTS	**1**
MARYLAND	**1**
MICHIGAN	**2**
MINNESOTA	**1**
MISSISSIPPI	**70**
MISSOURI	**9**
MONTANA	**1**
NEW MEXICO	**1**
N. CAROLINA	**1**
NEVADA	**1**
OHIO	**2**
OKLAHOMA	**5**
OREGON	**1**
SOUTH DAKOTA	**1**
TENNESSEE	**10**
TEXAS	**34**
UTAH	**4**
VIRGINIA	**2**
WASHINGTON	**2**
W. VIRGINIA	**1**
WYOMING	**1**

2011



Alternative Retirement Plans

City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, LA

CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS

DEFERRED RETIREMENT OPTION PLAN - (DROP)

The Deferred Retirement Option Plan became effective January 1, 1982, and was created essentially to provide a cost of living increase for retirees, which would be cost neutral to the System and the employer. It has undergone several structural changes over the years. The fundamental provisions of the DROP are as follows:

Eligibility

A member eligible for retirement may contractually, in lieu of immediate termination of employment and receipt of a service allowance retirement, continue employment for a specified period of time while deferring the receipt of retirement benefits. At the end of the contractually specified time, the employee terminates employment. Eligible members are considered those who (a.) have attained 25 years of creditable service and not more than 30 years of creditable service or (b.) have attained at least 10 years of service and are age 55 or older.

Participation

The member may participate in the DROP for a period not exceeding either 5 years or a number of years which, when added to the number of years of creditable service, equals 32. For members entering the DROP with less than 25 years of service, DROP participation is limited to 3 years. The ordinance provides for a member with interrupted service, while on the DROP, to resume participation if he has not received any distributions from his DROP account that were not based on his life expectancy.

For members electing to participate in the DROP after July 1, 1991, the member shall agree to terminate employment at the end of the DROP participation period or immediately receive a distribution, representing a lump-sum payment in the amount equal to the member's DROP account balance, without the addition of any interest amount, and the member's DROP account shall be terminated. Should a member choose to remain employed, no additional service credit or additional benefits shall be earned.

For members who transferred to the Municipal Police Employees' Retirement System, the total DROP participation in both systems combined cannot exceed 5 years. In some cases, the member may be required to enroll in one system's DROP for a period of time prior to enrolling in the other system's DROP. Rights in the CPERS and Police Guarantee Trust DROP are contractually guaranteed through the *Agreement and Guarantee of Retirement Rights and Benefits.*

Interest Rate

Each year a DROP interest rate is determined by the System's actuary and paid to members' accounts where applicable. The rate is an average of five (5) years of market rates of return, compounded quarterly, as measured by the System's investment consultant. The DROP interest rate credited to members' accounts is the percentage rate certified by the actuary less one annual percentage point (100 basis points).

Termination of Participation

For a member who terminates employment in accordance with the DROP contract terms, and thus becomes a retiree, an election can be made regarding the withdrawal of DROP account funds. The retiree can choose any of the following options:

1. a lump-sum distribution of the balance in the DROP account, provided he has not yet received his first regular pension payment.
2. a method of distribution based on life expectancy.
3. any other method of distribution approved by the Retirement Board of Trustees.

If the terminating member is age 55 or older (age 50 for public safety officers), any severance/separation pay must be rolled into his existing DROP account. For members less than 55 years of age (age 50 for public safety officers), the option is given to either roll the severance/separation pay into his DROP account or take receipt of it. The option to roll is not available to transferred police members.

Survivor Benefits

Essentially, a surviving spouse of a DROP participant retains the same rights for the account as the member had. The methods of withdrawal are basically the same also. For beneficiaries other than the spouse, the beneficiary receives a lump-sum payment equal to the member's individual account balance in the DROP account. If no beneficiary is named, the member's estate receives the lump-sum payment from the DROP account.

EXCESS BENEFIT PLAN

The Excess Benefit Plan was created as a separate, unfunded, non-qualified plan, and intended to be a qualified governmental excess benefit arrangement as defined in Section 415(m)(3) of the Internal Revenue Code.

A member whose benefit exceeds the maximum benefit allowed under Section 415 of the Code, is entitled to a monthly benefit under the excess benefit plan in an amount equal to the lesser of the member's unrestricted benefit less the maximum benefit, or the amount by which the member's monthly benefit from the pension plan has been reduced because of the limitations as provided for in section 1:272 of the Retirement Ordinance.

The Excess Benefit Plan is administered by the Retirement Board of Trustees who are assigned the same rights, duties, and responsibilities for this plan as for the pension plan. The System's actuary is responsible for determining the amount of benefits that may be provided under the pension plan solely because of the limitations of section 1:272 of the Retirement Ordinance and Section 415 of the Code. The actuary also determines the amount of contributions that will be made to the Excess Benefit Plan rather than to the pension plan.

Contributions may not be accumulated under the Excess Benefit Plan to pay future retirement benefits. Instead, each payment made by the employer is reduced by the amount determined by the System's actuary to be required as funding for the Excess Benefit Plan. Employer contributions made to fund the Excess Benefit Plan are not commingled with the monies of the pension plan or any other qualified plan. Also, this plan may never receive any transfer of assets from the pension plan.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Trustees
Employees' Retirement System of the
City of Baton Rouge and Parish of East Baton Rouge:

We have audited the financial statements of the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (the Retirement System), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

This report is intended solely for the information and use of the Board of Trustees of the Plan, the Retirement System's management, the City of Baton Rouge and Parish of East Baton Rouge's administration, and the Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 26, 2012

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EMPLOYEES' RETIREMENT SYSTEM OF THE
CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

• Material weakness (es) identified?	______ yes	__x__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes	__x__ none reported
Noncompliance material to financial statements noted?	______ yes	__x__ no

B. Findings – Financial Statement Audit

None noted.

EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

2010-1) Collateralization of Cash Balances

Criteria:	Louisiana Revised Statute 39:1225 requires governments to insure its deposit accounts with financial institutions from loss against custodial credit risk. Deposit account balances in excess of federal depository insurance must be protected from loss by the pledge of the institution's securities as collateral.
Condition:	At December 31, 2010, deposit balances in one financial institution were in excess of federal depository insurance not collateralized by pledged securities. The uncollateralized amount totaled $22,942,997.
Cause:	The Retirement System was in the process of transitioning securities from one money manager to another at year-end. As a result of internal policies of the newly hired money manager, the volume of securities being traded and the amount of cash involved, the funds were required to be temporarily held in a money market account with a financial institution. Such use of temporary bank deposit account is uncommon for the system. The system's administration and newly hired money manager therefore overlooked compliance with this statute.
Effect:	Albeit temporary, the cash balance in excess of depository insurance was exposed to custodial credit risk at year-end.
Recommendation:	Management should ensure all future deposit account balances in excess of federal depository insurance have the appropriate collateral to limit the exposure of custodial credit risk.

Management's Response and Planned Corrective Action:
The Condition cited above is accurate regarding uncollateralized funds of $22,942,997 at December 31, 2010. CPERS contracted to hire the investment manager in November 2010 and to fund them as soon as possible thereafter. The manager in question informed CPERS that the entire allocation could not be accepted in one amount because of new asset limitations they impose. Therefore it was necessary to fund the manager over several months. This manager was unique in that they required that funds be deposited in their custodian bank account in a cash holding account prior to them initiating the corresponding purchase of securities. The wired funds were held in a Money Market Deposit Account in CPERS' name in Northern Trust (which has carried a Standard & Poor's rating of AA- for over 20 years) from December 29, 2010 to the first day of 2011 when the manager drew down the funds to settle the purchases of securities. The funds accrued interest of $997.22 and were covered by the standard FDIC coverage of $250,000. There was no loss on this transaction. Although custodial credit risk was present at year end, CPERS would not have incurred a loss unless Northern Trust had been placed in receivership during the few days that they held CPERS' funds.

The manager has stated that this issue has never arisen with any of its clients, which include other public entities. Neither has CPERS ever encountered a situation in which funds being placed with an investment manager were held in a cash holding account prior to being released to the manager for settlement of the purchase of securities. Also unique was the inability to totally fund the investment manager in one lump sum.

Subsequent to discovery of the situation outlined above, CPERS conferred with the manager and explained the requirements of Louisiana state law regarding custodial credit risk. The manager understood the situation and was forthcoming in offering a solution. The manager proposed to utilize a security holding account rather than a cash holding account for future funding. This account would have securities pledged as collateral to secure CPERS' assets.

Updated Status: **Resolved.**

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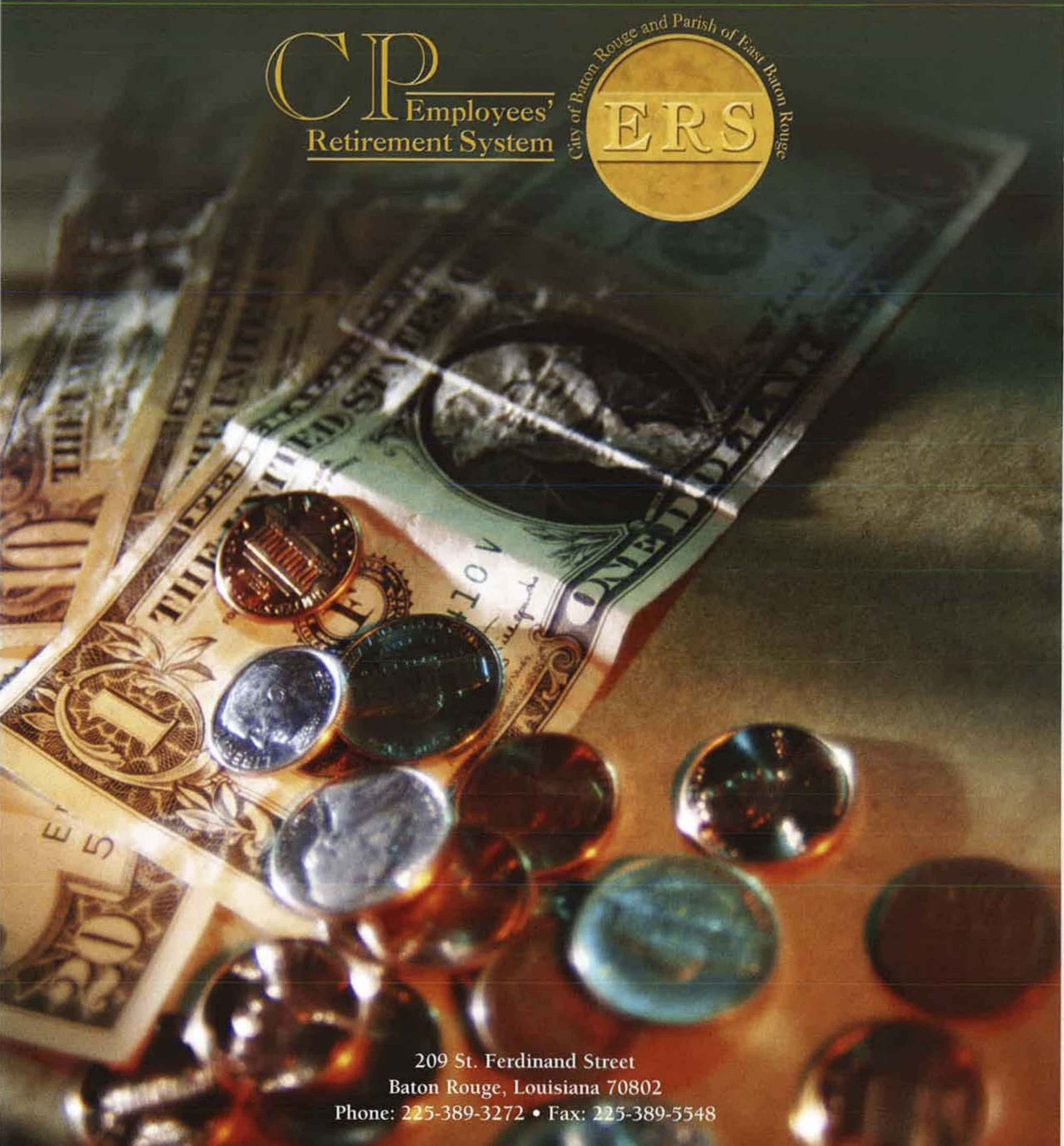
CP Employees' Retirement System

City of Baton Rouge and Parish of East Baton Rouge

ERS



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City of Baton Rouge and Parish of East Baton Rouge

EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge, Louisiana