

2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended December 31, 2012

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



**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, 2012**

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR

OFFICE LOCATION

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
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**PREPARED BY THE ADMINISTRATIVE AND
ACCOUNTING DIVISIONS OF THE EMPLOYEES'
RETIREMENT SYSTEM OF THE CITY OF BATON
ROUGE AND PARISH OF EAST BATON ROUGE**

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	5
2012 Retirement Board of Trustees	10
Administrative Staff.....	11
Professional Consultants	12
Organizational Chart.....	13
Certificate of Achievement	14
Summary of Legislative Changes	15
Plan Summary.....	16

FINANCIAL SECTION

Independent Auditors' Report.....	21
Management's Discussion & Analysis	23
Financial Statements:	
Statement of Fiduciary Net Position	30
Statement of Changes in Fiduciary Net Position	31
Notes to the Financial Statements	32
<u>Required Supplementary Information - Unaudited:</u>	
Schedules of Funding Progress	
CPERS Trust & Police Guarantee Trust	49
Schedules of Employer Contributions -	
CPERS Trust & Police Guarantee Trust	50
Notes to the Schedules of Trend Information -	
CPERS Trust.....	51
Police Guarantee Trust.....	52
<u>Supporting Schedules:</u>	
Schedules of Administrative Expenses	55
Schedules of Investment Expenses	56
Schedules of Payments to Consultants.....	57

INVESTMENT SECTION - UNAUDITED

Consultant's Report on Investment Activity	61
Statement of Investment Policies and Objectives	62
Investment Summary -	
CPERS Trust	68
Police Guarantee Trust	69
Charts - Asset Allocation	70
List of Investments -	
CPERS Trust & Police Guarantee Trust	71
Investment Performance Measurements	76
Annual Rates of Return.....	78
Schedules of Investment Fees.....	79
Schedule of Commissions Paid to Brokers	80

ACTUARIAL SECTION - UNAUDITED

CPERS Trust

Actuary's Certification Letter	83
Summary of Principal System Provisions.....	86
Summary of Actuarial Assumptions and Methods	89
Accrued Liability Analysis for 2013 and 2012.....	92
Annual Amortization of Unfunded Actuarial	
Accrued Liability	92
Determination of Unfunded Actuarial Accrued	
Liability.....	93

ACTUARIAL SECTION – UNAUDITED (CONT'D)

CPERS Trust (Cont'd)

Reconciliation of Unfunded Actuarial Accrued	
Liability	93
Summary of Actuarial Accrued Liabilities and	
Percentage Covered by Actuarial Value of	
Assets / Solvency Test.....	94
Analysis of Financial Experience	95
Active Membership Data.....	96
Schedule of Retirees and Beneficiaries Added.....	96
Total Membership Data.....	97
<u>Police Guarantee Trust</u>	
Actuary's Certification Letter.....	101
Summary of Principal System Provisions	104
Summary of Actuarial Assumptions and Methods.....	105
Summary of Actuarial Accrued Liabilities and	
Percentage Covered by Actuarial Value of	
Assets / Solvency Test.....	108
Active Membership Data.....	109
Schedule of Retirees and Beneficiaries Added.....	109
Total Membership Data.....	110

STATISTICAL SECTION - UNAUDITED

Data Sources, Assumptions & Methodologies	113
Number of Administrative Staff Positions	113
Schedule of Participating Employers for	
2012 & 2003	114
Number of Active Members	115
Number of Retirees, Beneficiaries, Vested	
Terminated, and Deferred Retirees	116
Schedule of Retired Members by Type of Benefit	117
Number of Retirees and Benefit Expenses	118
Number of Retired Deferred Retirement Option	
Plan Participants and Payments	118
Schedule of Benefit Expenses by Type	119
Average Monthly Service Retiree Benefit.....	120
Number of Excess Benefit Plan Participants and	
Benefit Expenses	121
Number of Refunds of Contributions	121
Schedule of Changes in Net Position (CPERS).....	122
Schedule of Changes in Net Position (PGT)	123
Map – Retirees at December 31, 2012.....	124

ALTERNATIVE RETIREMENT PLANS

Deferred Retirement Option Plan - DROP	127
Excess Benefit Plan	128
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	
<i>Government Auditing Standards</i>	129

2012



Introductory 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





Employees' Retirement System

City of Baton Rouge
Parish of East Baton Rouge

209 St. Ferdinand Street (70802)
Post Office Box 1471
Baton Rouge, Louisiana 70821

Phone: (225) 389-3272
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LETTER OF TRANSMITTAL

June 25, 2013

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, 2012. 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 2012 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, legislative changes, 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, Schedule of Investment Fees 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 data sources, assumptions and methodologies, 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 member employers 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*.

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 21. Part of this audit includes consideration of CPERS' internal control over financial reporting as expressed in 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* on page 129. 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

Similar to last year's commitment to investing in alternative assets, the CPERS Board made a 5 percent commitment of assets to private equity, with the first installment of \$20 million in the form of secondaries. This followed an extensive and thorough round of educational sessions with investment consultant, Summit Strategies Group, who had performed an asset/liability study showing that the system needed further diversification and exposure to alternative investments in order to meet its expected rate of return of 7.5 percent. Combined with last year's 5 percent allocation to hedge fund of funds, and the 5 percent real estate allocation, CPERS will soon have a 15 percent exposure to alternative assets. After careful analysis of several private equity managers, CPERS' Board hired Neuberger Berman to manage the allocation. Because of the accelerated return of capital with secondary funds, it is anticipated that the placing of capital may span four to five years before the 5 percent allocation is in place.

CPERS paid out its sixth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2012, although the individual amounts to retirees was scaled back to accommodate the funds that were available for payment. The aggregate amount paid to 2,091 retirees totaled \$1.2 million, and no recipient received less than \$450. 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' received a favorable determination letter from the Internal Revenue Service in 2012, regarding its status as a tax qualified fund which complies with the requirements established by the IRS. Qualification of the plan occurred in 1997 with a complete rewrite of the Retirement Ordinances to conform to qualified plan language.

Following a joint effort of CPERS' staff and Summit Strategies Group, the Board voted to change custody banks. A search was undertaken, using a Request For Proposal process, followed by due diligence visits to two custody bank finalists. Bank of New York/Mellon was hired, and assets were transitioned to them effective August 1, 2012. CPERS gained significant additional reporting and data viewing capabilities through BNY/Mellon's sophisticated online data system "Workbench".

Another important initiative was the Board's decision to contract with a software vendor to create a web-based information system that would allow CPERS' members to remotely access their DROP accounts. Velocity Squared, LLC (Baton Rouge) was hired to develop the system, which will also be available to the members through wireless remote devices. The application will allow members to review their DROP account balances, as well as a history of any and all account transactions. Data security is a priority. The application should be available to members by mid 2013.

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.

As can be expected, payments to retirees, survivors, and beneficiaries continue to increase, and in 2012 the System paid out \$66.4 million in regular monthly benefits compared to \$63.3 million in 2011; an increase of 5.0%. Distributions of \$25.9 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to \$19.5 million in 2011. This represented an increase of 32.9%. Combined, CPERS and PGT paid out \$92.4 million to eligible retirees, survivors, and beneficiaries during the year, exclusive of separation benefits. Compared to \$83.0 million paid out in 2011, total benefits paid increased by 11.3%.

The average monthly benefit of CPERS retirees continued to increase as both salaries and the number of retirements increased. For 2012, retirees drew an average monthly benefit of \$1,806, which represented an increase of 2.0% over the 2011 average of \$1,771. The average monthly withdrawal for DROP funds was \$1,947, a sharp increase of 25.1% from 2011's average of \$1,556. The DROP interest rate fell to .5 percent, which accounted for the higher than usual withdrawal rate from the DROP. DROP withdrawals include \$5.8 million in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2012, refunds were issued to 220 members who terminated employment and to beneficiaries of deceased members, compared to 216 issued during 2011. 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 154 members retired during 2012, which is an increase from the 137 who retired in 2011. A total of 108 members entered DROP during 2012 compared to 72 during 2011.

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 *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*, 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 an open 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 2012 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 25.71 percent produced 2012 General Fund and non-General Fund/Other Employer contribution rates of 23.15 percent and 28.56 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' 2012 gross investment performance of 13.86 percent easily exceeded the target investment performance of 7.5 percent. CPERS' target asset allocation was adjusted to allow 60 percent equities, 30 percent fixed income, and 5 percent each to real estate and hedge funds, 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, CPERS' funded ratio increased to 66.4 percent at December 31, 2012 compared to 62.3 percent at December 31, 2011. 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, CPERS' funded ratio decreased to 72.0 percent at December 31, 2012 compared to 72.2 percent at December 31, 2011.

For the Police Guarantee Trust, when comparing the market value of assets with the total actuarial liability, the funded ratio decreased to 60.2 percent at December 31, 2012, compared to 59.4 percent at December 31, 2011. When comparing the PGT actuarial value of assets with the total actuarial liability, the funded ratio decreased to 70.9% at December 31, 2012 from 73.1% at December 31, 2011. 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 49.

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 changed over to Bank of New York/Mellon in the BNY/Mellon Collective Trust Government Short Term Investment 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 described in the Statement of Investment Policies and Objectives as shown in summary on pages 62 through 67. 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 unconstrained fixed-income securities, real estate, short-term cash, and 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 68 through 70. During 2012, CPERS retained relationships with all of its

twelve investment managers, and was preparing to contract with a private equity secondaries 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 both are maintained separately. Investment return for CPERS' assets, gross of investment fees for 2012 was 13.86 percent with the three-year, and five-year returns being 9.0, and 3.0 percent respectively. A summary of the largest investment holdings can be found on pages 71 through 73.

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 2012 annual audit, the auditors were Postlethwaite & Netterville, Baton Rouge, Louisiana. Their opinion letter can be found in the Financial Section of this report.

AWARDS

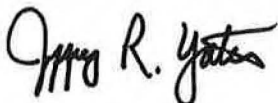
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2011. This was the fifteenth 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 2012 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 sixteenth 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 sixteenth consecutive year.



Jeffrey R. Yates, CPA
Retirement Administrator



Russell P. Smith, CPA
Retirement Financial Manager

**2012
RETIREMENT BOARD OF TRUSTEES**

Mark W. Gamble

Chairman & Regular Employees' Representative

Term: 5/15/10 - 5/14/14

Joseph R. Toups

Vice-Chairman & Metropolitan Council Representative

Term: 3/28/08 – 12/31/12

M. Brian Mayers

Metropolitan Council Representative

Term: 3/28/08 – 12/31/12

Linda T. Hunt

Regular Employees' Representative

Term: 1/1/12 – 12/31/15

Sergeant Chad M. King

Police Employees' Representative

Term: 3/1/12 – 2/29/16

Marsha J. Hanlon

Mayoral Representative

Term: Appointed By Mayor-President

Chief Richard W. Sullivan

Fire Employees' Representative

Term: 3/1/12 – 2/29/16

ADMINISTRATIVE STAFF

Jeffrey R. Yates, C.P.A.

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

Jeffrey Lagarde, C.P.A.

Senior Financial Analyst

Katherine Wesley

Financial Analyst

Marshall Reilly

Financial Analyst

Salli Withers

Senior Retirement Analyst

Ana Paula Justino-Isaac

Senior Retirement Analyst

Rebecca Delaughter

Retirement Analyst

PROFESSIONAL CONSULTANTS

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Atlanta, GA 30328

AUDITOR

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8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

INVESTMENT CONSULTANT

Summit Strategies Group
8182 Maryland Ave. – 6th Floor
St. Louis, MO 63105

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Baton Rouge, LA 70810

MEDICAL EXAMINER

D. J. Scimeca, Jr., M.D.
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Baton Rouge, LA 70884-3029

IT CONSULTANT

Relational Systems Consultants
102 Emily Circle
Lafayette, LA 70508

COST ANALYSIS CONSULTANT

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Wichita, KS 67212

CUSTODIAN BANK (at year end)

Bank of New York/Mellon
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Everett, MA 01249

FIXED INCOME

BlackRock
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San Francisco, CA 94105

Western Asset Management Company
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Pasadena, CA 91101

Pyramis Global Advisors
82 Devonshire Street
Boston, MA 02109

DOMESTIC EQUITY

BlackRock
400 Howard Street
San Francisco, CA 94105

INTECH

525 Okeechobee Blvd. Suite 1800
West Palm Beach, FL 33401

Roxbury Capital Management
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Portland, OR 97258

Dimensional Fund Advisors, Inc.
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Austin, TX 78746

INTERNATIONAL EQUITY

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Toronto, Ontario, Canada, M5H 3M7

Dimensional Fund Advisors, Inc. – Emerging Markets
6300 Bee Cave Road – Building One
Austin, TX 78746

Highclere International Investors
253 Bayberry Lane
Westport, CT 06880

Gryphon International Investment Corporation
20 Bay Street - Suite 1905
Toronto, Ontario, Canada M5J 2N8

City of London Investment Group, PLC
1125 Airport Road
Coatesville, PA 19320

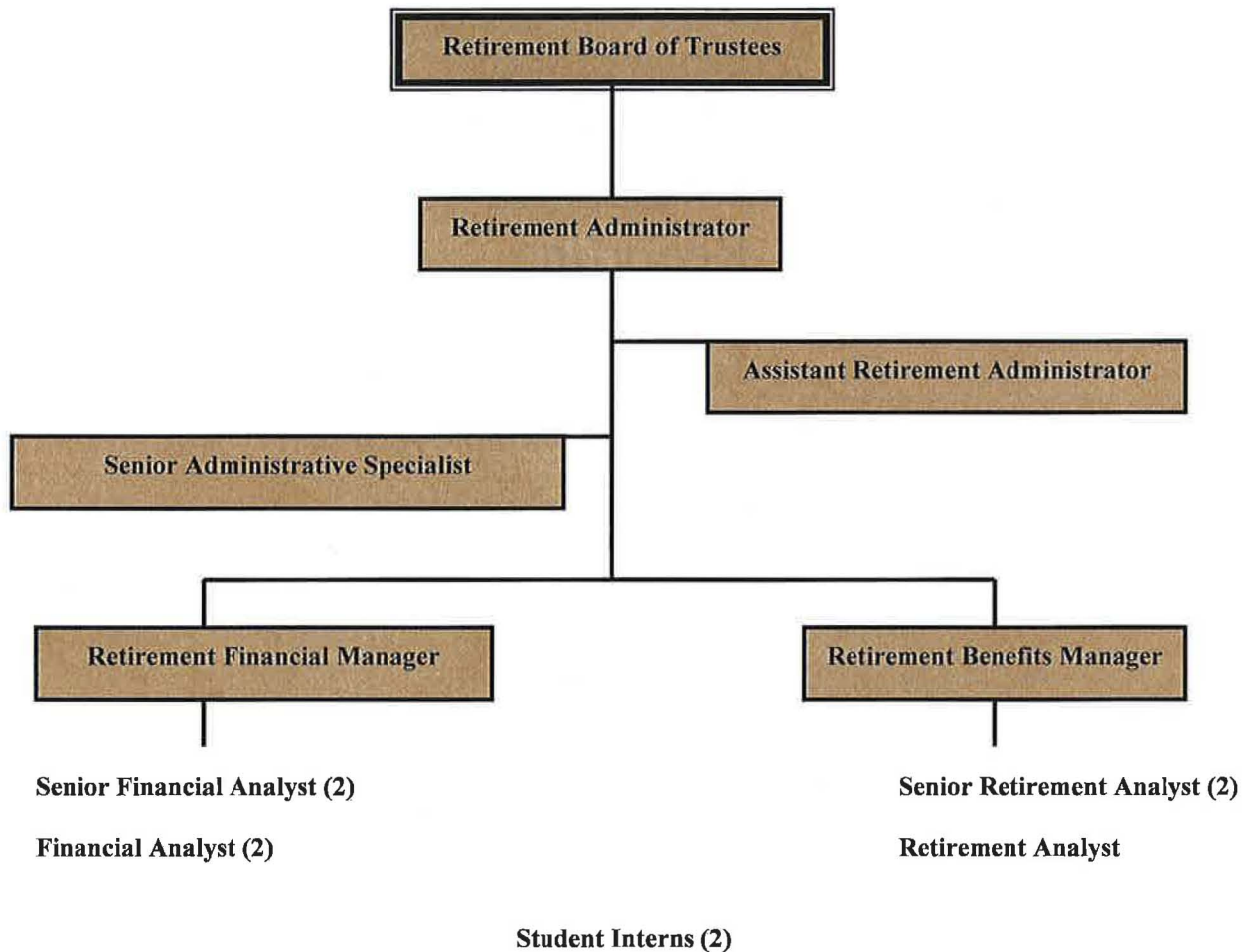
REAL ESTATE EQUITY

Clarion Partners
230 Park Avenue, 12th Floor
New York, NY 10169

HEDGE FUND OF FUNDS

Magnitude Capital LLC
301 Lexington Avenue 59th Floor
New York, NY 10022

**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 80 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, 2011

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.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

SUMMARY OF 2012 LOCAL LEGISLATIVE CHANGES

The following local legislation became law in 2012:

ORDINANCE 15383 – AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES' RETIREMENT SYSTEM), SUBPARTS 2 OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE, SO AS TO PROVIDE FOR QUALIFIED PLAN LANGUAGE REVISIONS AS REQUIRED BY THE INTERNAL REVENUE CODE.

On September 12, 2012, the Metropolitan Council approved Ordinance 15383 that amended the following sections:

Section 1:273 –Direct rollover of eligible rollover distributions. This part of the ordinance was amended to comply with a condition in the IRS favorable determination letter. The amendment covers a lump sum distribution that is eligible for rollover and exceeds \$1,000, the distribution must be sent to an Individual Retirement Account or Individual Retirement Annuity unless the distributee gives instructions to the contrary.

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.

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2012



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

Financial Section

CP
Employees'
Retirement System





A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
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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 financial statements 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 and for the year ended December 31, 2012, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2012 and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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.

Other Information

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 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 introductory section, the financial and explanative information in the investment section, the actuarial section, the statistical section and the Alternative Retirement Plan section have 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 them.

Prior-Year Comparative Information

We have previously audited the Retirement System's financial statements as of and for the year ended December 31, 2011, and we expressed an unmodified audit opinion on the combined statement of fiduciary net position and the combined statement of changes in fiduciary net position in our report dated June 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013 on our consideration of the Retirement System's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement System's internal control over financial reporting and compliance.

Postlethwaite + Nettenville

Baton Rouge, Louisiana
June 25, 2013



**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

- Thanks to a much needed upturn in the global investment markets, CPERS' assets held in trust for pension benefits rebounded by \$72.8 million, or 8 percent. Both domestic and international equity markets experienced remarkable growth, and because of CPERS' significant allocation to equities, a badly needed boost to asset market value was obtained. Investors began to show more favor toward international and emerging markets as European market fears were calmed. Once again, fixed income performed better than expected with a 7.4 percent return. Real estate also continued to perform well with another double digit year.
- The gross rate of return on the market value of the CPERS Trust's investments in 2012 was an impressive 13.86 percent, versus a gross return of -1.84 percent in 2011. The system also outperformed its Total Plan Policy Index by 124 basis points, ranking it in the 27th percentile when compared to its peers. All asset classes outperformed their respective benchmarks for the year.
- The amounts of retirement benefit payments continued to increase in 2012, and increased by 11.7 percent over 2011. Included in benefit payments was payment of the sixth consecutive Supplemental Benefit Payment of over \$1.2 million. Refunds and withdrawals were down by 17.6 percent as fewer members opted to seek employment outside of the System's member employers.
- The funded status of the CPERS Trust decreased slightly from 72.2 percent in 2011 to 72.0 percent in 2012, as measured in accordance with GASB 25/27. On a market value basis, the funded ratio actually increased from 62.3 percent in 2011 to 66.4 percent in 2012. The unfunded actuarial accrued liability increased \$10.3 million as the market value of assets continued to significantly trail the actuarial value of assets in spite of the excellent investment performance.

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 Fiduciary Net Position (formerly Statement of Plan Net Assets) – This statement reports the System's assets, liabilities, and resulting fiduciary net position. 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, 2012 and provides comparative combined totals at December 31, 2011.

Statement of Changes in Fiduciary Net Position (formerly Statement of Changes in Plan Net Assets) – This statement reports the results of operations during the calendar year 2012 with comparative combined totals for 2011, categorically disclosing the additions to and deductions from assets held in trust for pension benefits. The net increase in fiduciary position on this statement supports the change in fiduciary position on the Statement of

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary Net Position. 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.

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 general 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 former custodian bank. The program was discontinued effective August 1, 2012 when CPERS contracted with a different custodian bank.
- 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 assets held in trust for pension benefits at December 31, 2012 were \$982.3 million, which represented an increase of \$72.8 million, or 8.0 percent above the \$909.5 million held in trust at December 31, 2011.

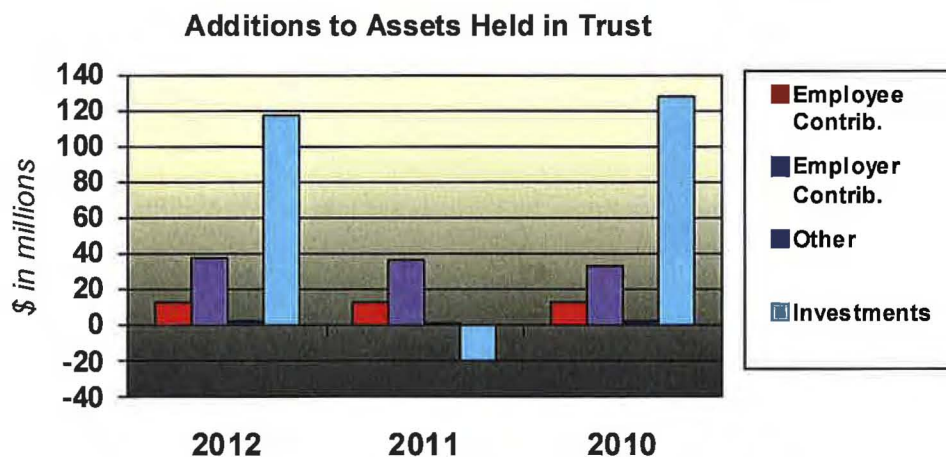
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2012	2011	2010	2012 Increase (Decrease)	2012 % Change
Cash	\$ 7,682,889	\$ 9,103,065	\$ 4,230,933	\$ (1,420,176)	(15.6) %
Receivables	17,895,146	11,484,588	36,075,380	6,410,558	55.8
Investments (fair value)	978,599,299	928,354,224	966,664,739	50,245,075	5.4
Securities Lending Collateral	--	4,849,990	4,848,773	(4,849,990)	(100.0)
Capital Assets	584,297	591,725	594,467	(7,428)	(1.3)
Total Assets	1,004,761,631	954,383,592	1,012,414,292	50,378,039	5.3
Total Liabilities	22,432,444	44,845,260	45,566,531	(22,412,816)	(50.0)
Total Assets Held in Trust	\$ 982,329,187	\$ 909,538,332	\$ 966,847,761	\$ 72,790,855	8.0 %

Additions to Assets Held in Trust for Pension Benefits

Additions to CPERS 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 2012 and 2011 increased by \$175 thousand as salaries moderately increased. Employer contributions increased nearly \$1.6 million as the required employer contribution rate again increased for 2012, as recommended by the System's actuary. The blended employer contribution rate for 2012 was 25.71% of payroll, while in 2011 the rate was set at 24.90%. Investment performance exceeded expectations, with performance in the high teens for domestic and international equity. In 2012, the System recognized a net investment gain of \$117.5 million, compared to net investment loss in 2011 of \$19.9 million. In total, 2012 additions to assets held in trust for pension benefits were \$170.3 million as compared to additions of \$30.9 million for 2011.



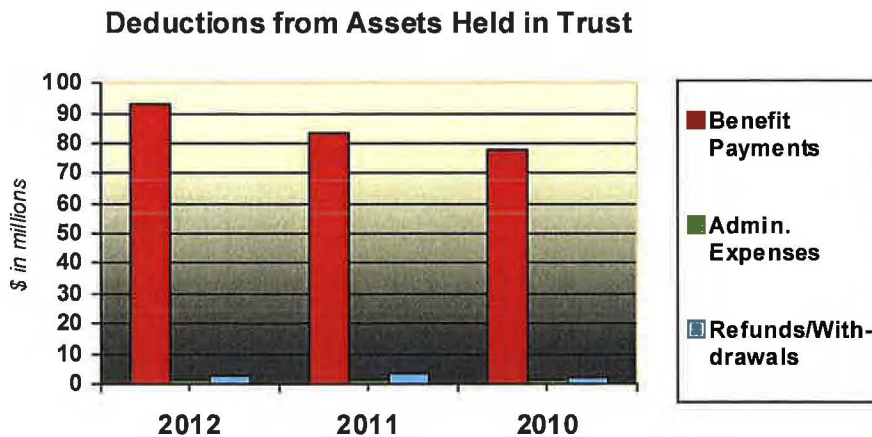
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Assets Held in Trust	2012	2011	2010	2012 % Change
Employee Contributions	\$ 13,485,599	\$ 13,310,441	\$ 13,430,397	1.3 %
Employer Contributions	37,560,437	35,995,830	32,554,742	4.3
Net Investment Income	117,401,893	(19,906,864)	128,072,880	689.8
Other	1,813,042	1,512,701	1,935,967	19.9
Total Additions	\$ 170,260,971	\$ 30,912,108	\$ 175,993,986	450.8 %

Deductions from Assets Held in Trust for Pension Benefits

Deductions from CPERS 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 2012, benefit payments to retirees, survivors, and beneficiaries totaled \$93.3 million, which represented an increase of 11.7 percent from the \$83.5 million paid out in 2011. 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 sixth consecutive Supplemental Benefit Payment of \$1.2 million to qualifying retirees. The 2012 administrative expenses increased to \$1.47 million from \$1.38 million in 2011 representing an increase of 6.3%. And finally, refunds and withdrawals of member contributions decreased by 17.6%, totaling \$2.7 million in 2012, as compared to \$3.3 million in 2011.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Assets Held in Trust	2012	2011	2010	2012 % Change
Benefit Payments	\$ 93,281,920	\$ 83,538,041	\$ 77,835,709	11.7 %
Refunds and Withdrawals	2,721,886	3,304,186	2,299,742	(17.6)
Administrative Expenses	1,466,310	1,379,310	1,670,043	6.3
Total Deductions	\$ 97,470,116	\$ 88,221,537	\$ 81,805,494	10.5 %

Change in Assets Held in Trust (Total Additions less Total Deductions)	2012	2011	2010	2012 % Change
	\$ 72,790,855	\$ (57,309,429)	\$ 94,188,492	227.0 %

Investments

The System's investments totaled \$978.6 million at December 31, 2012 as compared to \$928.4 million at December 31, 2011, which represented an increase of \$50.2 million or 5.4%. Equities in domestic and international markets led the charge with returns of over 17 percent across all capitalization levels. Domestic fixed income again performed strongly at 7.4%, and real estate also performed better than expected at 10.7%. The System ventured into more alternative investment strategies by funding a 5% allocation to hedge fund of funds. At year end the system had also made, but not yet funded, a \$20 million allocation to private equity secondaries. CPERS maintained its target asset allocation of 65% of investments in equities (including 5% hedge fund of funds) and 35% in fixed-income securities (including a 5% allotment to domestic real estate). Diversification of the portfolio is expected to mitigate, but not eliminate risk. CPERS' investment return of 13.86% exceeded the Total Fund Policy Index by 124 basis points and ranked the fund in the 27th percentile as compared to its peers. Investment expenses increased 13.2% as active managers outperformed their respective benchmarks and earned incentive fees. CPERS continues to further diversify the portfolio as a means to decrease the overall volatility of the portfolio and expects to continue funding private equity investments for the next several years. 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.

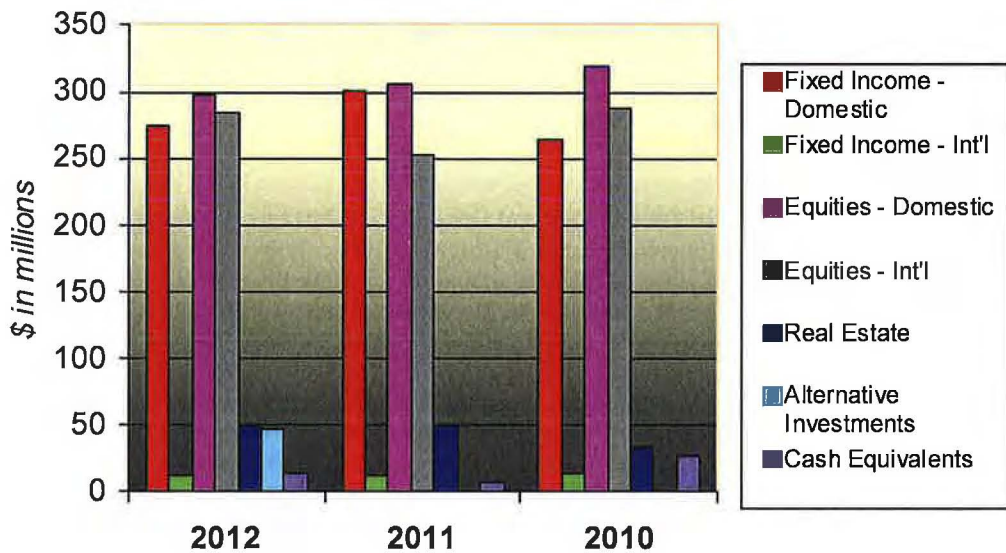
	2012 %	2011 %	2010 %
US Equity Composite	17.54	1.23	22.15
International Equity Composite	18.74	(15.88)	15.82
Fixed Income Composite	7.41	7.15	8.80
Real Estate Composite	10.66	18.70	19.16
Hedge Funds Composite (3 months)	2.06	--	--
Cash Composite	.02	.02	.30
Total Fund Composite	13.86	(1.84)	15.76

**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)



Investments (at Fair Value)	2012	2011	2010	2012 % Change
Fixed Income – Domestic	\$ 274,792,713	\$ 301,292,663	\$ 263,806,969	(8.8) %
Fixed Income – International	12,044,477	11,678,686	13,223,442	3.1
Equity securities – Domestic	297,064,812	305,198,630	318,641,169	(2.7)
Equity securities – International	284,723,168	251,981,586	286,732,637	13.0
Real Estate	49,812,847	50,832,752	33,823,882	(2.0)
Alternative investments	46,720,211	--	--	N/A
Cash equivalents	13,441,071	7,369,907	50,436,640	82.4
Total Investments	\$ 978,599,299	\$ 928,354,224	\$ 966,664,739	5.4 %

**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 FIDUCIARY NET POSITION AS OF DECEMBER 31, 2012
AND COMPARATIVE COMBINED TOTALS FOR 2011**

	CPERS Trust	Police Guarantee Trust	2012 Combined Total	2011 Combined Total
Assets				
Cash	\$ 7,257,988	\$ 424,901	\$ 7,682,889	\$ 9,103,065
Receivables:				
Employer contributions	3,777,439	20,456	3,797,895	3,608,380
Employee contributions	894,680	3,880	898,560	802,103
Interest and dividends	372,232	2	372,234	525,020
Pending trades	12,545,806	107,900	12,653,706	6,416,356
Other	172,751	-	172,751	132,729
Total receivables	<u>17,762,908</u>	<u>132,238</u>	<u>17,895,146</u>	<u>11,484,588</u>
Investments (at fair value):				
Fixed Income – Domestic	266,664,823	8,127,890	274,792,713	301,292,663
Fixed Income – International	11,406,220	638,257	12,044,477	11,678,686
Equities – Domestic	291,647,560	5,417,252	297,064,812	305,198,630
Equities – International	279,496,315	5,226,853	284,723,168	251,981,586
Real estate investments	49,812,847	-	49,812,847	50,832,752
Alternative investments	45,659,464	1,060,747	46,720,211	-
Cash equivalents	13,141,610	299,461	13,441,071	7,369,907
Total investments	<u>957,828,839</u>	<u>20,770,460</u>	<u>978,599,299</u>	<u>928,354,224</u>
Securities lending collateral:				
Short term securities - securities lending program	-	-	-	4,849,990
Total securities lending collateral	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,849,990</u>
Properties at cost, net of accumulated depreciation of \$718,907 and \$711,479, respectively				
	<u>584,297</u>	<u>-</u>	<u>584,297</u>	<u>591,725</u>
Total Assets	<u>983,434,032</u>	<u>21,327,599</u>	<u>1,004,761,631</u>	<u>954,383,592</u>
Liabilities				
Accrued expenses and benefits	1,075,152	256,857	1,332,009	983,953
Pending trades payable	21,100,435	-	21,100,435	39,011,317
Total accounts payable and other liabilities	<u>22,175,587</u>	<u>256,857</u>	<u>22,432,444</u>	<u>39,995,270</u>
Securities lending obligations:				
Obligations held under securities lending program	-	-	-	4,849,990
Total securities lending obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,849,990</u>
Total Liabilities	<u>22,175,587</u>	<u>256,857</u>	<u>22,432,444</u>	<u>44,845,260</u>
Assets held in trust for pension benefits	<u>\$ 961,258,445</u>	<u>\$21,070,742</u>	<u>\$ 982,329,187</u>	<u>\$ 909,538,332</u>
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 FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012 AND
COMPARATIVE COMBINED TOTALS FOR 2011**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2012 Combined Total</u>	<u>2011 Combined Total</u>
Additions:				
Contributions:				
Employee	\$ 13,392,719	\$ 92,880	\$ 13,485,599	\$ 13,310,441
Employer	37,321,809	238,628	37,560,437	35,995,830
Severance contributions from employee	1,813,042	-	1,813,042	1,512,701
Total contributions	<u>52,527,570</u>	<u>331,508</u>	<u>52,859,078</u>	<u>50,818,972</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments	117,710,071	2,569,083	120,279,154	(18,152,554)
Interest	2,427,894	1,520	2,429,414	2,895,725
Dividends	186,715	-	186,715	129,199
	<u>120,324,680</u>	<u>2,570,603</u>	<u>122,895,283</u>	<u>(15,127,630)</u>
Less investment expenses	5,277,261	142,815	5,420,076	4,788,273
Net investment income (loss) before securities lending	<u>115,047,419</u>	<u>2,427,788</u>	<u>117,475,207</u>	<u>(19,915,903)</u>
Securities lending income:				
Income from securities lending activities	(69,523)	-	(69,523)	15,101
Less borrower rebates/fees and related expenses	3,791	-	3,791	6,062
Net securities lending income	<u>(73,314)</u>	<u>-</u>	<u>(73,314)</u>	<u>9,039</u>
Net investment income (loss)	<u>114,974,105</u>	<u>2,427,788</u>	<u>117,401,893</u>	<u>(19,906,864)</u>
Total additions	<u>167,501,675</u>	<u>2,759,296</u>	<u>170,260,971</u>	<u>30,912,108</u>
Deductions:				
Benefit payments	90,611,422	2,670,498	93,281,920	83,538,041
Refunds and withdrawals	2,721,886	-	2,721,886	3,304,186
Administrative expenses	1,137,201	329,109	1,466,310	1,379,310
Total deductions	<u>94,470,509</u>	<u>2,999,607</u>	<u>97,470,116</u>	<u>88,221,537</u>
Net increase (decrease)	73,031,166	(240,311)	72,790,855	(57,309,429)
Assets held in trust for pension benefits:				
Beginning of year	<u>888,227,279</u>	<u>21,311,053</u>	<u>909,538,332</u>	<u>966,847,761</u>
End of year	<u>\$961,258,445</u>	<u>\$21,070,742</u>	<u>\$982,329,187</u>	<u>\$909,538,332</u>

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, 2012 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.

For 2012 reporting and financial statement presentation, the System implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), 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 as amended by GASB 61.

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. As required under the City-Parish Ordinances, 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 2012 and 2011, 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, 2012 and 2011, membership in the Retirement System (CPERS trust only) consisted of:

	<u>2012</u>	<u>2011</u>
Inactive:		
Retirees and beneficiaries currently receiving benefits	3,058	2,970
Vested terminated employees	39	43
Deferred retirees	<u>304</u>	<u>304</u>
Total inactive	<u>3,401</u>	<u>3,317</u>
Active:		
Fully vested	1,433	1,408
Nonvested	<u>1,793</u>	<u>1,837</u>
Total active	<u>3,226</u>	<u>3,245</u>
Total Membership	<u>6,627</u>	<u>6,562</u>

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

NOTES TO THE FINANCIAL STATEMENTS

(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, 2012		Active		Total Active
	Inactive		Vested	Nonvested	
Regular	2,223		960	1,316	2,276
BREC	156		126	281	407
Police	352		32	0	32
Fire	<u>670</u>		<u>315</u>	<u>196</u>	<u>511</u>
	<u>3,401</u>		<u>1,433</u>	<u>1,793</u>	<u>3,226</u>

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

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
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

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 the assets held in trust. The amounts of DROP deposits held in the original CPERS trust DROP accounts and the PGT DROP accounts respectively as of December 31, 2012 were \$173,062,660 and \$18,042,609. For December 31, 2011, the DROP accounts for the CPERS and PGT trusts totaled \$180,674,182 and \$17,994.52 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2012 totaled 1,347 and 158. For December 31, 2011, 1,319 and 153 members maintained DROP accounts in the two trusts respectively.

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

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 2012 and 2011, 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 2012 and 2011, the City General Fund employer rates were 23.15% and 22.45% while the non-general fund and other employer rates were 28.56% and 27.66%. 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 2012, with combined totals for 2011 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 assets held in trust for pension benefits 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 \$7,428 and \$7,011 for years ended December 31, 2012 and December 31, 2011 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 financial statements.

Standard & Poor's rates investment grade debt securities, using AAA, AA, A, and BBB. Securities with these ratings are considered "financially secure". For non-investment grade debt 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 (equivalent to AA+) 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 AA+ 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, Bank of New York/Mellon, Everett, MA, or its intermediaries in the System's name. The System hired BNY/Mellon as custodian bank effective August 1, 2012 to replace JPMorgan. The System utilizes a Short Term Investment Fund (STIF) administered by the custodian bank, BNY/Mellon, in which all uninvested cash balances of CPERS and its full discretionary investment managers are automatically swept by the custodian into the BNY/Mellon Collective Trust Government Short Term Investment 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

B. Cash and Cash Equivalents, Continued

At December 31, 2012, the carrying amount of the Retirement System's demand deposit accounts classified as cash, was \$7,682,889 and the bank balance was \$7,871,636, of which \$250,000 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, BNY/Mellon, in a custodial account in the Retirement System's name. At December 31, 2011, the carrying amount of the Retirement System's cash book balance was \$9,103,065 and the bank balance was \$9,623,773, of which \$277,251 was covered by Federal Depository insurance and the remainder by securities held by the System's agent, JPMorgan Chase, in a custodial account in the Retirement System's name.

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), Equity Real Estate, and 144a Securities

Fixed Income Investments – Bonds (Treasury, Corporate, Yankee), Mortgage-Backed Securities (CMO and CMB), Asset-Backed Securities, Trust Preferred Securities, Medium Term Notes, and 144a Securities

Real Assets, Private Markets, Hedge Funds

The Retirement System may authorize an agent to participate in securities lending transactions on its behalf. Investments 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, 2012 the Retirement Board had committed, but not funded, a 5 percent allocation to a Private Equity Secondaries fund, which falls in the category of Private Markets.

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 assets held in trust 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

D. Investments, Continued

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 2012 and 2011, final oversight of investments and investment performance for both the original CPERS trust and the PGT remains with the Board.

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 Fiduciary Net Position.

The fair values of the Retirement System's investments as of December 31, 2012 and December 31, 2011 are shown in the table below:

Investment Type	Fair Value @ 12/31/2012	Fair Value @ 12/31/2011
Asset Backed Securities	\$ 6,043,920	\$ 3,102,513
Corporate Bonds/Notes – Domestic	17,424,762	20,665,907
Domestic Equities - Active Separate Accounts	30,091,762	28,130,878
Domestic Equities – Pooled Funds	266,973,050	277,067,752
Domestic Fixed Income – Pooled Funds	134,327,073	129,441,911
Emerging Markets Equities	91,497,826	82,514,184
Equity Real Estate Fund	49,812,847	50,832,752
Hedge Fund of Funds	46,720,211	--
International Fixed Income	12,044,477	11,678,686
International Equity - Pooled Funds	193,225,342	169,467,402
Mortgage Backed Securities	37,931,441	65,262,670
Short-Term Investment Fund/Cash Equivalents	13,441,071	7,369,907
United States Government Agencies	2,679,155	7,699,707
United States Treasury Bonds	27,794,520	29,273,293
United States Treasury Inflation-Protected Securities	48,591,842	50,696,652
Total	\$ 978,599,299	\$ 933,204,214

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.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

E. Custodial Credit Risk, Continued

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, 2012, and December 31, 2011.

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, 2012 and December 31, 2011 for fixed-income securities held in trust at the custodian bank.

S&P/Moody Rating	Fair Value @ 12/31/2012	2012 %	Fair Value @ 12/31/2011	2011 %
Government (AA+)	\$ 33,146,887	36.1%	\$ 33,872,122	26.9%
Agency (AA+)	25,538,871	27.8	60,394,643	47.9
AAA	4,928,801	5.4	3,660,686	2.9
AA	9,357,909	10.2	5,115,829	4.1
A	8,997,391	9.8	9,594,957	7.6
BBB	9,105,620	9.9	12,849,719	0.2
BB	746,937	0.8	33,602	0.0
B	50,791	0.0	--	--
CCC	--	0.0	396,723	0.3
D	--	0.0	85,779	0.1
NR (not rated)	591	0.0	30	0.0
Total	\$ 91,873,798	100.0%	\$ 126,004,090	100.0%

The table above does not include the System's 2012 and 2011 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 on the following page.

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

F. Credit Risk, Continued

Pooled Funds	Fair Value @ 12/31/2012	Rating	Fair Value @ 12/31/2011	Rating
Core-Plus	\$ 74,720,511	A+	\$ 72,551,648	A+
Absolute Return	\$ 71,651,039	A+	\$ 68,568,949	A
TIPS	\$ 48,591,842	AA+	\$ 50,696,652	AA+

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, 2012 and 2011 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, 2012 and December 31, 2011.

December 31, 2012

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1	1 - 5	5 - 10	> 10
US Treasuries	\$ 27,794,520	\$ --	\$ 17,712,493	\$ 3,425,098	\$ 6,656,929
US Gov't Agencies	2,679,155	--	865,872	1,232,651	580,632
Mortgage Backed Sec.	37,931,441	33,234	--	200,813	37,697,394
Corp. Bonds/Notes	17,424,762	--	8,579,467	5,608,464	3,236,831
Asset Backed Sec.	6,043,920	--	3,132,208	2,066,074	845,638
Total	\$ 91,873,798	\$ 33,234	\$ 30,290,040	\$ 12,533,100	\$ 49,017,424

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

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

NOTES TO THE FINANCIAL STATEMENTS

(3) CASH AND INVESTMENTS, CONTINUED

H. Interest Rate Risk, Continued

The tables on the prior page do not include the System's 2012 and 2011 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 @ 12/31/2012	Average Duration	Fair Value @ 12/31/2011	Average Duration
Core-Plus	\$ 74,720,511	4.66 years	\$ 72,551,648	4.76 years
Absolute Return	\$ 71,651,039	2.09 years	\$ 68,568,949	1.35 years
TIPS	\$ 48,591,842	7.95 years	\$ 50,696,652	8.05 years

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, 2012 and December 31, 2011, CPERS had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

(4) SECURITIES LENDING PROGRAM

CPERS effectively ended its securities lending program on August 1, 2012, by changing its custodian bank from JPMorgan to Bank of New York/Mellon. Because the System maintains only two separate accounts, for which the custodian has actual custody of the assets, the pool of lendable assets is prohibitively small. BNY/Mellon's policy for securities lending sets minimum charges, which made the continuation of that activity financially not feasible. Furthermore, BNY/Mellon's lending policy prohibited it from combining CPERS' lendable assets with other clients' lendable assets in order to exceed the minimums.

Securities lending activity continued in 2012 until August 1st when JPMorgan's contract was effectively terminated. In order to exit the relationship, CPERS was required to purchase its pro-rata share of the Liquidating Fund, created by JPMorgan to contain non-performing or illiquid securities that had defaulted on the original obligation. The purchase consisted of six fixed rate or floating rate securities at a cost of \$102,521. These securities were transferred in-kind to BNY/Mellon as part of the entire transition of assets from JPMorgan to BNY/Mellon on August 1, 2012.

During 2011 and until the termination date, JPMorgan/Chase Bank was authorized 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 required 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.

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

NOTES TO THE FINANCIAL STATEMENTS

(4) SECURITIES LENDING PROGRAM, CONTINUED

In the event of a failure or default on the part of a borrower, JPMorgan agreed to provide indemnity for the market value of the loaned securities on behalf of the System. There were no new defaulting securities through August 1, 2012. 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 was comprised of securities that continued to be traded and experienced no or little illiquidity. The great majority of CPERS' holdings were traded from this fund, and the investments of any new securities lending clients were 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 were predominantly asset-backed securities and debt of various insurance providers. A large percentage of these obligations had matured and paid the face amount to the holders. The others continued to pay down principal and interest, but maturity dates were regularly extended beyond the original expected maturity dates at the time of issuance. When investments in this fund matured, the proceeds became part of the Active fund. The Liquidating Fund contains the non-performing or illiquid securities that had defaulted on the original obligation.

At December 31, 2011 the System had no credit risk exposure to borrowers because the bank provided indemnity against borrower default. The collateral held on that date was valued at \$4,849,990, and the market value of the securities on loan was \$4,760,655. The cash portion of the collateral was reflected in the 2011 column of the Statement of Fiduciary Net Position.

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

Security Type	Fair Value of Securities Loaned at 12/31/2012	Fair Value of Collateral Held at 12/31/2012	Fair Value of Securities Loaned at 12/31/2011	Fair Value of Collateral Held at 12/31/2011
Corporate Bonds	\$ N/A	\$ N/A	\$ 786,637	\$ 801,675
US Agencies	N/A	N/A	186,919	189,884
US Treasuries	N/A	N/A	3,787,099	3,858,431
Total	\$ N/A	\$ N/A	\$ 4,760,655	\$ 4,849,990

(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)
12/31/11	\$1,027,953,907	\$1,423,218,176	\$ 395,264,269	72.2%	\$ 136,781,288	289.0%
12/31/12	\$1,041,229,857	\$1,446,809,462	\$ 405,579,605	72.0%	\$ 137,426,654	295.1%

**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

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, 2012 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

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)
12/31/11	\$ 26,206,315	\$ 35,864,985	\$ 9,658,670	73.1%	\$ 15,966,923	60.5%
12/31/12	\$ 24,810,218	\$ 34,992,004	\$ 10,181,786	70.9%	\$ 15,428,420	66.0%

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. 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.

**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 – PGT, CONTINUED

Additional information as of the December 31, 2012 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.

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2012



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

Required Supplementary Information

CP
Employees'
Retirement System



**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)
12/31/03	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%
12/31/12	1,041,229,857	1,446,809,462	405,579,605	72.0%	137,426,654	295.1%

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)
12/31/03	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%
12/31/12	24,810,218	34,992,004	10,181,786	70.9%	15,428,420	66.0%

*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

<u>Year Ended</u>	<u>Annual Required Contribution</u> \$	<u>Percentage Contributed</u>
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%
12/31/12**	36,777,168	106%

*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

<u>Year Ended</u>	<u>Annual Required Contribution</u> \$	<u>Percentage Contributed</u>
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%
12/31/12	2,225,478	11%

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, 2012
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, 2012
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%

2012



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



**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2012 Combined Total</u>	<u>2011 Combined Total</u>
Salaries:				
Salaries - regular	\$ 551,280	\$ 137,820	\$ 689,100	\$ 693,841
Other compensation – severance pay	4,026	1,007	5,033	17,406
Other compensation – student interns	18,324	4,581	22,905	19,040
Other compensation – auto allowance	3,855	964	4,819	4,800
Related benefits	255,742	63,935	319,677	288,329
Total salaries	<u>833,227</u>	<u>208,307</u>	<u>1,041,534</u>	<u>1,023,416</u>
Travel and training expenses	<u>18,830</u>	<u>4,707</u>	<u>23,537</u>	<u>16,395</u>
Operating services:				
Dues and memberships	3,183	796	3,979	4,600
Utilities	9,336	2,334	11,670	13,870
Custodial and extermination	12,359	3,090	15,449	17,899
Printing and binding	9,242	2,311	11,553	9,032
Telephone	5,383	1,345	6,728	6,447
Postage	19,202	4,801	24,003	23,920
Insurance	13,492	3,373	16,865	16,786
Rentals – office equipment	3,869	967	4,836	3,747
Repairs and maintenance - buildings	38,101	9,462	47,563	10,485
Repairs and maintenance - office equipment	7,119	1,830	8,949	12,136
Total operating services	<u>121,286</u>	<u>30,309</u>	<u>151,595</u>	<u>118,922</u>
Supplies	<u>10,730</u>	<u>2,683</u>	<u>13,413</u>	<u>16,123</u>
Professional services:				
Accounting and auditing	19,200	4,800	24,000	23,000
Legal	74,547	50,625	125,172	89,101
Actuarial	44,203	15,093	59,296	64,438
Other professional	50,340	12,585	62,925	95,562
Total professional services	<u>188,290</u>	<u>83,103</u>	<u>271,393</u>	<u>272,101</u>
Depreciation expense	<u>7,428</u>	<u>--</u>	<u>7,428</u>	<u>7,011</u>
Capital outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other expenses (revenues)	<u>(42,590)</u>	<u>--</u>	<u>(42,590)</u>	<u>(74,658)</u>
Total administrative expenses	<u>\$ 1,137,201</u>	<u>\$ 329,109</u>	<u>\$ 1,466,310</u>	<u>\$ 1,379,310</u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2012 Combined Total</u>	<u>2011 Combined Total</u>
Fixed income:				
Fixed Income - Domestic	\$ 649,309	\$ 30,200	\$ 679,509	\$ 684,441
Fixed Income - International	54,728	3,171	57,899	57,041
Real Estate Investments	465,645	--	465,645	437,235
Total fixed income	<u>1,169,682</u>	<u>33,371</u>	<u>1,203,053</u>	<u>1,178,717</u>
Equity Securities				
Equities - Domestic	901,165	10,376	911,541	962,928
Equities - International	2,282,229	47,260	2,329,489	2,425,031
Total equity securities	<u>3,183,394</u>	<u>57,636</u>	<u>3,241,030</u>	<u>3,387,959</u>
Alternative Investments				
Hedge Fund of Funds	724,835	17,115	741,950	--
Custodian fees	87,350	6,693	94,043	81,597
Advisor fees	112,000	28,000	140,000	140,000
Total investment expenses	<u>\$ 5,277,261</u>	<u>\$ 142,815</u>	<u>\$ 5,420,076</u>	<u>\$ 4,788,273</u>

See accompanying independent auditors' report.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2012 Combined Total</u>	<u>2011 Combined Total</u>
Accounting and Auditing	\$ 19,200	\$ 4,800	\$ 24,000	\$ 23,000
Auditors - Postlethwaite & Netterville				
Legal	74,547	50,625	125,172	89,101
Legal Counsel - Akers & Wisbar LLC				
Klausner & Kaufman				
Strasburger & Price LLC				
Weiler & Reese LLC				
Actuarial	44,203	15,093	59,296	64,438
Actuary - Nyhart				
Other Professionals:	50,340	12,585	62,925	95,562
Medical Examiner - D. J. Scimeca, Jr., M.D.				
Computer Consultant - Relational Systems Consultants				
Architectural Services - Cress & Lopresto Architects LLC				
 Total	\$ <u>188,290</u>	\$ <u>83,103</u>	\$ <u>271,393</u>	\$ <u>272,101</u>

A schedule of brokerage commissions paid is shown on page 80.

See accompanying independent auditors' report.

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2012



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

Investment Section

CP
Employees'
Retirement System





Summit Strategies Group

May 31, 2013

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

There were plenty of things going on around the world in 2012. The global economy struggled. European governments cut spending to try to reign in their debt crisis. As in Europe, growth in India and China slowed as well. Party leadership changed hands in China, and Kim Jong-un spent his first full year as the leader of North Korea. In the Middle East, the new governments that came about after the Arab Spring worked to maintain power while in Syria, the aftermath escalated into a full-blown civil war. Tensions mounted between the West and Iran over the latter's nuclear plans. Domestically, the United States economy grew very slowly, and concerns about the 'fiscal cliff' weighed heavily on investors' minds heading into the end of the year.

After all that, the S&P 500 finished the year with a return of 16.0%. Small Cap Stocks, represented by the Russell 2000 Index, were up 16.3%. On the non-U.S. side, stocks in the EAFE (Europe, Asia and Far East) Index (Net) turned in a 17.3% return for the year, while Emerging Markets were up even more with an 18.2% return. In the bond and credit markets, the Barclays Aggregate Index earned a 4.2% return, while High Yield bonds returned 15.8%. US Treasuries generated a modest 2.0% return, in comparison. Markets have been in a "risk on/risk off" mode for some time now, meaning investors either have an appetite for risky assets (stocks), or they don't, and invest in safer assets (bonds). Clearly, the appetite for risk in 2012 was strong in spite of all the turmoil.

On December 31, 2012, the CPERS portfolio had a market value of \$947.8 million. Assets in the Police Guarantee Trust totaled \$20.6 million. For the 12-month period, CPERS returned 13.9% and outperformed its Policy Index. For the trailing three years the fund was up 9.0%, and over the last five years the fund generated 3.0%. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns of 12.9% and 8.1%, respectively. For the five-year period, the PGT earned 3.2%. These calculations were prepared using a time-weighted rate of return based on market values at December 31, 2012. 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 few 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, and these are consistent as well: high unemployment, concerns about European sovereign debt, and 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.

We are proud to serve the members, their beneficiaries, and the Board of Trustees of the Retirement System. On behalf of all of us at Summit Strategies Group, we sincerely appreciate your continued trust and support.

Sincerely,

Mark A. Caplinger, CFA
Senior Vice President

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

Introduction

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.

Investment Goals and 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	50%	55%	60%
US		27.5%	
Non-US		27.5%	
Private Markets	0%	5%	10%
Public Fixed Income	25%	30%	35%
Hedge Funds	0%	5%	10%
Real Estate	0%	5%	10%

Rebalancing

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

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 program is maintaining its disciplines and meeting expectations.

The performance of the Total Fund will be measured against an appropriate policy index, based on the fund's asset allocation targets for liquid and/or marketable investments.

Asset Class	Target Allocation	Index
US Equities	27.5%	Russell 3000
Non-US Equities	27.5%	MSCI ACWI ex-US
Private Markets	5%	Peer group comparisons where appropriate
Public Fixed Income	30%	Barclays US Aggregate

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Hedge Funds	5%	HFRI, HFRX or other strategy-appropriate indices as determined by implementation
Public Real Estate	5%	NCREIF or other strategy-appropriate indice as determined by implementation

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. Suggested guidelines for asset classes, strategies and indices are included in the following table.

Asset Class	Investment Approach	Benchmark
Broad US Equity	Composite	Russell 3000 Index
Large Cap Equity	Either passively actively managed	Large Cap Core: S&P 500 or Russell 1000 Large Cap Value: Russell 1000 Value Large Cap Growth: Russell 1000 Growth
Non-large Cap Equity	Actively managed	Small Cap Core: Russell 2000 Small Cap Value: Russell 2000 Value Small Cap Growth: Russell 2000 Growth
Broad Non-US Equity	Composite	MSCI ACWI ex-US Index
International Equity	Actively managed	International Core: MSCI EAFE or ACWI ex-US International Value: MSCI EAFE, EAFE Value or ACWI ex-US Value International Growth: MSCI EAFE, EAFE Growth or ACWI ex-US Growth International Small Cap: MSCI EAFE Small Cap Index Emerging Markets: MSCI EAFE Emerging Markets
Private Market Investments	Actively managed	Peer group comparisons, where appropriate.
Broad Fixed Income	Composite	Barclays Capital Aggregate Index
Fixed Income	Either passively or actively managed	Core Fixed Income: Barclays Capital Aggregate Index TIPS: Barclays US TIPS Other strategy-appropriate indices as determined by implementation.
Hedge Funds	Actively managed	HFRI or HFRX strategy-appropriate index as determined by implementation
Real Assets	Either passively or actively managed	Strategy-appropriate indices as determined by implementation
Cash	Actively managed	Cash: 90-day T-bill

Investment Manager Responsibilities and Communications

The Investment Managers are expected 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 regularly communicate with the Plan's Staff and Investment Consultant and each should provide portfolio valuation and transaction listings on a quarterly basis 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.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Permissible Investments

The Board recognizes that a prudent level of risk is necessary in order to allow the fund 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 certain exceptions such as those strategies investing in non-traditional investments, 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.

- 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
- Private Markets:** Private Capital may include, but is not necessarily limited to, investments commonly referred to as venture capital, distressed securities, buy-outs, and mezzanine funds. Exposure to Private Market strategies and their sub-asset classes may be achieved by investing directly in partnerships and /or with fund-of-funds managers.
- Real Assets:** Funds or limited partnerships that invest in real assets. The largest portion of this asset class is real estate, and includes but is not limited to other real assets, such as infrastructure, commodities, oil and gas, and timber/farmland. Leverage within these vehicles is permitted, to be consistent with the strategy and in accordance with the prospectus or offering documents of each vehicle. CPERS will not invest directly in real estate as either an equity owner or lender.
- Hedge Funds:** Hedge fund strategies that include but are not limited to, relative value, event-driven and directional strategies. Exposure to hedge fund strategies and their sub-asset classes may be achieved by investing directly in partnerships and/or with fund-of-funds managers. Hedge fund managers may employ short sales of securities, purchase and sale of options, commodities, futures and private placements, all types of publicly traded securities and currencies, and the use of leverage and derivatives.

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.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- 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).

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

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 25% 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 prudent recommended course of action.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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.

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 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. A copy of the securities lending 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 this directive communicated officially 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 and execution costs. 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.

Investment Compliance Issues Policy

The Consultant will 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

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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.

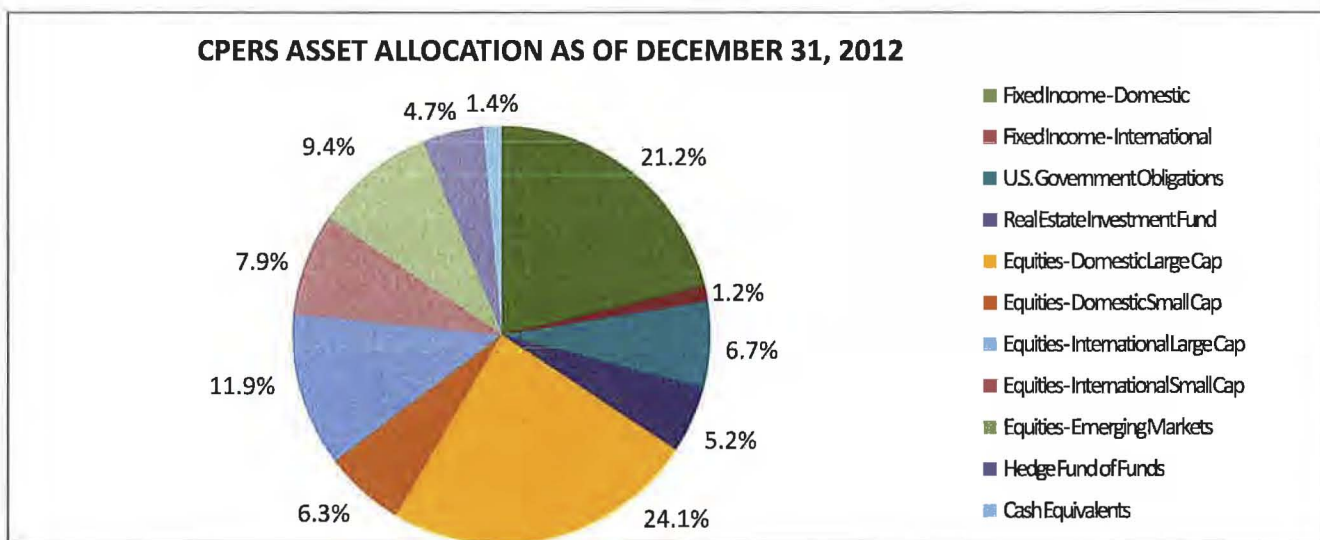
Anti-Terrorism Investment Policy

Because of the complexities and lack of public information in the area of terrorism, CPERS must rely upon federal agencies such as the Securities and Exchange Commission and the State, Commerce, Justice and Treasury Departments to provide factual information to act upon. To date this information has not been available to CPERS. When or if this type of information becomes available, CPERS will take the appropriate actions to determine along with the manager if divesting from a company or investment is appropriate.

**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2012 AND 2011**

CPERS TRUST

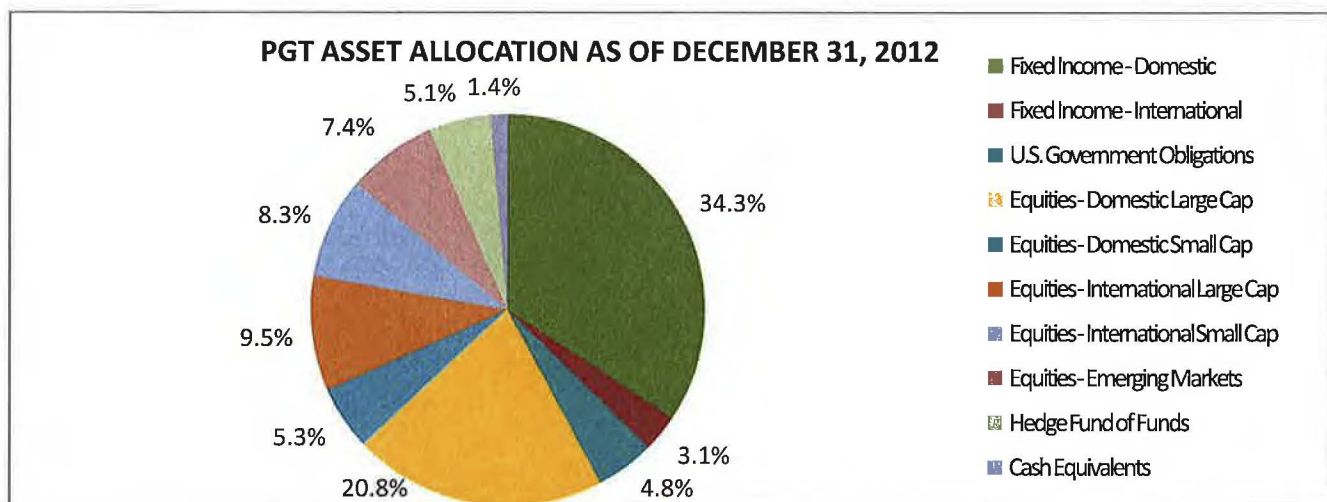
	December 31, 2012		December 31, 2011	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Type of Investment:				
Fixed Income:				
Fixed Income - Domestic	\$ 202,729,900	21.2%	\$ 151,779,959	16.7%
Fixed Income - International	11,406,220	1.2%	11,012,133	1.2%
U.S. Government Obligations	63,934,923	6.7%	140,986,934	15.6%
Equities:				
Equities – Domestic Large Cap	230,956,738	24.1%	241,573,976	26.6%
Equities – Domestic Small Cap	60,690,822	6.3%	57,820,639	6.4%
Equities – International Large Cap	113,552,694	11.9%	100,735,240	11.1%
Equities – International Small Cap	75,989,945	7.9%	65,297,483	7.2%
Equities – Emerging Markets	89,953,676	9.4%	80,982,342	8.9%
Alternative Investments:				
Hedge Fund of Funds	45,659,464	4.7%	-	-
Real Estate Investment Fund	49,812,847	5.2%	50,832,752	5.6%
Cash Equivalents	13,141,610	1.4%	6,457,354	0.7%
Total Investments	\$ 957,828,839	100.0%	\$ 907,478,812	100.0%



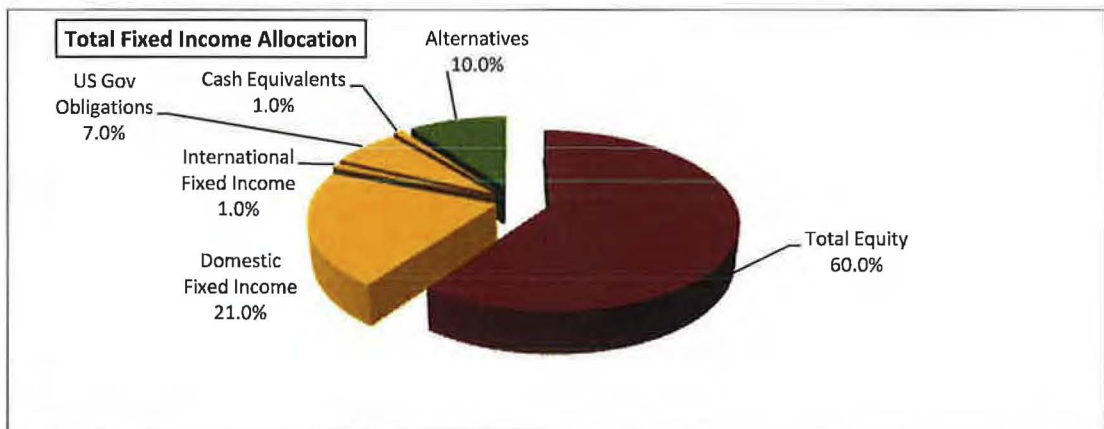
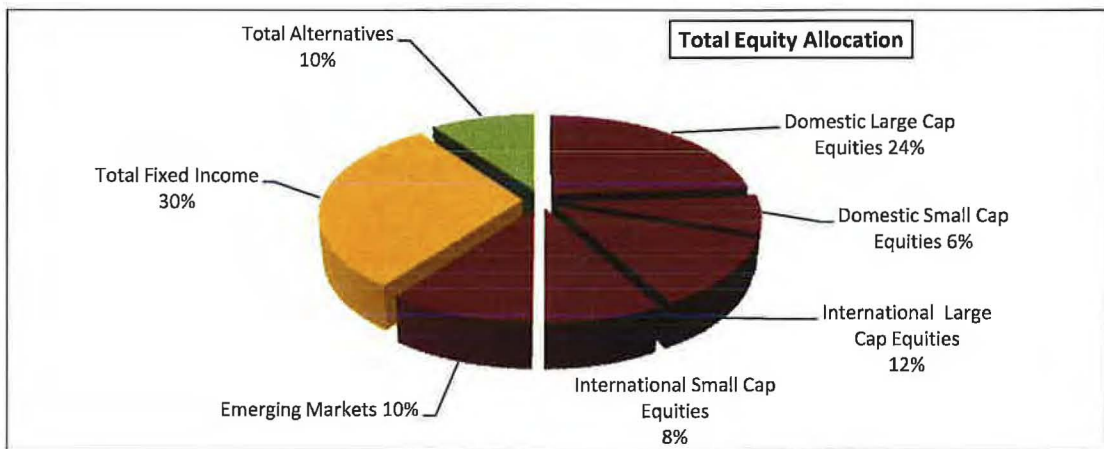
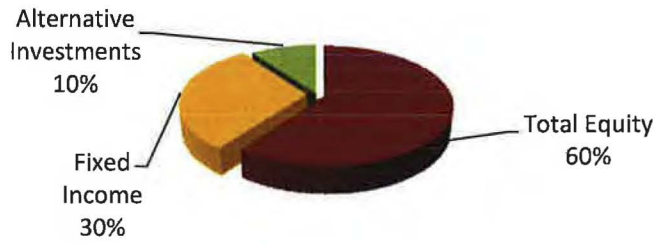
**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2012 AND 2011**

POLICE GUARANTEE TRUST

Type of Investment:	December 31, 2012		December 31, 2011	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income - Domestic	\$ 7,122,366	34.3%	\$ 7,389,284	35.4%
Fixed Income - International	638,257	3.1%	666,553	3.2%
U.S. Government Obligations	1,005,524	4.8%	1,136,486	5.4%
Equities:				
Equities – Domestic Large Cap	4,322,928	20.8%	4,662,143	22.3%
Equities – Domestic Small Cap	1,094,324	5.3%	1,141,872	5.5%
Equities – International Large Cap	1,970,071	9.5%	1,907,245	9.2%
Equities – International Small Cap	1,712,632	8.3%	1,527,435	7.3%
Equities – Emerging Markets	1,544,150	7.4%	1,531,841	7.3%
Alternative Investments:				
Hedge Fund of Funds	1,060,747	5.1%	-	-
Cash Equivalents				
	299,461	1.4%	912,553	4.4%
Total Investments	\$ 20,770,460	100.0%	\$ 20,875,412	100.0%



ASSET ALLOCATION AS OF DECEMBER 31, 2012



**CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2012**

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
US GOVERNMENT OBLIGATIONS				
UNITED STATES TREASURY NOTE	0.375%	11/15/2015	\$ 9,055,000	\$ 9,063,512
UNITED STATES TREASURY NOTE	0.625%	11/30/2017	5,775,000	5,755,596
UNITED STATES TREASURY NOTE	1.000%	11/30/2019	2,360,000	2,337,132
UNITED STATES TREASURY NOTE	0.250%	11/30/2014	2,320,000	2,320,093
FNMA POOL #0AH0944	4.000%	12/01/2040	1,837,818	2,003,681
FNMA SF MTG PASS THRU	3.000%	01/01/2028	1,800,000	1,899,846
GNMA II JUMBO PASS THRU	4.500%	01/20/2043	1,300,000	1,423,292
FHLMC POOL #A9-7620	4.500%	03/01/2041	1,218,540	1,314,841
FNMA SF MTG PASS THRU	3.500%	01/01/2028	1,200,000	1,272,936
FNMA SF MTG PASS THRU	2.500%	01/01/2028	1,200,000	1,254,756
OTHER US GOVERNMENT OBLIGATIONS			32,590,470	35,289,238
TOTAL US GOVERNMENT OBLIGATIONS			\$ 60,656,828	\$ 63,934,923

DOMESTIC FIXED INCOME

JP MORGAN CHASE & CO	4.650%	06/01/2014	\$ 615,000	\$ 647,970
MERRILL LYNCH/COUNTRYWIDE 8 A3	5.950%	08/12/2049	425,000	491,920
FORD CREDIT FLOORPLAN MASTER 2 A	1.920%	01/15/2019	475,000	487,725
DBRR 2012-EZ1 TRUST	0.946%	09/25/2045	470,919	470,745
GS MORTGAGE SECURITIES GG2 A6	5.400%	08/10/2038	435,000	459,656
AMERICREDIT AUTO RECEIVABLES A3	1.390%	09/08/2015	451,990	454,015
EKSPORTFINANS ASA	3.000%	11/17/2014	450,000	446,427
COCA-COLA ENTERPRISES INC	2.000%	08/19/2016	425,000	436,785
DAIMLER FINANCE NORTH AMERICA	1.875%	09/15/2014	415,000	421,802
MANULIFE FINANCIAL CORP	3.400%	09/17/2015	400,000	420,604
OTHER FIXED INCOME HOLDINGS – DOMESTIC			21,830,544	23,201,226
TOTAL DOMESTIC FIXED INCOME			\$ 26,393,453	\$ 27,938,875

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,541,243	\$ 59,917,841
DOMESTIC FIXED INCOME – CORE PLUS	3,905,711	67,286,866
US TREASURY INFLATION PROTECTED SECURITIES	3,635,610	47,586,318
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	11,082,564	\$174,791,025

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	469,225	\$ 7,939,284
INTERNATIONAL FIXED INCOME – CORE PLUS	201,241	3,466,936
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	670,466	\$ 11,406,220

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
OSI SYSTEMS INC	19,666	\$ 1,259,411
COOPER COS INC	11,790	1,090,339
DSW INC	15,451	1,014,976
CONN'S INC	32,990	1,011,440
AIR METHODS CORP	26,805	989,373
MAXIMUS INC	15,030	950,197
FIRST CASH FINANCIAL SERVICES	18,510	918,466
MEDNAX INC	10,110	803,947
CATAMARAN CORP	16,555	779,740
GRAND CANYON EDUCATION INC	32,275	757,494
OTHER EQUITY SECURITIES-DOMESTIC	927,893	20,516,379
TOTAL DOMESTIC EQUITY SECURITIES	1,117,075	\$ 30,091,762

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	21,116	\$ 30,599,060
RUSSELL 1000 FUND	1,191,677	115,341,200
S&P 500 FUND	7,140,853	115,615,538
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	8,353,646	\$ 261,555,798

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	1,103,813	\$ 56,883,256
INTERNATIONAL GROWTH EQUITY FUND	3,706,629	56,669,438
INTERNATIONAL SMALL CAP FUND	4,606,839	75,989,945
EMERGING MARKETS FUND	2,343,538	89,953,676
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	11,760,819	\$ 279,496,315

A complete list of portfolio holdings is available upon request.

CPERS LIST OF INVESTMENTS (CONTINUED)

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	33,968	45,659,464
REAL ESTATE INVESTMENT FUND	50,347	49,812,847
	<u>84,315</u>	<u>\$ 95,472,311</u>

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	<u>\$ 13,141,610</u>
TOTAL CPERS INVESTMENTS	<u>\$ 957,828,839</u>

**PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2012**

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	197,992	\$ 3,350,026
DOMESTIC FIXED INCOME – CORE PLUS	218,180	3,772,340
US TREASURY INFLATION PROTECTED SECURITIES	76,822	1,005,524
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	492,994	\$ 8,127,890

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	26,235	\$ 443,888
INTERNATIONAL FIXED INCOME – CORE PLUS	11,242	194,369
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	37,477	\$ 638,257

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 LARGE CAP FUND	22,522	\$ 2,179,859
S&P 500 LARGE CAP FUND	132,364	2,143,070
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	17,098	553,020
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	24,729	541,303
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	196,713	\$ 5,417,252

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	18,853	\$ 971,549
INTERNATIONAL GROWTH EQUITY FUND	65,311	998,522
INTERNATIONAL SMALL CAP FUND	103,827	1,712,632
EMERGING MARKETS FUND	40,063	1,544,150
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	228,054	\$ 5,226,853

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	789	\$ 1,060,747

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	<u>\$ 299,461</u>
TOTAL PGT INVESTMENTS	<u>\$ 20,770,460</u>

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, 2012		
City-Parish Employees' Retirement System	13.86%	24
Police Guarantee Trust	12.91%	47
Median Total Fund	12.75%	50
Allocation Index **	12.20%	
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2012		
City-Parish Employees' Retirement System	17.54%	23
Police Guarantee Trust	16.16%	59
Median Domestic Equity Composite	16.45%	50
Russell 3000	16.42%	52
Comparative Rates of Return on International Equities – Year Ended December 31, 2012		
City-Parish Employees' Retirement System	18.74%	42
Police Guarantee Trust	18.96%	39
Median International Equity Composite	18.37%	50
EAFE (NET)	16.83%	79
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2012		
City-Parish Employees' Retirement System	7.41%	58
Police Guarantee Trust	8.89%	39
Median Bond Composite	7.87%	50
Barclays Capital Aggregate Index	4.21%	91
Comparative Rates of Return on Real Estate – Year Ended December 31, 2012		
City-Parish Employees' Retirement System	10.91%	49
Police Guarantee Trust	N/A%	N/A
Median Real Estate Fund	10.76%	50
NCREIF Property Index	10.54%	53
Comparative Rates of Return on Hedge Fund – Year Ended December 31, 2012		
City-Parish Employees' Retirement System	N/A%	N/A
Police Guarantee Trust	N/A%	N/A
HFRI Fund of Funds Comp. Index	N/A%	N/A

* 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.

INVESTMENT PERFORMANCE MEASUREMENTS (CONTINUED)

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, 2012	13.86%
Two-year period ending December 31, 2012	5.72%
Three-year period ending December 31, 2012	8.97%
Four-year period ending December 31, 2012	12.87%
Five-year period ending December 31, 2012	3.02%

ANNUAL RATES OF RETURN

	ANNUALIZED					3 YRS.	5 YRS.
	2008	2009	2010	2011	2012		
TOTAL FUND							
City-Parish Emp. Retirement System	(28.5)%	25.4%	15.8%	(1.8)%	13.9%	9.0%	3.0%
Police Guarantee Trust	(28.0)%	28.5%	13.5%	(1.5)%	12.9%	8.1%	3.2%
Median Total Fund	(24.0)%	19.7%	12.8%	0.4%	12.8%	8.7%	3.1%
Inflation (CPI)	0.1%	2.8%	1.5%	3.0%	1.8%	2.1%	1.8%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	(36.6)%	31.3%	22.2%	1.2%	17.5%	13.3%	3.9%
Police Guarantee Trust	(35.5)%	25.2%	20.5%	1.5%	16.2%	12.4%	2.8%
Median Domestic Equity Fund	(37.3)%	29.0%	17.8%	0.1%	16.5%	11.2%	2.0%
Russell 3000	(37.3)%	28.3%	16.9%	1.0%	16.4%	11.2%	2.0%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	(43.8)%	40.0%	15.8%	(15.9)%	18.7%	5.0%	(1.9)%
Police Guarantee Trust	(43.8)%	39.7%	16.5%	(15.2)%	19.0%	5.5%	(1.6)%
Median International Equity Fund	(42.6)%	37.2%	12.5%	(12.6)%	18.4%	5.3%	(2.0)%
EAFE (NET)	(43.4)%	31.8%	7.8%	(12.1)%	16.8%	3.9%	(2.9)%
FIXED INCOME							
City-Parish Emp. Retirement System	(6.8)%	21.3%	8.8%	7.2%	7.4%	7.8%	7.2%
Police Guarantee Trust	(11.2)%	27.8%	9.8%	5.6%	8.9%	8.1%	7.5%
Median Bond Fund	(1.4)%	12.1%	8.6%	7.7%	7.9%	8.0%	7.1%
Barclays Capital Aggregate Index	5.2%	5.9%	6.5%	7.8%	4.2%	6.2%	6.0%
REAL ESTATE							
City-Parish Emp. Retirement System	(12.5)%	(38.7)%	19.2%	18.7%	10.9%	16.2%	(3.4)%
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	(13.9)%	(27.7)%	10.2%	13.9%	10.8%	11.3%	(1.8)%
NCREIF Property Index	(6.5)%	(16.9)%	13.1%	14.3%	10.5%	12.6%	2.1%
HEDGE FUND OF FUNDS							
City-Parish Emp. Retirement System	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Hedge Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HFRI Fund of Funds Comp. Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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, 2012**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income - Domestic	\$ 266,664,823	\$	649,309
Fixed Income - International	11,406,220		54,728
Equity Securities:			
Equities - Domestic	291,647,560		901,165
Equities - International	\$ 279,496,315		2,282,229
Alternative Investments:			
Hedge Fund of Funds	45,659,464		724,835
Real Estate Investments	49,812,847		465,645
Total Investment Managers' Fees			<u>5,077,911</u>
Custodian Fees			87,350
Advisor Fees			112,000
Securities Lending Fees			<u>3,791</u>
Total Investment Expenses		\$	<u><u>5,281,052</u></u>

**SCHEDULE OF PGT INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income - Domestic	\$ 8,127,890	\$	30,200
Fixed Income - International	638,257		3,171
Equity Securities:			
Equities - Domestic	5,417,252		10,376
Equities - International	\$ 5,226,853		47,260
Alternative Investments:			
Hedge Fund of Funds	1,060,747		17,115
Total Investment Manager's Fees			<u>108,122</u>
Custodian Fees			6,693
Advisor Fees			<u>28,000</u>
Total Investment Expenses		\$	<u><u>142,815</u></u>

**SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Instinet Corporation	885,688	\$ 21,336	\$.0241
BNY Convergx Execution Solutions, LLC	184,147	5,540	.0301
Liquidnet Inc.	224,940	4,189	.0186
D.A. Davidson & Co.	123,113	3,732	.0303
Century Securities	153,500	3,519	.0229
Stephens Inc.	106,149	3,195	.0301
Piper Jaffray & Co.	140,157	3,066	.0219
Gordon, Haskett & Company	109,602	3,058	.0279
Sidoti & Company, LLC	93,089	2,831	.0304
Cowen & Company LLC	80,871	2,579	.0319
O'Neil, William & Co., Inc.	79,084	2,538	.0321
Oppenheimer & Co. Inc.	82,283	2,526	.0307
Raymond James & Associates, Inc.	92,136	2,320	.0252
Craig-Hallum	70,878	2,126	.0300
William Blair & Co.	69,003	2,076	.0301
Cantor Fitzgerald & Co.	103,476	2,070	.0200
Avondale Partners LLC	77,784	1,869	.0240
BMO Capital Markets	56,460	1,694	.0300
Deutsche Banc Securities Inc.	61,115	1,681	.0275
Jefferies & Co., Inc.	55,450	1,664	.0300
Needham & Company	61,405	1,659	.0270
B Riley & Co., Inc.	50,585	1,518	.0300
Northland Securities Inc.	49,060	1,499	.0306
Morgan Stanley & Co., Inc.	63,030	1,422	.0226
Hibernia Southcoast Capital Inc.	47,300	1,419	.0300
Dougherty Company	36,570	1,134	.0310
Sterne, Agee & Leach, Inc.	36,590	1,117	.0305
Robert W. Baird & Co.	37,070	1,112	.0300
Investment Technology Group	43,769	1,111	.0254
First Union Capital Markets	36,340	1,090	.0300
Lazard Capital Markets, LLC	36,168	1,085	.0300
Knight Equity Markets L.P.	82,544	1,047	.0127
Pulse Trading LLC	51,845	997	.0192
Stifel Nicolaus	31,265	966	.0309
Cruttenden Roth, Inc.	32,025	961	.0300
Wedbush Morgan Securities, Inc.	31,600	948	.0300
Keefe Bruyette & Woods, Inc.	30,255	941	.0311
Suntrust Capital Markets, Inc.	37,724	842	.0223
John G Kinnard & Company	27,459	824	.0300
Other (43 Firms) *	519,612	13,754	.0265
Total	4,191,141	\$ 109,055	\$.0260

* Firms that had less than \$824 commissions paid.

2012



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

Actuarial Section CPERS Trust

CP
Employees'
Retirement System



June 14, 2013

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, 2013. 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 2013 valuation will apply to the year 2014. The 2012 valuation was the basis for the 2013 contribution rate.

The City contribution rate for the 2013 year is set to 26.89%. This reflects a 1.18% increase from the 2012 rate.

Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 14, 2013

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, 2012 is \$1,041,229,857.

In performing the January 1, 2013 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.

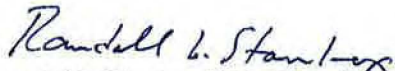
The present values shown in the January 1, 2012 and January 1, 2013 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods and assumptions approved by the Board: they are appropriate for the purposes of this valuation. The actuarial assumptions remained unchanged from last year for the January 1, 2013 valuation. At January 1, 2013 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. The software used to value liabilities was changed, effective with the January 1, 2013 valuation. There was no change in the actuarial cost method for the January 1, 2013 valuation. The amortization approach remained unchanged for the January 1, 2013 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.

Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 3
June 14, 2013

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 2012 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Accrued Liability Analysis for 2012 and 2011, 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, FSA, FCA, MAAA, EA
Actuary



David D. Harris, ASA, FCA, MAAA, EA
Actuary

RLS/DDH/di
500201/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2013 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 May 22, 2002 (Ordinance 12323 and Ordinance 12322) \$600 spouse benefit November 25, 2003 (Ordinance 12814) SBP, April 28, 2004 (Ordinance 12936) Disability earned income offset September 27, 2006 (Ordinance 13760) Advalorem taxes for SBP
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:	<p>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.</p> <p>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).</p> <p>MERS payments received for 2006 and later are reserved for future Supplemental Benefit Payments.</p>
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)	<ol style="list-style-type: none">(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)	<p>Full Retirement: 3.0% of Final Compensation for each year of Creditable Service.</p> <p>Minimum Eligibility: 2.5% of Final Average Compensation for each year of Creditable Service.</p> <p>Maximum of 90% of Final Average Compensation.</p>
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. Ordinary disability benefits are paid on a life annuity basis.

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. Service-connected disabilities are paid on a 50% Joint & Survivor basis.

Benefits are offset by Workers' Compensation (1:264F).

Benefits are offset by Earned Income (1:265G).

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.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

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.

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: 2013 Actuarial Report)

Valuation Date:	December 31, 2012
Valuation Method:	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. <i>(Adopted March 25, 2010)</i>
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. <i>(Adopted March 25, 2010)</i>
Salary Increases:	3.50% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: <i>(Adopted March 25, 2010)</i>

<u>Age</u>	<u>BREC/Regular</u>	<u>Fire/Police</u>
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)*

<u>Age</u>	<u>Male</u>	<u>Female</u>
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)*

<u>Age</u>	<u>Disability</u>	<u>Turnover</u>
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)*

<u>Year</u>	<u>BREC, Regular</u>	<u>Fire, Police</u>
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)*

	<u>Total</u>
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: <i>(Adopted October 18, 2004)</i>						
	<table> <tr> <td>BREC, Regular</td> <td>25% service-connected, 75% ordinary</td> </tr> <tr> <td>Fire</td> <td>50% service-connected, 50% ordinary</td> </tr> <tr> <td>Police</td> <td>75% service-connected, 25% ordinary</td> </tr> </table>	BREC, Regular	25% service-connected, 75% ordinary	Fire	50% service-connected, 50% ordinary	Police	75% service-connected, 25% ordinary
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. <i>(Adopted March 2, 1995)</i>						
Remarriage:	No probabilities of remarriage are used. <i>(Adopted March 2, 1995)</i>						
Spouse's Ages:	Female spouses are assumed to be 3 years younger than males. <i>(Adopted March 2, 1995)</i>						
Marital Status:	80% of employees are assumed to be married. <i>(Adopted March 2, 1995)</i>						
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. <i>(Adopted October 18, 2004)</i>						
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. <i>(Adopted March 2, 1995)</i>						
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, 2012 was furnished by Retirement Office staff.						
Changes Since Prior Valuation:	Valuation software from LynchVal Systems to Proval Technologies.						

ACCRUED LIABILITY ANALYSIS FOR 2013 AND 2012
(Source: 2013 Actuarial Report)

	<u>2013</u>	<u>2012</u>
Present Value of Future Benefits:		
Active Members:		
Retirement	\$ 459,850,095	\$ 461,532,173
Disability	7,462,298	7,677,506
Death	5,251,841	4,476,771
Vesting	7,783,991	7,193,573
Total	<u>480,348,225</u>	<u>480,880,023</u>
Retired Members and Beneficiaries:		
Service Retirement & Beneficiaries	608,399,833	581,373,072
Disability Retirements	27,884,501	27,767,473
Terminated Vested Members	3,909,968	4,255,920
Leave Balances	4,327,559	4,290,599
DROP (Future Benefits)	137,810,909	138,229,782
DROP (Accounts)	173,682,467	175,975,307
RBA Benefits	10,446,000	10,446,000
Total	<u>966,461,237</u>	<u>942,338,153</u>
 Total Accrued Liability	 <u>\$1,446,809,462</u>	 <u>\$1,423,218,176</u>

ANNUAL AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2013 Actuarial Report)

Date Established	Initial Amount	Remaining Balance at 12/31/10	Amortization Payment as of 01/01/11	Remaining Balance at 12/31/12	Amortization Payment as of 01/01/13
	\$	\$	\$	\$	\$
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
12/31/12	405,579,605	--	--	405,579,605	24,807,770
		<u>9,190,241</u>	<u>731,785</u>	<u>2,512,494,994</u>	<u>155,261,031</u>

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: 2013 Actuarial Report)

Entry Age Normal Actuarial Accrued Liability:	
Active Members	\$ 480,348,225
Retired Members and Beneficiaries	966,461,237
Total	<u>1,446,809,462</u>
Actuarial Asset Value as of December 31, 2012	<u>1,041,229,857</u>
Unfunded Actuarial Accrued Liability as of December 31, 2012	<u>\$ 405,579,605</u>

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
(Source: 2013 Actuarial Report)

A. Unfunded Actuarial Accrued Liability as of December 31, 2011	\$ 395,264,269
B. Unfunded Actuarial Accrued Liability Increase Due to Revised Assumptions and Methods	N/A
C. Valuation System Change	N/A
D. Normal Cost for 2012	21,726,058
E. Interest at 7.50% on (A), (B), (C) and (D)	31,274,275
F. Net Contributions	(51,390,369)
G. Interest on (F)	(1,927,139)
H. Expected Unfunded Actuarial Liability as of December 31, 2012	<u>394,947,094</u>
I. 2012 (Gain) Loss	15,939,416
J. Unfunded Actuarial Accrued Liability as of December 31, 2012	410,886,510
K. Valuation Software Change	(5,306,905)
L. Assumptions and Methods	N/A
M. Final Unfunded Actuarial Accrued Liability as of December 31, 2012	<u>\$ 405,579,605</u>

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 Actuarial Report)**

Valuation Date	(1)	(2)	(3)	(4)	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Assets			
	Active Members' Contributions*	Terminated Vested Members	Retirees And Survivors**	Active Members Employer Contribution		(1)	(2)	(3)	(4)
	-\$-	-\$-	-\$-	-\$-	-\$-	-%-	-%-	-%-	-%-
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
12/31/12	270,204,544	3,909,968	788,868,802	383,826,148	1,041,229,857	100.0	100.0	97.2	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF FINANCIAL EXPERIENCE
(Source: 2013 Actuarial Report)

GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2008 – 2012
RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE

	\$ Gain or (Loss) For Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Investment Return	\$ (71,465,958)	\$ (38,437,581)	\$ (20,396,885)	\$ (35,231,052)	\$ (20,304,794)
Salary Increases	(12,291,095)	2,882,364	7,087,550	(623,723)	3,017,967
Retirements	2,975,339	3,839,301	26,986,427	15,933,989	3,351,339
Mortality	8,050,198	(6,198,778)	(9,830,807)	(14,988,684)	(3,643,276)
Disability	(70,536)	163,987	(570,786)	(10,597)	148,348
Turnover	(494,934)	(9,883,007)	(10,119,063)	1,878,566	571,654
New Members	(2,418,464)	(2,143,500)	(1,461,549)	(1,671,178)	(2,204,660)
Contribution Differences	5,303,016	N/A	N/A	N/A	N/A
Leaves, Transfers, Etc.	<u>(13,925,568)</u>	<u>1,630,981</u>	<u>(3,055,745)</u>	<u>702,493</u>	<u>3,124,006</u>
Gain or (Loss) from Financial Experience	(84,338,002)	(48,146,233)	(11,360,858)	(34,010,186)	(15,939,416)
Non Recurring Elements:					
Valuation Software	--	--	--	--	5,306,905
Assumption Changes	--	(24,625,616)	--	--	--
Asset Method Changes	--	--	--	--	--
Plan Amendment	--	--	--	--	--
Composite Gain/(Loss) During Year	<u>\$ (84,338,002)</u>	<u>\$ (72,771,849)</u>	<u>\$ (11,360,858)</u>	<u>\$ (34,010,186)</u>	<u>\$ (10,632,511)</u>

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 Actuarial Report)**

<u>Valuation Date</u>	<u>Total Active Members</u>	<u>Percentage Change</u> -%-	<u>Annual Payroll</u> -\$-	<u>Average Annual Pay</u> -\$-	<u>% Increase in Average Pay</u> -%-
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
12/31/12	3,226	(0.6)	137,426,654	42,600	1.1

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 Actuarial Report)**

<u>Valuation Date</u>	<u>Additions</u>	<u>Change in Number at EOY</u>			<u>Number of Annuitants</u>	<u>Percentage Change in Membership</u>	<u>Annual Annuities</u>	<u>Percentage Change in Annuities</u>	<u>Average Annual Allowances</u>
		<u>Annual Allowances</u>	<u>Deletions</u>	<u>Annual Allowances</u>					
		-\$-		-\$-		-%-	-\$-	-%-	-\$-
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
12/31/12	191	4,904,590	103	1,607,987	3,058	3.0	66,155,451	5.2	21,634

TOTAL MEMBERSHIP DATA
(Source: 2013 Actuarial Report)

Actives:

	2012		2011	
	Count	Average Salary	Count	Average Salary
BREC	407	\$35,325	428	\$35,173
Regular	2,276	39,820	2,281	39,287
Fire	511	59,350	501	59,723
Police	32	65,332	35	62,652
Total/Average	3,226	\$42,600	3,245	\$42,151

Annuitants:

	2012		2011	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,869	\$22,102	2,787	\$21,601
Disabilities	189	14,524	183	14,512
DROP	304	39,962	304	40,225
Total/Average	3,362	\$23,291	3,213	\$22,934

Inactive Members:

	2012		2011	
	Count	Average Deferred	Count	Average Deferred
Deferred Vested	39	\$12,877	43	\$12,882

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2012



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

Actuarial Section Police Guarantee Trust

CP
Employees'
Retirement System



June 14, 2013

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, 2013. 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 2013 valuation will apply to the year 2014.

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 2012, there is an unfunded liability in the PGT of \$12,312,417, as of December 31, 2012.

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 14, 2013

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, 2012 is \$24,810,218.

In performing the January 1, 2013 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, 2013 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, 2013 valuation of the Employees' Retirement System. The funding method used is the Aggregate Cost Method. The software used to value liabilities was changed, effective with the January 1, 2013 valuation. 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.

Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and Parish of East Baton Rouge
Page 3
June 14, 2013

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 2012 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, FSA, FCA, MAAA, EA
Actuary


David D. Harris, ASA, FCA, MAAA, EA
Actuary

RLS/DDH/di
500401/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS

(Source: 2013 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: 2013 PGT Actuarial Report)

Valuation Date:	December 31, 2012		
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. <i>(Adopted March 25, 2010)</i>		
Salary Increases:	3.5% compounded annually due to inflation, plus longevity/merit in accordance with following schedule: <i>(Adopted March 25, 2010)</i>		
	<u>Age</u>	<u>PGT</u>	
	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: <i>(Adopted October 18, 2004)</i>		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	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)*

<u>Age</u>	<u>Disability</u>	<u>Turnover</u>
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)*

<u>Year</u>	<u>PGT</u>
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. <i>(Adopted February 26, 2000)</i>
Marital Status:	80% of employees are assumed to be married. <i>(Adopted February 26, 2000)</i>
Interest on Future MPERS DROP Accounts:	Three years of interest, compounded annually at 7.50%, on CPERS DROP deposits while member participates in MPERS DROP, payable at DROP exit. <i>(Adopted October 18, 2004)</i>
Investment Expenses:	None provided for. <i>(Adopted October 18, 2004)</i>
Withdrawal of Employee Contributions:	100% of employees who terminate (other than retirement, death, or disability) are assumed to withdraw their contributions. <i>(Adopted February 26, 2000)</i>
COLA:	MPERS benefits in pay status are assumed to increase 2% annually. <i>(Adopted February 26, 2000)</i>
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) were assumed to be greater than CPERS ancillary benefits. <i>(Adopted February 26, 2000)</i>
Sources of Data:	Membership data, asset information, and aggregate DROP balances as of December 31, 2012 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:	Valuation software from LynchVal Systems to Proval Technologies.

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 PGT Actuarial Report)**

Valuation Date	(1)	(2)	(3)	(4)	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Assets			
	Active Members' Contributions*	Retirees And Survivors**	Terminated Vested Members	Active Members Employer Contribution		(1)	(2)	(3)	(4)
	-\$-	-\$-	-\$-	-\$-	-\$-	-%-	-%-	-%-	-%-
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
12/31/12	18,586,440	4,097,007	--	9,531,370	24,810,218	100.0	100.0	100.0	22.3

* Including DROP accounts.

** Including DROP participants' future benefits.

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 PGT Actuarial Report)**

<u>Valuation Date</u>	<u>Total Active Members</u>	<u>Percentage Change</u> -%-	<u>Annual Payroll</u> -\$-	<u>Average Annual Pay</u> -\$-	<u>% Increase in Average Pay</u> -%-
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)
12/31/12	218	(7.2)	15,428,420	70,773	4.2

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2012
(Source: 2013 PGT Actuarial Report)**

<u>Valuation Date</u>	<u>Change in Number at EOY</u>				<u>*Number of Annuitants</u>	<u>Percentage Change in Membership</u> -%-	<u>**Annual Annuities</u> -\$-	<u>Percentage Change in Annuities</u> -%-	<u>Average Annual Allowances</u> -\$-
	<u>Additions</u>	<u>Annual Allowances</u> -\$-	<u>Deletions</u>	<u>Annual Allowances</u> -\$-					
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
12/31/12	0	--	0	--	21	--	122,043	--	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: 2013 PGT Actuarial Report)

Actives:

	<u>2012</u>		<u>2011</u>	
	<u>Count</u>	<u>Average Salary</u>	<u>Count</u>	<u>Average Salary</u>
Police	218	\$70,773	235	\$67,944

Annuitants:

	<u>2012</u>		<u>2011</u>	
	<u>Count</u>	<u>Average Annuity</u>	<u>Count</u>	<u>Average Annuity</u>
Retirees and Survivors	21	\$37,906	21	\$37,906
Disabilities	--	--	--	--
DROP	71	65,186	71	62,978
Total	92	\$58,959	92	\$57,225

Inactive Members:

	<u>2012</u>		<u>2011</u>	
	<u>Count</u>	<u>Average Deferred Annuity</u>	<u>Count</u>	<u>Average Deferred Annuity</u>
Deferred Vested	--	--	--	--

2012



Statistical 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



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).

The Police Guarantee Trust (PGT) only guarantees benefits in the form of extended participation in the Deferred Retirement Option Plan (DROP) greater than what is available to them in Municipal Police Employees' Retirement System of Louisiana (MPERS). Also, there are a minority of members that are paid a residual benefit from the PGT when their calculated pension in MPERS is less than would have otherwise been calculated in CPERS. The PGT members receive their monthly pensions from MPERS, not the PGT. Since the payments made from PGT represent only the difference between MPERS calculated benefits and CPERS calculated benefits, not an actual monthly pension amount, some of the schedules only pertain to CPERS members. Each schedule is noted as to whether it is describing CPERS members, PGT members, or both.

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

<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
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%
2012	12	0.00%

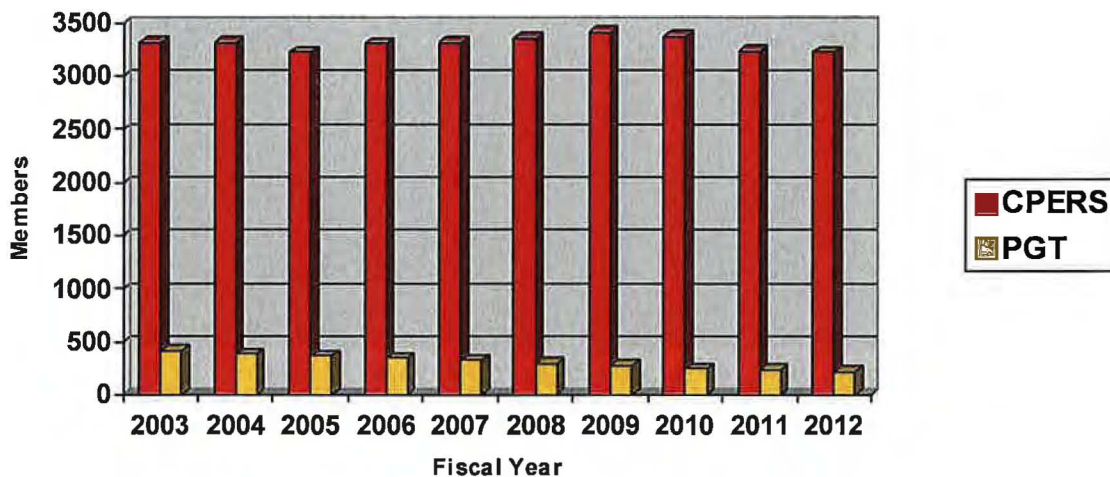
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2012 AND 2003

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2012</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,697	1	83.61%
Recreation and Park Commission for the Parish of East Baton Rouge	407	2	12.62%
District Attorney of the Nineteenth Judicial District	78	3	2.42%
East Baton Rouge Parish Juvenile Court	14	4	.43%
East Baton Rouge Parish Family Court	12	5	.37%
Office of the Coroner of East Baton Rouge Parish	12	6	.37%
Brownsfield Fire Protection District	4	7	.12%
St. George Fire Protection District	1	8	.03%
Eastside Fire Protection District	1	9	.03%
2012 Total	3,226		100.00%

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2003</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,775	1	83.56%
Recreation and Park Commission for the Parish of East Baton Rouge	380	2	11.44%
District Attorney of the Nineteenth Judicial District	72	3	2.17%
St. George Fire Protection District	36	4	1.08%
East Baton Rouge Parish Juvenile Court	20	5	.60%
East Baton Rouge Parish Family Court	11	6	.33%
Office of the Coroner of East Baton Rouge Parish	9	7	.27%
East Baton Rouge Parish Fire Protection District No. 6	7	8	.22%
Central Fire Protection District	6	9	.18%
Brownsfield Fire Protection District	3	10	.09%
Eastside Fire Protection District	2	11	.06%
2003 Total	3,321		100.00%

NUMBER OF ACTIVE MEMBERS

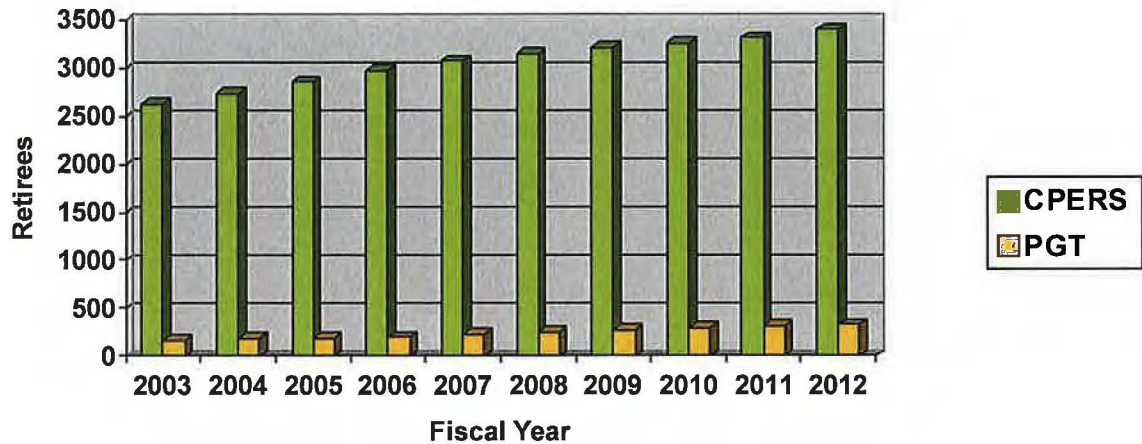
Fiscal Year	CPERS		PGT	
	Members	% Increase Each Year	Members	% Increase Each Year
2003	3,321	3.1%	419	(7.9)%
2004	3,314	(0.2)%	385	(8.1)%
2005	3,229	(2.6)%	372	(3.4)%
2006	3,309	2.5%	350	(5.9)%
2007	3,313	0.1%	329	(6.0)%
2008	3,357	1.3%	297	(9.7)%
2009	3,419	1.8%	275	(7.4)%
2010	3,379	(1.2)%	252	(8.4)%
2011	3,245	(4.0)%	235	(6.7)%
2012	3,226	(0.6)%	218	(7.2)%



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

Fiscal Year	CPERS		PGT	
	Retirees and Deferred Retirees	% Increase Each Year	Retirees and Deferred Retirees*	% Increase Each Year
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%
2012	3,401	2.5%	327	4.1%

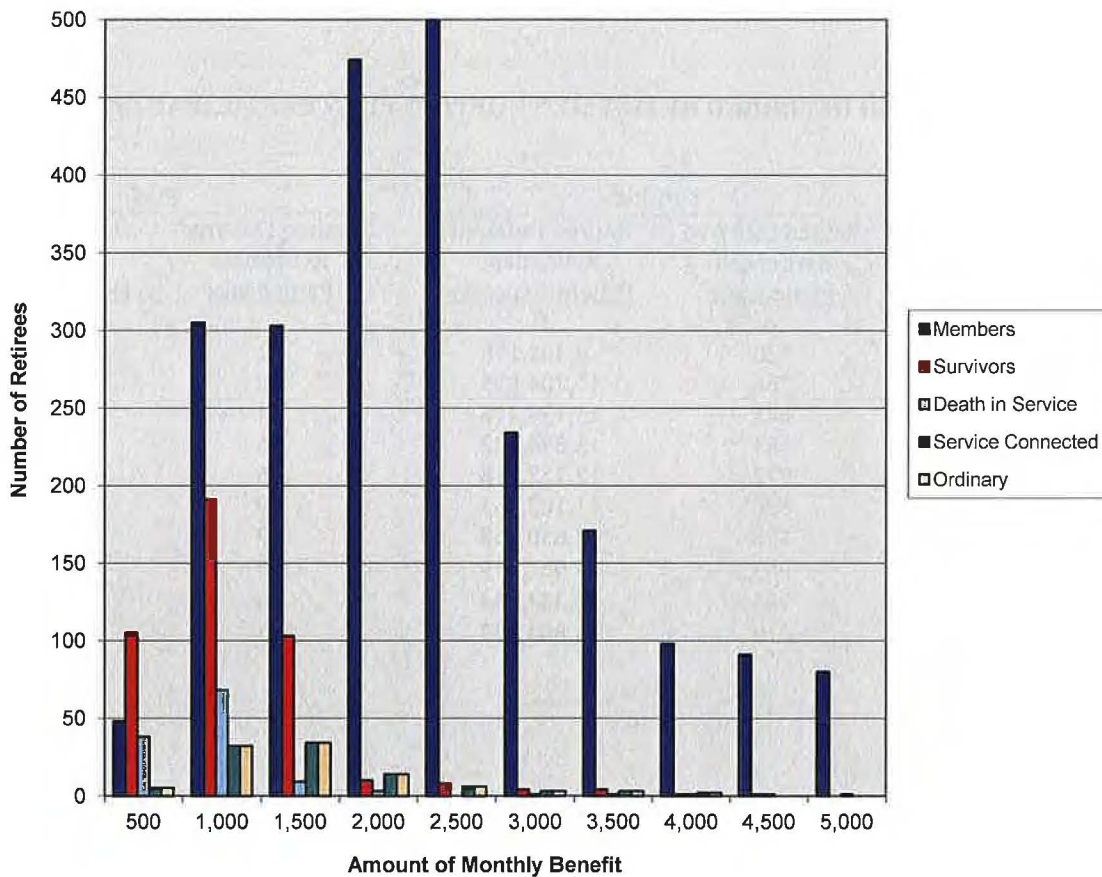
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



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	202	48	105	38	7	4
501-1,000	624	305	191	68	32	28
1,001-1,500	500	303	103	9	34	51
1,501-2,000	512	474	10	3	14	11
2,001-2,500	523	503	8	--	6	6
2,501-3,000	243	234	4	1	3	1
3,001-3,500	179	171	4	1	3	--
3,501-4,000	102	98	1	1	2	--
4,001-4,500	92	91	--	1	--	--
Above \$4,500	81	80	--	1	--	--
Totals	3,058	2,307	426	123	101	101

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

Fiscal Year	CPERS		PGT	
	Retirees	Benefit Expenses \$	Retirees*	Benefit Expenses \$
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
2012	3,058	66,288,313	21	122,118

* Includes only retirees receiving monthly benefits from PGT.

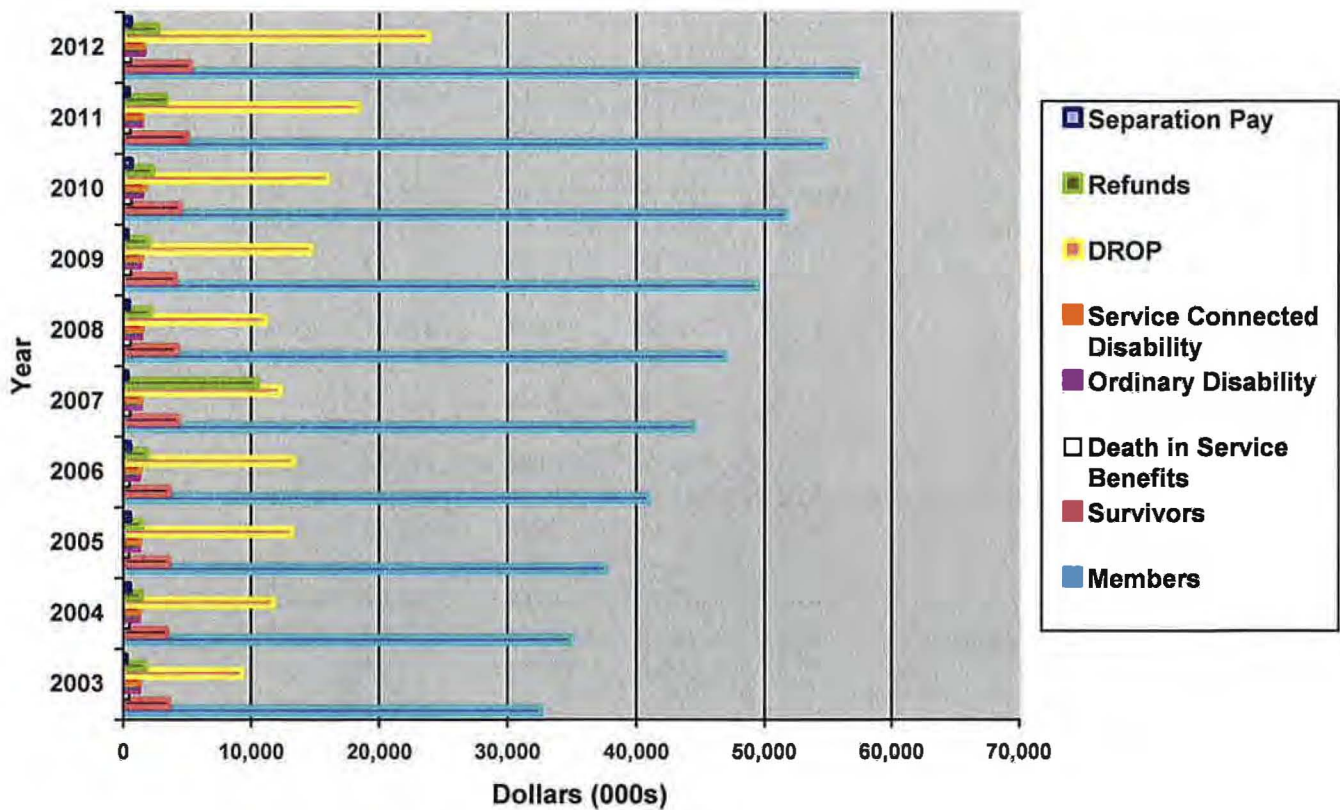
NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

Fiscal Year	CPERS		PGT	
	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses \$	Retired Deferred Retirement Participants	Retired Deferred Retirement Benefit Expenses \$
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
2012	1,019	23,804,543	83	2,140,253

SCHEDULE OF BENEFIT EXPENSES BY TYPE (CPERS)

Year Ending	Service Benefits		Death in Service Benefits	Disability Benefits			Refunds	Separation Benefits	Total
	Members	Survivors		Ordinary	Service Connected	DROP			
	\$	\$	\$	\$	\$	\$	\$	\$	
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
2012	57,362,968	5,260,293	555,375	1,569,076	1,540,601	23,804,543	2,721,886	518,566	93,333,308

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



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
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
2012	Avg. Monthly Benefit - \$	0.00	867.79	1,130.82	1,693.60	3,265.59	3,793.28	0.00
	Avg. Final Average Salary - \$	0.00	3,013.70	3,130.64	4,033.72	4,593.46	4,730.13	0.00
	Number of Retirees	0	18	24	11	34	54	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**

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u> \$	<u>Excess Benefit Plan Participants</u>	<u>Benefit Expenses</u>
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
2012	12	198,780	N/A	N/A

NUMBER OF REFUNDS OF CONTRIBUTIONS

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Number of Refunds</u>	<u>% Increase Each Year</u>	<u>Number of Refunds</u>	<u>% Increase Each Year</u>
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)%
2012	220	1.85%	0	0.00%

SCHEDULE OF CHANGES IN NET POSITION (CPERS)

Fiscal Year	Member Contributions	Employer Contributions	Net Investment Income	Total Additions to Net Position
	\$	\$	\$	\$
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
2012	15,205,761	37,321,809	114,974,105	167,501,675

Fiscal Year	Benefit Payments	Refunds and Withdrawals	Administrative Expenses	Total Deductions from Net Position	Total Changes in Net Position
	\$	\$	\$	\$	\$
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)
2012	90,611,422	2,721,886	1,137,201	94,470,509	73,031,166

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

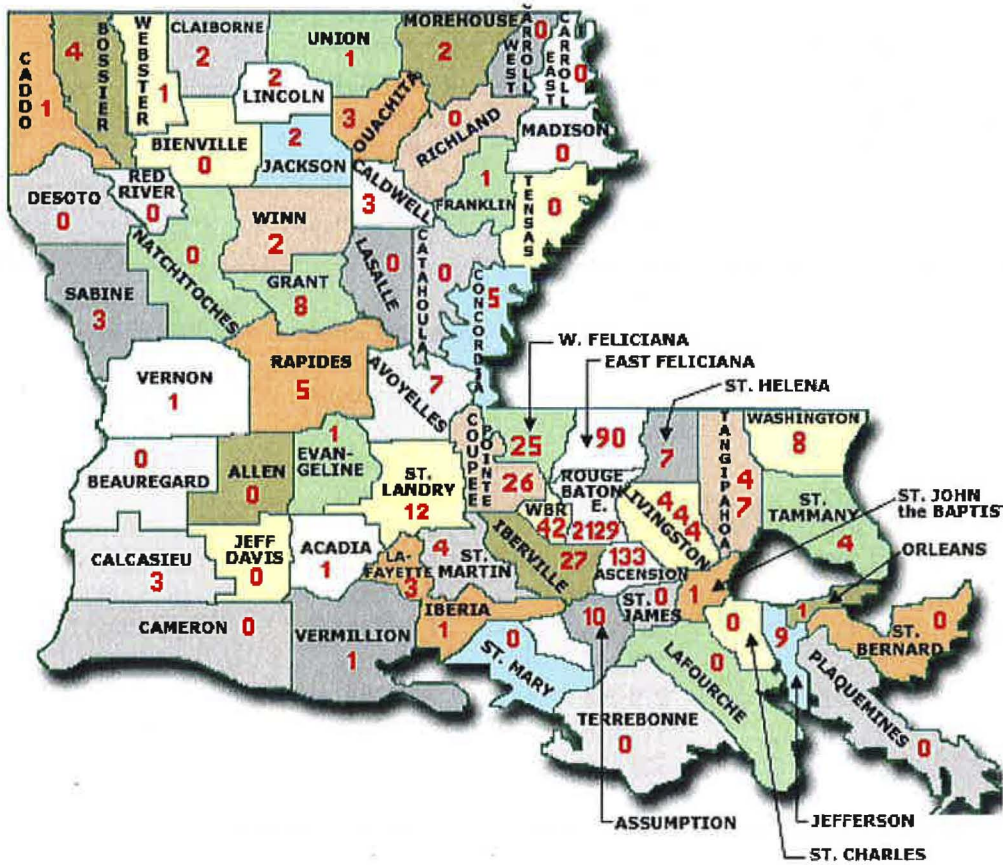
SCHEDULE OF CHANGES IN NET POSITION (PGT)

<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Total Additions To Net Position</u>
	\$	\$	\$	\$
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)
2012	92,880	238,628	2,427,788	2,759,296

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Refunds and Withdrawals</u>	<u>Administrative Expenses</u>	<u>Total Deductions from Net Position</u>	<u>Total Changes In Net Position</u>
	\$	\$	\$	\$	\$
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)
2012	2,670,498	0	329,109	2,999,607	(240,311)

RETIREES AT DECEMBER 31, 2012
(CPERS and PGT members)

Louisiana Breakdown by Parish



LOUISIANA	3,082
OTHER STATES	232
TOTAL RETIREES	3314

STATES

ALABAMA	7
ARKANSAS	10
ARIZONA	2
CALIFORNIA	3
COLORADO	5
DIST. OF COLUMBIA	1
FLORIDA	23
GEORGIA	4
IDAHO	1
ILLINOIS	2
KANSAS	1
KENTUCKY	4
MAINE	1
MASSACHUSETTS	1
MARYLAND	1
MICHIGAN	2
MINNESOTA	1
MISSISSIPPI	72
MISSOURI	10
MONTANA	1
NEW MEXICO	1
N. CAROLINA	2
NEVADA	1
OHIO	2
OKLAHOMA	5
OREGON	1
PENNSYLVANIA	1
SOUTH CAROLINA	1
SOUTH DAKOTA	1
TENNESSEE	13
TEXAS	41
UTAH	4
VIRGINIA	3
WASHINGTON	2
W. VIRGINIA	1
WYOMING	1

2012



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

Alternative Retirement Plans

CP
Employees'
Retirement System



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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**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**

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

We have audited, 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, 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, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain other matters regarding the internal control over financial reporting that we reported to management of the Retirement System in a separate letter dated June 25, 2013.

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Nettenville

Baton Rouge, Louisiana
June 25, 2013



CP
Employees'
Retirement System



CP
Employees'
Retirement System



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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, LA