

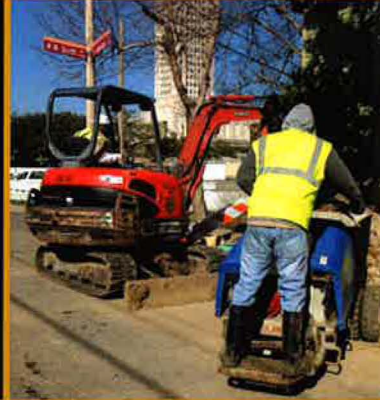
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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

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, 2014**

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR

OFFICE LOCATION

**EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
209 ST. FERDINAND STREET
BATON ROUGE, LOUISIANA 70802
(225) 389-3272**

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AND PARISH OF EAST BATON ROUGE
P. O. BOX 1471
BATON ROUGE, LOUISIANA 70821**

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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**

COVER AND DIVIDER DESIGN BY:

**STAN DARK CREATIVE
BATON ROUGE, LOUISIANA
www.imagesrc.com**

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

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM



Introductory Section

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
Fax: (225) 389-5548

LETTER OF TRANSMITTAL

June 25, 2015

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, 2014. The 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 administration and 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 Employees' Retirement System of the City of Baton Rouge and Parish of East Baton Rouge (CPERS) original trust and the Police Guarantee Trust (PGT). The 2014 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 System's 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, a summary of actuarial accrued liabilities covered by actuarial value of assets, 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. Management has also 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 Plan for the exclusive benefit of the membership, both active and retired.

MAJOR INITIATIVES

In response to recommendations from its investment consultant, CPERS' Board contracted with Harvest Fund Advisors, LLC to manage a portfolio of publicly traded midstream (pipeline and storage facility) oil and gas stocks in a master limited partnership (MLP) arrangement. MLP's now comprise approximately 5 percent of total assets in the CPERS and PGT trusts. In addition to possessing equity-like characteristics, MLP's are liquid, have historically provided an attractive return, and are defensive in nature by providing an inflation-protecting element.

Also relative to investments, the CPERS Board contracted with Morgan Stanley for their AIP Private Markets Fund VI, and committed \$12.5 million toward the fund. This was the second installment of private equity for CPERS as it follows the schedule designed by the investment consultant to invest 5 percent of the system's assets in private markets. This is being done over a period of six years with commitments to various funds with differing investment opportunity emphasis such as secondaries, venture capital, buyout, etc. Another commitment is expected in 2015.

CPERS also launched its Deferred Retirement Option Plan (DROP) web-based application which allows members to view their DROP balances and DROP account activity from any internet accessible device on a secure website. The staff will continue to explore the possibility of making other data available to members in the same manner.

CPERS paid out its eighth consecutive Supplemental Benefits Payment (SBP) to eligible retirees in September of 2014. It was again necessary to continue the scaled-back amounts established in 2012 in order to make meaningful distributions to qualifying retirees. The aggregate amount paid to 2,340 retirees totaled \$1.3 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.

In March, CPERS received its favorable determination letter from the Internal Revenue Service, signifying that the plan conforms to all requirements of a tax-qualified plan as defined by the IRS. The letter is generally considered valid for a five-year period, at which time CPERS will file another application. Initial qualification of the plan occurred in 1997 with a complete rewrite of the Retirement Ordinances to conform to qualified plan language.

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, online access to DROP balances and account activity, 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 2014 the System paid out \$73.1 million in regular monthly benefits compared to \$69.9 million in 2013; an increase of 4.6%. Distributions of \$16.1 million were paid to participants from the Deferred Retirement Option Plan (DROP), as compared to \$21.7 million in 2013. This represented a decrease of 25.8%. Combined, CPERS and PGT paid out \$89.2 million to eligible retirees, survivors, and beneficiaries during the year, exclusive of separation benefits. Compared to \$91.6 million paid out in 2013, total benefits paid decreased by 2.6%.

The average monthly benefit of CPERS retirees continued to increase as both salaries and the number of retirements increased. For 2014, retirees drew an average monthly benefit of \$1,911, which represented an increase of 2.9% over the 2013 average of \$1,858. The average monthly withdrawal for DROP funds was \$1,141, a sharp decrease of 24.6% from 2013's average of \$1,513. The DROP interest rate rose to 7.3 percent, which possibly helped to slow member withdrawals from the DROP. DROP withdrawals included \$501 thousand in rollovers to qualified Individual Retirement Accounts (IRAs) or other qualified plans.

Also, during 2014, refunds were issued to 238 members who terminated employment and to beneficiaries of deceased members, compared to 239 issued during 2013. 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 118 members retired during 2014, which is a decrease from the 147 who retired in 2013. A total of 117 members entered DROP during 2014 compared to 111 during 2013.

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 report.

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 (Nyhart) 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. As a result of a Five-Year Experience Study, CPERS approved a 30-year closed amortization period, which will convert to an open amortization period at the 15-year level. Other actuarial assumptions that were revised included lowering the investment return from 7.50% to 7.25%, lowering annual inflation from 3.50% to 2.75%, adopting the use of the RP2000 mortality schedule, and adjustment of the retirement and disability rates.

Contributions from members remained at 9.5 percent during 2014 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 27.23 percent produced 2014 General Fund and non-General Fund/Other Employer contribution rates of 24.90 percent and 29.70 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' 2014 gross investment performance of 5.28 percent was disappointing considering the target investment performance was 7.25 percent. In accordance with the new standards of GASB 67 *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, CPERS' net position as a percent of the total pension liability was 66.39 percent when comparing the plan fiduciary net position to the total pension liability. There is no comparable number for 2013 since GASB 67 was implemented in 2014. For the Police Guarantee Trust, when comparing the plan fiduciary net position to the total pension liability, the net position as a percent of the total pension liability was 55.36 percent.

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 is managed by 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. Utilizing the 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 66 through 70. 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, Summit Strategies Group, 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, hedge fund of funds, private equity, and master limited partnerships. Within some of 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 71 through 73. During 2014, CPERS retained relationships with fourteen of its investment managers, brought on another private equity manager, and a master limited partnership 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 2014 was 5.28 percent with the three-year, and five-year returns being 11.53, and 9.53 percent respectively. For the PGT, the 2014 gross investment return was 4.73 percent, with the three-year and five-year returns being 9.92 percent and 8.23 percent respectively. A summary of the largest investment holdings can be found on pages 74 and 75.

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 2014 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, 2013. This was the seventeenth 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.

Thanks also go to the Retirement Office staff for their continued efforts in making the 2014 Comprehensive Annual Financial Report (CAFR) the accurate and professional document it continues to be. 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 eighteenth 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 seventeenth consecutive year.



Jeffrey R. Yates, CPA
Retirement Administrator



Russell P. Smith, CPA
Retirement Financial Manager

2014
RETIREMENT BOARD OF TRUSTEES

Linda T. Hunt

Chairman & Regular Employees' Representative
Term: 1/1/12 – 12/31/2015

Marsha J. Hanlon

Vice-Chairman and Mayoral Representative
Term: Appointed By Mayor-President

Mark J. LeBlanc

Metropolitan Council Representative
Term: 1/1/13 – 12/31/2016

Casey R. Cashio

Metropolitan Council Representative
Term: 1/1/13 – 12/31/2016

Joseph R. Toups

Regular Employees' Representative
Term: 6/27/13 – 6/26/2017

Sergeant Chad M. King

Police Employees' Representative
Term: 3/1/12 – 2/29/2016

Chief Richard W. Sullivan

Fire Employees' Representative
Term: 3/1/12 – 2/29/2016

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

ACTUARY

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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

LEGAL COUNSEL

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8280 YMCA Plaza Drive, Building 8-C
Baton Rouge, LA 70810

MEDICAL EXAMINER

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P. O. Box 83029
Baton Rouge, LA 70884-3029

IT CONSULTANT

Relational Systems Consultants
102 Emily Circle
Lafayette, LA 70508

COST ANALYSIS CONSULTANT

MGT of America
3800 Esplanade Way
Tallahassee, FL 32311

CUSTODIAN BANK

Bank of New York/Mellon
135 Santilli Highway
Everett, MA 01249

FIXED INCOME

Income Research and Management
100 Federal Street
Boston, MA 02110

Western Asset Management Company
385 East Colorado Boulevard
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

Hood River Capital Management, LLC
One SW Columbia Street, Suite 430
Portland, OR 97258

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

INTERNATIONAL EQUITY

Sprucegrove Investment Management Ltd.
181 University Avenue, Suite 1300
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

PRIVATE EQUITY

Neuberger Berman
605 3rd Avenue
New York, NY 10016

Morgan Stanley
100 Front Street
West Conshohocken, PA 19428

MASTER LIMITED PARTNERSHIPS

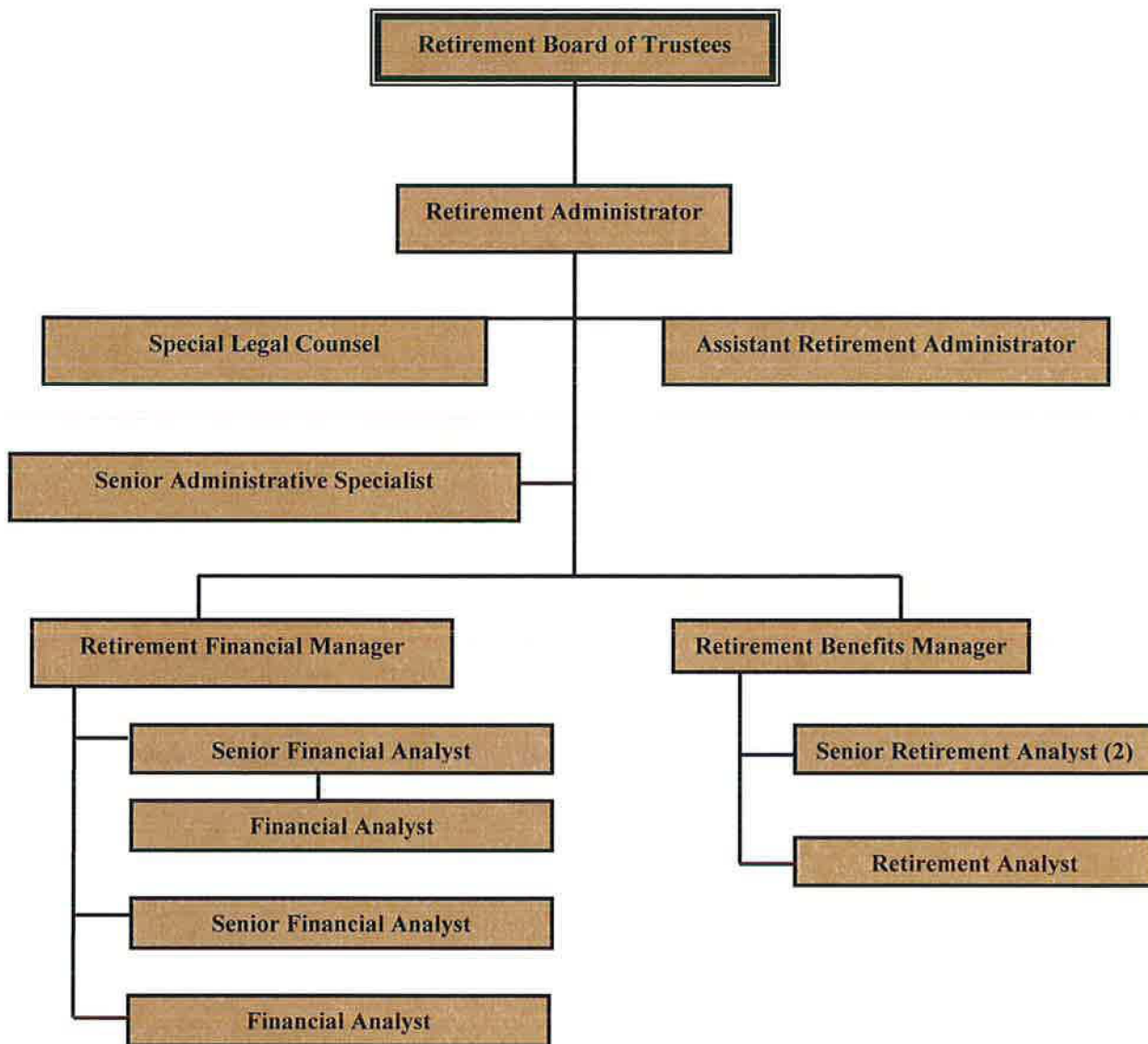
Harvest Fund Advisors LLC
100 West Lancaster Avenue, 2nd Floor
Wayne, PA 19087

PROFESSIONAL CONSULTANTS (CONTINUED)

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**



Student Interns (2)

See page 12 for specific information regarding investment professionals. A schedule of commissions paid to brokers can be found on page 82 in the Investment Section of this CAFR.



Government Finance Officers Association

**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, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive style with a prominent 'J' and 'E'.

Executive Director/CEO

SUMMARY OF 2014 LOCAL LEGISLATIVE CHANGES

The following local legislation became law in 2014:

ORDINANCE 15761 – AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES’ RETIREMENT SYSTEM), SUBPART 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 10, 2014, the Metropolitan Council approved Ordinance 15761 that amended the following sections:

Section 1:273 B.2. – The amendment added language to define an eligible deferred compensation plan as one defined in Section 457(b) of the Internal Revenue Code.

Section 1:274 D. – In Subsection D, the language “or terminates employment” was deleted and replaced with “retires” in regards to when benefits are distributed.

ORDINANCE 15762 – AMENDING TITLE 1 (MUNICIPAL AND PARISH ORGANIZATION), CHAPTER 3 (PERSONNEL), PART IV (EMPLOYEES’ RETIREMENT SYSTEM), SECTIONS 1:251 (DEFINITIONS) AND 1:259 (MEMBERSHIP) OF THE CODE OF ORDINANCES OF THE CITY OF BATON ROUGE AND PARISH OF EAST BATON ROUGE TO EXCLUDE CONSTRUCTION TRADE EMPLOYEES OF THE BATON ROUGE RECREATION AND PARK COMMISSION FROM MEMBERSHIP DURING ANY PERIOD FOR WHICH SUCH EMPLOYEE IS COVERED BY A COLLECTIVE BARGAINING AGREEMENT THAT REQUIRES THE EMPLOYER TO MAKE CONTRIBUTIONS ON HIS OR HER BEHALF TO A MULTIEMPLOYER PENSION PLAN THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AND ANY AMENDMENTS THERETO.

On September 10, 2014, the Metropolitan Council approved Ordinance 15762 that amended the following sections:

Section 1:251 Definitions –The amendment changed the definition of member to exclude from membership any employee of the Recreation and Park Commission as defined in Section 1:259 H.

Section 1:259 H. Membership – Subsection H was added to exclude from membership any construction trade employees of the recreation and park commission during any period for which such employee is covered by a collective bargaining agreement that requires the employer to make contributions on his or her behalf to a multiemployer pension plan that is subject to the Employee Retirement Income Security Act of 1974, and any amendment thereto.

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.

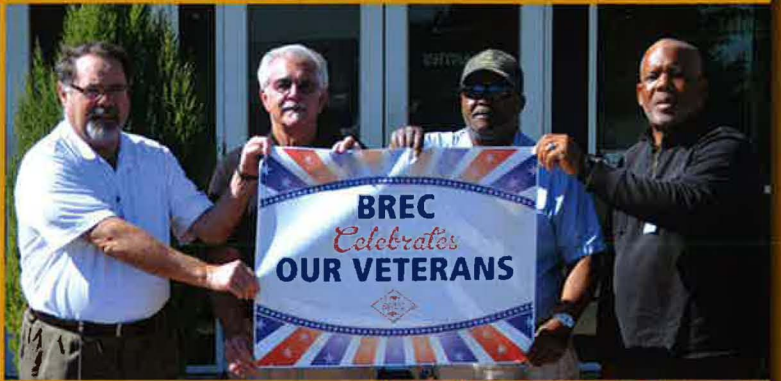
MEMBERS WHO TRANSFERRED MEMBERSHIP TO MPERS

- 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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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

CP
Employees'
Retirement System





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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2014, 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, 2014 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.

Adoption of New Accounting Guidance

As discussed in Note 1A to the financial statements, in 2014 the Retirement System adopted new accounting guidance, GASB Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB No. 25. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability, schedules of employers' net pension liability, schedule of investment returns, and the schedule of employer contributions and related notes 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, Schedules of Payments to Consultants, and Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Retirement Administrator are 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, 2013, 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 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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, 2015 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 & Netterville

Baton Rouge, Louisiana
June 25, 2015



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- After two strong investment performance years, 2014 represented a reversion to the mean with CPERS experiencing an overall performance of 5.3 percent. Still CPERS outperformed its total fund policy index by 56 basis points, most of which came from manager added value. Although the US equities composite returned an impressive 12.9 percent, international equities partially offset that with a disappointing -3.3 percent finish for the year. Fixed income returned 5.3 percent, and alternative investments fared well with hedge fund of funds and private equity returning 7.8 percent and 17.9 percent respectively. Real estate continued to advance with a 13.2 percent performance.
- Retirement benefit payments decreased two years in a row as DROP withdrawals continued to decline as a result of a healthy 7.3 percent DROP interest rate. Included in benefit payments was payment of the eighth consecutive Supplemental Benefit Payment of over \$1.3 million. Refunds and withdrawals decreased moderately by only 4 percent.
- The plan fiduciary net position as a percent of the total pension liability increased \$54.8 million as the result of actuarial experience and changes to the plan's assumptions adopted after a five-year experience study and at the recommendation of the actuarial consultant. Overall, the plan's funding level at December 31, 2014 was 66.39 percent, as measured in accordance with the latest GASB standards.

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 – 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, 2014 and provides comparative combined totals at December 31, 2013.

Statement of Changes in Fiduciary Net Position – This statement reports the results of operations during the calendar year 2014 with comparative combined totals for 2013, 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 Fiduciary Net Position. In keeping with prior years' format, the original CPERS trust and Police Guarantee Trust are again shown both separately and combined, and again with a column showing the comparative combined totals for the prior year, although the statement is not a comparative financial statement by definition.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements - The financial statement notes provide additional information that is essential to a complete understanding of the data set forth in the financial statements. They are considered an integral part of the financial statements. A 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 (Actuarial GASB 67 Disclosures - CPERS) provides detailed data relative to the actuarial status of the original CPERS trust, including pension liability, funded percentage, actuarial assumptions, plan membership, long-term expected rates of return on investments, discount rate, and sensitivity to discount rate changes.
- Note 5 (Actuarial GASB 67 Disclosures - PGT) also provides detailed data relative to the actuarial status of the Police Guarantee Trust fund, including pension liability, funded percentage, actuarial assumptions, plan membership, long-term expected rates of return on investments, discount rate, and sensitivity to discount rate changes.
- 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 informational schedules and related notes. These schedules show the changes in net pension liability, employers' net pension liability, investment returns, 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 restricted for pensions at December 31, 2014 were \$1.09 billion, which represented an increase of \$12.1 million, or 1.1 percent above the \$1.08 billion restricted for pensions at December 31, 2013.

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

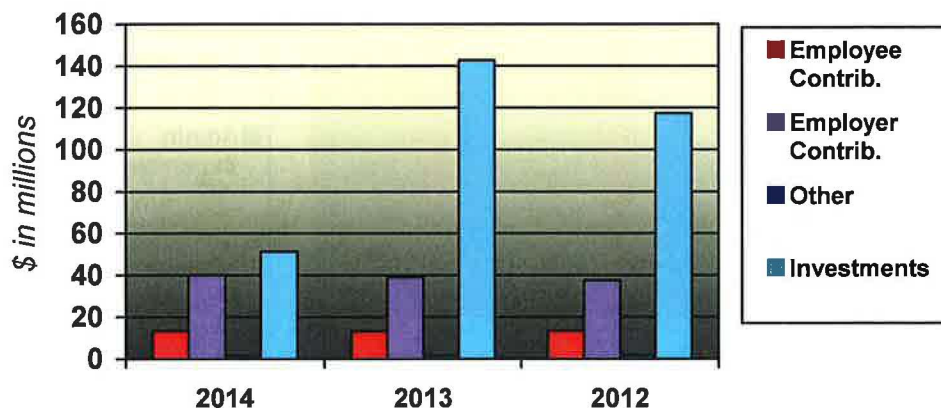
MANAGEMENT'S DISCUSSION AND ANALYSIS

	2014	2013	2012	2014 Increase (Decrease)	2014 % Change
Cash	\$ 12,663,282	\$ 4,195,056	\$ 7,682,889	\$ 8,468,226	201.9 %
Receivables	10,051,769	6,788,231	17,895,146	3,263,538	48.1
Investments (fair value)	1,073,751,974	1,072,168,111	978,599,299	1,583,863	0.1
Capital Assets	571,724	578,011	584,297	(6,287)	(1.1)
Total Assets	1,097,038,749	1,083,729,409	1,004,761,631	13,309,340	1.2
Total Liabilities	3,074,870	1,867,351	22,432,444	1,207,519	64.7
Net Position Restricted for Pensions	\$1,093,963,879	\$1,081,862,058	\$ 982,329,187	\$ 12,101,821	1.1 %

Additions to Net Position Restricted for Pensions

Additions to CPERS net position restricted for pensions include regular contributions from employees and employers, contributions received from employers for purposes of paying severance pay to employees' DROP accounts, and investment income. Employee contributions, which continued at 9.5% of payroll for both 2014 and 2013 increased by \$230 thousand as salary increases were minimal. Employer contributions increased over \$1 million as the required employer contribution rate again increased for 2014, as recommended by the System's actuary. The blended employer contribution rate for 2014 was 27.23% of payroll, while in 2013 the rate was set at 26.89%. Investment performance fell short of expectations, primarily due to a dismal year for international equities. In 2014, the System recognized a net investment gain of \$58.1 million, compared to 2013's gain of \$147.2 million. In total, 2014 additions to net position restricted for pensions were \$106.5 million as compared to additions of \$196.8 million for 2013.

Additions to Net Position



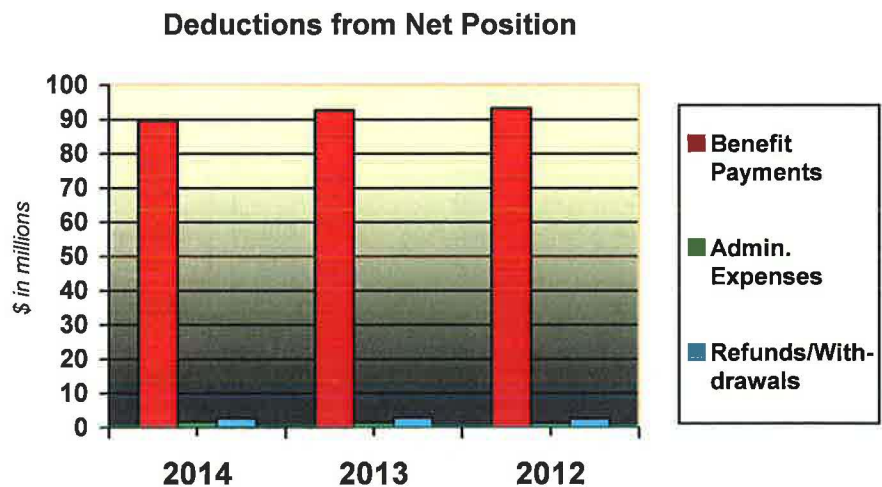
**EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BATON ROUGE AND
PARISH OF EAST BATON ROUGE**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions to Net Position	2014	2013	2012	2014 Increase (Decrease)	2014 % Change
Employee Contributions	\$ 13,463,174	\$ 13,233,128	\$ 13,485,599	\$ 230,046	1.7 %
Employer Contributions	40,127,044	39,089,413	37,560,437	1,037,631	2.7
Net Investment Income	51,327,523	142,720,229	117,401,893	(91,392,706)	(64.0)
Other	1,534,821	1,741,065	1,813,042	(206,244)	(11.8)
Total Additions	\$ 106,452,562	\$ 196,783,835	\$ 170,260,971	\$ (90,331,273)	(45.9) %

Deductions from Net Position Restricted for Pensions

Deductions from CPERS net position restricted for pensions 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 2014, benefit payments to retirees, survivors, and beneficiaries totaled \$89.8 million, which represented a 3.2% decrease from the \$92.8 million paid out in 2013. This was primarily due to a decreased amount of DROP withdrawals requested by members. 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 eighth consecutive Supplemental Benefit Payment of \$1.3 million to qualifying retirees. The 2014 administrative expenses increased to \$1.72 million from \$1.54 million in 2013 representing an increase of 11.5%. And finally, refunds and withdrawals of member contributions decreased by 4.0%, totaling \$2.8 million in 2014, as compared to \$2.9 million in 2013.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Deductions from Net Position	2014	2013	2012	2014 Increase (Decrease)	2014 % Change
Benefit Payments	\$ 89,805,233	\$ 92,765,348	\$ 93,281,920	\$ (2,960,115)	(3.2) %
Refunds & Withdrawals	2,823,522	2,940,900	2,721,886	(117,378)	(4.0)
Administrative Expense	1,721,986	1,544,716	1,466,310	177,270	11.5
Total Deductions	\$ 94,350,741	\$ 97,250,964	\$ 97,470,116	\$ (2,900,223)	(3.0) %

Net Increase (Decrease) in Net Position (Total Additions less Total Deductions)	\$ 12,101,821	\$ 99,532,871	\$ 72,790,855	\$ (87,431,050)	(87.8) %
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Investments

The System's investments stayed atop the billion dollar level, totaling \$1.074 billion at December 31, 2014 as compared to \$1.072 billion at December 31, 2013, which represented a slight increase of \$1.6 million or 0.15%. Equities in domestic markets led the charge with returns of 12.9%. International equities disappointed with returns of -3.3%. Domestic fixed income did reasonable well with gains of 5.3% for the year, while real estate performed impressively by returning 13.2%. Hedge fund of funds was on par with a 7.8% return. At the recommendation of the investment consultant, CPERS added an allocation from equities to Master Limited Partnerships, and committed its second allocation to private equity to further diversify the System's asset allocation. Further diversification of the portfolio can be expected to mitigate, but not eliminate risk. CPERS' investment return of 5.28% came in well below the expected 7.5% target, but did exceed the Total Fund Policy Index by 56 basis points, indicating that the active management by the investment managers significantly contributed to the performance. Investment expenses increased 10.3% as investment manager fees increased for specialized asset classes such as alternative investments, and as active managers grew assets on which fees are based. 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. Investment performance by general asset categories for the original CPERS trust is shown below:

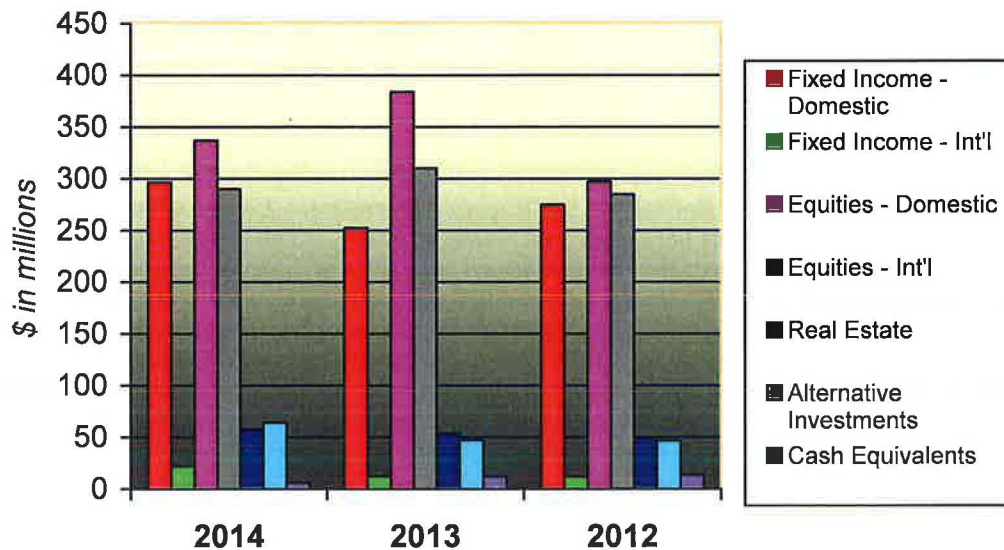
	2014 %	2013 %	2012 %
US Equity Composite	12.91	35.30	17.54
International Equity Composite	(3.25)	14.74	18.74
Fixed Income Composite	5.29	(1.60)	7.41
Real Estate Composite	13.16	12.77	10.66
Hedge Funds Composite	7.83	4.61	2.06
Private Equity	17.95	N/A	--
Cash Composite	.05	.12	.02
Total Fund Composite	5.28	15.73	13.86

**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)	2014	2013	2012	2014 Increase (Decrease)	2014 % Change
Fixed Income - Domestic	\$ 296,467,525	\$ 252,335,431	\$ 274,792,713	\$ 44,132,094	17.5 %
Fixed Income – International	22,209,075	12,351,607	12,044,477	9,857,468	79.8
Equities – Domestic	336,848,968	383,997,257	297,064,812	(47,148,289)	(12.3)
Equities – International	289,862,337	310,056,472	284,723,168	(20,194,135)	(6.5)
Real Estate	57,892,372	53,921,564	49,812,847	3,970,808	7.4
Alternative Investments	64,226,072	47,340,499	46,720,211	16,885,573	35.7
Cash Equivalents	6,245,625	12,165,281	13,441,071	(5,919,656)	(48.7)
Total Investments	\$ 1,073,751,974	\$ 1,072,168,111	\$ 978,599,299	\$ 1,583,863	0.1 %

**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, 2014
AND COMPARATIVE COMBINED TOTALS FOR 2013**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2014 Combined Total</u>	<u>2013 Combined Total</u>
Assets				
Cash	\$ 12,087,966	\$ 575,316	\$ 12,663,282	\$ 4,195,056
Receivables:				
Employer contributions	5,513,022	559,807	6,072,829	3,195,123
Employee contributions	945,714	5,404	951,118	883,314
Interest and dividends	14,708	-	14,708	17,835
Pending trades	2,794,739	86,461	2,881,200	2,480,006
Other	131,914	-	131,914	211,953
Total receivables	<u>9,400,097</u>	<u>651,672</u>	<u>10,051,769</u>	<u>6,788,231</u>
Investments (at fair value):				
Fixed Income – Domestic	288,853,105	7,614,420	296,467,525	252,335,431
Fixed Income – International	21,687,936	521,139	22,209,075	12,351,607
Equities – Domestic	332,008,221	4,840,747	336,848,968	383,997,257
Equities – International	285,677,144	4,185,193	289,862,337	310,056,472
Real estate investments	57,892,372	-	57,892,372	53,921,564
Alternative investments	63,224,976	1,001,096	64,226,072	47,340,499
Cash equivalents	5,340,708	904,917	6,245,625	12,165,281
Total investments	<u>1,054,684,462</u>	<u>19,067,512</u>	<u>1,073,751,974</u>	<u>1,072,168,111</u>
Properties at cost, net of accumulated depreciation of \$731,480 and \$725,193, respectively	<u>571,724</u>	<u>-</u>	<u>571,724</u>	<u>578,011</u>
Total Assets	<u>1,076,744,249</u>	<u>20,294,500</u>	<u>1,097,038,749</u>	<u>1,083,729,409</u>
Liabilities				
Accrued expenses and benefits	971,728	189,256	1,160,984	1,354,907
Pending trades payable	<u>1,893,824</u>	<u>20,062</u>	<u>1,913,886</u>	<u>512,444</u>
Total Liabilities	<u>2,865,552</u>	<u>209,318</u>	<u>3,074,870</u>	<u>1,867,351</u>
Net position restricted for pensions	<u>\$ 1,073,878,697</u>	<u>\$ 20,085,182</u>	<u>\$ 1,093,963,879</u>	<u>\$ 1,081,862,058</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, 2014 AND
COMPARATIVE COMBINED TOTALS FOR 2013**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2014 Combined Total</u>	<u>2013 Combined Total</u>
Additions:				
Contributions:				
Employee	\$ 13,372,400	\$ 90,774	\$ 13,463,174	\$ 13,233,128
Employer	39,363,171	763,873	40,127,044	39,089,413
Severance contributions from employee	1,534,821	-	1,534,821	1,741,065
Total contributions	<u>54,270,392</u>	<u>854,647</u>	<u>55,125,039</u>	<u>54,063,606</u>
Investment income:				
Net appreciation in fair value of investments	57,188,273	944,669	58,132,942	147,163,414
Interest and Dividends	231,187	1,871	233,058	1,938,599
	<u>57,419,460</u>	<u>946,540</u>	<u>58,366,000</u>	<u>149,102,013</u>
Less investment expenses	6,888,351	150,126	7,038,477	6,381,784
Net investment income	<u>50,531,109</u>	<u>796,414</u>	<u>51,327,523</u>	<u>142,720,229</u>
Total additions	<u>104,801,501</u>	<u>1,651,061</u>	<u>106,452,562</u>	<u>196,783,835</u>
Deductions:				
Benefit payments	88,142,630	1,662,603	89,805,233	92,765,348
Refunds and withdrawals	2,806,619	16,903	2,823,522	2,940,900
Administrative expenses	1,388,242	333,744	1,721,986	1,544,716
Total deductions	<u>92,337,491</u>	<u>2,013,250</u>	<u>94,350,741</u>	<u>97,250,964</u>
Net increase (decrease) in net position	12,464,010	(362,189)	12,101,821	99,532,871
Net position restricted for pensions				
Beginning of year	<u>1,061,414,687</u>	<u>20,447,371</u>	<u>1,081,862,058</u>	<u>982,329,187</u>
End of year	<u>\$ 1,073,878,697</u>	<u>\$ 20,085,182</u>	<u>\$ 1,093,963,879</u>	<u>\$ 1,081,862,058</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, Retirement System, or CPERS) is the administrator of a cost-sharing multiple-employer plan (the Plan). At December 31, 2014 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 and Annual Operating Budget. The accompanying financial statements reflect the activity of the Retirement System.

For 2014 reporting and financial statement presentation, the System adopted and complied with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and complied with 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

The Metropolitan Council maintains the authority to establish and amend plan benefits, which are disclosed in paragraph D. of Note 1.

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, or those covered under a collective bargaining agreement. 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 2014 and 2013, 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 administers the assets of, and makes investment policy decisions for the PGT.

C. Membership

At December 31, 2014 and 2013, membership in the Retirement System for CPERS and the PGT consisted of:

Inactive - CPERS:	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	3,181	3,126
Vested terminated employees	22	24
Deferred retirees	<u>332</u>	<u>302</u>
Total inactive	<u>3,535</u>	<u>3,452</u>
Active - CPERS:		
Fully vested	1,214	1,248
Nonvested	<u>1,967</u>	<u>2,035</u>
Total active	<u>3,181</u>	<u>3,283</u>
Total CPERS Membership	<u>6,716</u>	<u>6,735</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 PGT was closed to new members effective February 26, 2000 – the date of its inception.

Inactive - PGT:	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	17	23
Vested terminated employees	5	5
Deferred retirees	<u>57</u>	<u>63</u>
Total inactive	<u>79</u>	<u>91</u>
Active - PGT:		
Fully vested	188	198
Nonvested	<u>0</u>	<u>0</u>
Total active	<u>188</u>	<u>198</u>
Total PGT Membership	<u>267</u>	<u>289</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.

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.

**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

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.

The System has no true cost of living benefit, but did implement the Supplemental Benefit Payment (SBP) in 2006, which is a non-recurring non-guaranteed lump sum payment to qualifying retirees, and which must be declared for payment by the Board each year. Funding comes from mortality savings from a prior benefit adjustment, and from excess investment revenues. In aggregate, the amounts distributed to retirees cannot exceed the funds declared available for distribution. On an individual basis, a formula is used to determine payment amounts based on the retiree's number of years retired, years of service, and participation in the DROP.

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, 2014 were \$185,154,034 and \$19,505,416. For December 31, 2013, the DROP accounts for the CPERS and PGT trusts totaled \$171,456,454 and \$17,588,235 respectively. Members maintaining accounts in the original CPERS trust DROP and the PGT DROP respectively as of December 31, 2014 totaled 1,436 and 157. For December 31, 2013, 1,381 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 2014 and 2013, 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 rates annually determined by the Plan's actuary. For 2014 and 2013, the City General Fund employer rates were 24.90% and 24.53% respectively, while the non-general fund and other employer rates were 29.70% and 29.44% respectively. 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 2014, with combined totals for 2013 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. 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 \$6,286 both for years ended December 31, 2014 and December 31, 2013.

(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 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, 2014, the carrying amount of the Retirement System's demand deposit accounts plus amounts held in trust accounts classified as cash was \$12,663,282 and the bank balance was \$13,042,105, 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, JPMorgan/Chase, in a custodial account in the Retirement System's name. At December 31, 2013, the carrying amount of the Retirement System's cash book balance was \$4,195,056 and the bank balance was \$4,493,256, of which \$250,000 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 in accordance with the "Prudent Man Rule". 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 System historically has invested in the following types of securities:

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 Depository 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, 2014, the Retirement Board had committed, but only partially funded, a 5 percent allocation to two private equity funds, which fall 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 2014 and 2013, 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, 2014 and December 31, 2013 are shown in the table below.

Investment Type	Fair Value @ 12/31/2014	Fair Value @ 12/31/2013
Asset Backed Securities	65	\$ 67
Corporate Bonds/Notes – Domestic	3,770	5,460
Domestic Equities - Active Separate Accounts	77,915,267	41,341,020
Domestic Equities – Pooled Funds	258,933,701	342,656,237
Domestic Fixed Income – Pooled Funds	243,622,165	210,076,491
Emerging Markets Equities	87,670,603	85,876,955
Equity Real Estate Fund	57,892,372	53,921,564
Hedge Fund of Funds	56,854,590	46,292,778
International Fixed Income	22,209,075	12,351,607
International Equity - Pooled Funds	202,191,734	224,179,517
Mortgage Backed Securities	2,010	2,112
Private Equity	7,371,482	1,047,721
Short-Term Investment Fund/Cash Equivalents	6,245,625	12,165,281
United States Government Agencies	29	31
United States Treasury Bonds	--	--
United States Treasury Inflation-Protected Securities	52,839,486	42,251,270
Total	\$ 1,073,751,974	\$ 1,072,168,111

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, 2014, and December 31, 2013.

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. At December 31, 2014 CPERS' fixed income securities were managed only in commingled or pooled accounts, except for immaterial amounts in securities held in trust by the custodian bank totaling \$5,874. Of this amount, \$3,770 were not rated, \$2,075 were rated CCC, and \$29 were AA+ rated.

The System's 2014 Core, Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed income strategies are managed in pooled accounts. For these contractual relationships, each Declaration of Trust takes precedence over the System's investment policy, and the custodian bank does not have custody of the assets in these accounts. Assets and ratings for these funds are shown below.

Pooled Funds	Fair Value @ 12/31/2014	Rating	Fair Value @ 12/31/2013	Rating
Core Bond Domestic	\$ 88,695,910	AA-	\$ 85,163,301	AA-
Core-Plus	\$ 89,584,710	A	\$ 69,222,591	A
Absolute Return	\$ 87,550,620	A-	\$ 68,042,206	A
TIPS	\$ 52,839,486	AA+	\$ 42,251,270	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, 2014 and December 31, 2013 the System had exposure of less than 5 percent in any single investment issuer.

**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

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.

At December 31, 2014, the System's immaterial direct holdings of fixed income securities totaled \$5,874, with \$3,045 maturing in less than one year, \$725 maturing in less than five years, and \$2,104 maturing beyond ten years.

The System's 2014 Core, Core-Plus, Absolute Return, and Treasury Inflation-Protected Securities (TIPS) fixed income strategies are 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 @ 12/31/2014	Average Duration	Fair Value @ 12/31/2013	Average Duration
Core Bond Domestic	\$ 88,695,910	5.45 years	\$ 85,163,301	5.44 years
Core-Plus	\$ 89,584,710	5.06 years	\$ 69,222,591	5.07 years
Absolute Return	\$ 87,550,620	1.44 years	\$ 68,042,206	2.61 years
TIPS	\$ 52,839,486	7.62 years	\$ 42,251,270	7.28 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, 2014 and December 31, 2013, CPERS had no investments allocated in foreign currencies in non-pooled accounts of either fixed-income or equity managers.

J. Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is the calculated internal rate of return on pension plan investments, net of pension plan investment expense, and adjusted for changing amounts actually invested. It employs the accrual basis of accounting and is the result in aggregate of the monthly internal rates of return for the year.

	CPERS Original Trust	Police Guarantee Trust
2014	4.93 %	4.50%

**EMPLOYEES' RETIREMENT SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

(4) ACTUARIAL – GASB 67 DISCLOSURES - CPERS

A. Net Pension Liability (as of December 31, 2014)

Total pension liability	\$ 1,617,586,813
Plan fiduciary net position	(1,073,878,697)
Net pension liability	<u>\$ 543,708,116</u>

Plan fiduciary net position as a percent
of the total pension liability 66.39%

B. Actuarial Assumptions

Actuarial cost method	Entry Age Method
Asset method	Market Value of Assets
Discount rate	6.72%
Expected long-term rate of return	7.50%
Municipal bond rate	3.65%
Inflation	3.50%
Investment rate of return, including inflation, and net of investment expenses	6.72%
Mortality rates (healthy and disabled)	1994 Group Annuity Mortality Table (set forward 2 years)

Salary increases

Age	BREC/Reg.	Fire/Police
30	+2.50%	+4.00%
35	+1.50%	+2.00%
40	+1.25%	+2.00%
45	+0.75%	+1.00%
50	+0.50%	0.00%
55	0.00%	0.00%

Retirement rates

Reg., BREC, Police	Fire
100% at earlier of 25.5 years of service or at age 61 with 11 years	100% at earlier of 26 years of service or age 61 with 11 years of service

Ad-hoc cost-of-living increases	None
Measurement date	January 1, 2014
Experience study	Last performed for the period January 1, 2009 to December 31, 2013

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

NOTES TO THE FINANCIAL STATEMENTS

(4) ACTUARIAL – GASB 67 DISCLOSURES – CPERS, CONTINUED

C. Plan Membership

Inactive plan members and beneficiaries currently receiving benefits	3,428
Inactive plan members entitled to but not yet receiving benefits	24
Active plan members	3,283
Total plan members	6,735

D. Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term percentage and by adding expected inflation. The expected rate of return by weighting the expected future real rates of return by the target asset allocation long-term expected rate of return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income - Domestic	30.0 %	1.8 %
Fixed Income - International	0.0	0.0
Equities - Domestic	25.0	5.0
Equities - International	25.0	6.8
Real Estate	5.0	5.7
Alternative Investments	15.0	7.2
Cash	0.0	0.0
Total	100.0 %	

E. Discount Rate

The discount rate used to measure the total pension liability was 6.72%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. It should be noted that the discount rate changed from 7.50% as of December 31, 2013 to 6.72% as of the December 31, 2014 measurement date.

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

NOTES TO THE FINANCIAL STATEMENTS

(4) ACTUARIAL – GASB 67 DISCLOSURES – CPERS, CONTINUED

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following chart presents the net pension liability, calculated using the discount rate of 6.72%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.72%) or one percentage point higher (7.72%) than the current rate:

	1% Decrease (5.72%)	Current Discount Rate (6.72%)	1% Increase (7.72%)
Net Pension Liability	\$ 729,879,508	\$ 543,708,116	\$ 388,067,274

(5) ACTUARIAL – GASB 67 DISCLOSURES - PGT

A. Net Pension Liability (as of December 31, 2014)

Total pension liability	\$ 36,278,585
Plan fiduciary net position	<u>(20,085,182)</u>
Net pension liability	\$ <u>16,193,403</u>

Plan fiduciary net position as a percent
of the total pension liability 55.36%

B. Actuarial Assumptions

Actuarial cost method	Entry Age Method
Asset method	Market Value of Assets
Discount rate	6.85%
Expected long-term rate of return	7.50%
Municipal bond rate	3.65%
Inflation	3.50%
Investment rate of return, including inflation, and net of investment expenses	6.85%
Mortality rates (healthy and disabled)	1994 Group Annuity Mortality Table (set forward 2 years)

Salary increases

<u>Age</u>	<u>Fire/Police</u>
30	+4.00%
35	+2.00%
40	+2.00%
45	+1.00%
50	0.00%
55	0.00%

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

NOTES TO THE FINANCIAL STATEMENTS

(5) ACTUARIAL – GASB 67 DISCLOSURES – PGT, CONTINUED

B. Actuarial Assumptions, continued

Retirement rates

Police
100% at earlier of 25.5 years of service or at age 61 with 11 years

Ad-hoc cost-of-living increases

None

Measurement date

January 1, 2014

Experience study

Last performed for the period January 1, 2009 to December 31, 2013

C. Plan Membership

Inactive plan members and beneficiaries currently receiving benefits	174
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>198</u>
Total plan members	<u>377</u>

D. Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term percentage and by adding expected inflation. The expected rate of return by weighting the expected future real rates of return by the target asset allocation long-term expected rate of return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income - Domestic	42.5 %	1.7 %
Fixed Income - International	0.0	0.0
Equities - Domestic	22.5	5.0
Equities - International	22.5	6.8
Real Estate	0.0	0.0
Alternative Investments	10.0	7.2
Cash	2.5	1.0
Total	100.0%	

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

NOTES TO THE FINANCIAL STATEMENTS

(5) ACTUARIAL – GASB 67 DISCLOSURES – PGT, CONTINUED

E. Discount Rate

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. It should be noted that the discount rate changed from 7.50% as of December 31, 2013 to 6.85% as of the December 31, 2014 measurement date.

F. Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following chart presents the net pension liability, calculated using the discount rate of 6.85%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.85%) or one percentage point higher (7.85%) than the current rate:

	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
Net Pension Liability	\$ 16,991,532	\$ 16,193,403	\$ 15,412,455

(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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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

CP
Employees'
Retirement System



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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2014***

CPERS TRUST

	2014
Total Pension Liability	
Service Cost	\$ 23,180,006
Interest	108,726,199
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	680,646
Changes of Assumptions	103,971,937
Benefit Payments, Including Refunds of Member Contributions	(90,949,249)
Net Change in Total Pension Liability	<u>145,609,539</u>
Total Pension Liability – Beginning	<u>\$ 1,471,977,274</u>
Total Pension Liability – Ending (a)	<u>\$ 1,617,586,813</u>
Plan Fiduciary Net Position	
Contributions – Employer	\$ 38,356,684
Contributions – Employee	13,372,400
Contributions – Nonemployer Contributing Member	2,541,308
Net Investment Income	50,531,109
Retirement Benefits, Including Refunds of Member Contributions	(90,949,249)
Administrative Expenses	(1,388,242)
Other	0
Net Change in Plan Fiduciary Net Position	<u>12,464,010</u>
Plan Fiduciary Net Position – Beginning	<u>\$ 1,061,414,687</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,073,878,697</u>
Net Pension Liability – Ending (a) – (b)	\$ 543,708,116
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.39%
Covered Employee Payroll	\$ 137,789,518
Net Pension Liability as a Percentage of Covered Employee Payroll	394.59%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2014***

POLICE GUARANTEE TRUST

	2014
Total Pension Liability	
Service Cost	\$ 437,310
Interest	2,565,879
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes of Assumptions	340,742
Benefit Payments, Including Refunds of Member Contributions	(1,679,506)
Net Change in Total Pension Liability	<u>1,664,425</u>
Total Pension Liability - Beginning	<u>\$ 34,614,160</u>
Total Pension Liability - Ending (a)	<u>\$ 36,278,585</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 763,873
Contributions - Employee	90,774
Contributions - Nonemployer Contributing Member	0
Net Investment Income	796,414
Retirement Benefits, Including Refunds of Member Contributions	(1,679,506)
Administrative Expenses	(333,744)
Other	0
Net Change in Plan Fiduciary Net Position	<u>(362,189)</u>
Plan Fiduciary Net Position - Beginning	<u>\$ 20,447,371</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 20,085,182</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 16,193,403</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.36%
Covered Employee Payroll	\$ 14,282,440
Net Pension Liability as a Percentage of Covered Employee Payroll	113.38%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYERS' NET PENSION LIABILITY*

CPERS TRUST

	2014	2013
Total Pension Liability	\$ 1,617,586,813	\$ 1,471,977,274
Plan Fiduciary Net Position	<u>1,073,878,697</u>	<u>1,061,414,687</u>
Employers' Net Pension Liability	\$ 543,708,116	\$ 410,562,587
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.39%	72.11%
Covered Employee Payroll	\$ 137,789,518	\$ 137,426,654
Employers' Net Pension Liability as a Percentage of Covered Employee Payroll	394.59%	298.75%

POLICE GUARANTEE TRUST

	2014	2013
Total Pension Liability	\$ 36,278,585	\$ 34,614,160
Plan Fiduciary Net Position	<u>20,085,182</u>	<u>20,447,371</u>
Employers' Net Pension Liability	\$ 16,193,403	\$ 14,166,789
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	55.36%	59.07%
Covered Employee Payroll	\$ 14,282,440	\$ 15,428,420
Employers' Net Pension Liability as a Percentage of Covered Employee Payroll	113.38%	91.82%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF INVESTMENT RETURNS*

CPERS TRUST

	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.93%

POLICE GUARANTEE TRUST

	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.50%

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CPERS TRUST

Year Ended	Actuarially Determined Contribution	Contributions In Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	\$	\$	\$	\$	
12/31/05*	20,785,669	21,947,383	(1,161,714)	109,887,349	19.97%
12/31/06*	22,129,069	25,029,841	(2,900,772)	115,559,704	21.66%
12/31/07*	22,431,367	26,812,456	(4,381,089)	120,067,016	22.33%
12/31/08*	22,931,211	27,161,196	(4,229,985)	123,524,590	21.99%
12/31/09*	29,050,693	28,550,151	500,542	131,041,421	21.79%
12/31/10*	33,890,884	34,240,596	(349,712)	136,119,407	25.15%
12/31/11*	35,001,688	37,305,836	(2,304,148)	136,123,660	27.41%
12/31/12*	36,777,168	39,134,851	(2,357,682)	136,781,288	28.61%
12/31/13*	37,417,818	40,133,560	(2,715,742)	137,426,654	29.20%
12/31/14*	38,715,270	40,897,992	(2,182,722)	137,789,518	29.68%

*Includes Municipal Employees' Retirement System contribution and DROP Severance Contribution

POLICE GUARANTEE TRUST*

Year Ended	Actuarially Determined Contribution	Contributions In Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
	\$	\$	\$	\$	
12/31/05	127,781	93,973	33,808	20,587,122	0.46%
12/31/06	367,957	125,314	242,643	19,964,426	0.63%
12/31/07	124,607	123,140	1,467	20,507,475	0.60%
12/31/08	215,291	127,087	88,204	19,754,110	0.64%
12/31/09	479,630	149,179	330,451	20,084,707	0.74%
12/31/10	1,634,905	250,114	1,384,791	18,836,479	1.33%
12/31/11	1,977,834	202,695	1,775,139	17,315,930	1.17%
12/31/12	2,225,478	238,628	1,986,850	15,966,923	1.49%
12/31/13	2,679,589	696,918	1,982,671	15,428,420	4.52%
12/31/14	2,646,547	763,873	1,882,674	14,282,440	5.35%

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

*The Police Guarantee Trust uses the aggregate actuarial cost method for funding purposes. See page 108 for the schedule of funding progress prepared using the entry age actuarial cost method.

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

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SCHEDULES – ACTUARIAL DETERMINED CONTRIBUTIONS

The actuarial determined contribution rates in the schedule of employer contributions are calculated as of January 1, 2014, twelve months prior to the fiscal year end in which the contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

CPERS TRUST

Valuation date	December 31, 2014
Valuation method	Individual Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability.
Amortization method	30-year amortization method using payroll growth of 2.5% per annum, the amortization period will be reduced in successive years until reaching a 15-year open period.
Remaining amortization period	30 years (phasing down to 15-year open)
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	7.25%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	2.50% * (3)

* compounded annually and including inflation of 2.75%

(1) adopted February 26, 2015

(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 REQUIRED SCHEDULES – ACTUARIAL DETERMINED CONTRIBUTIONS

POLICE GUARANTEE TRUST

Valuation date	December 31, 2014
Valuation method	Aggregate Actuarial Cost Method for funding purposes. (Does not identify or separately amortize unfunded actuarial liabilities. See page 108 for the Schedule of Funding Progress prepared using the Entry Age Actuarial Cost Method.)
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	7.25%* (1)
Projected salary increases	3.50%* plus longevity/merit (2)
Aggregate payroll growth	N/A

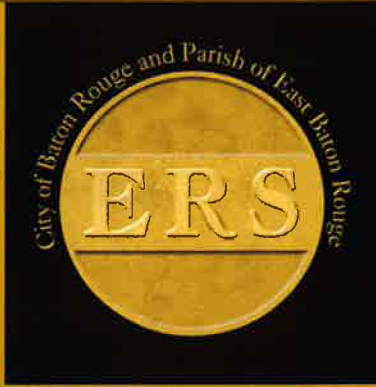
* compounded annually and including inflation of 2.75%

(1) Adopted February 26, 2015

(2) revised from 2008 assumption of 3.75%

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM



Supporting Schedules

CP
Employees'
Retirement System



**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2014 Combined Total</u>	<u>2013 Combined Total</u>
Salaries:				
Salaries - regular	\$ 587,499	\$ 146,767	\$ 734,266	\$ 716,867
Other compensation – student interns	13,712	3,426	17,138	18,416
Other compensation – auto allowance	3,900	974	4,874	4,819
Related benefits	<u>283,901</u>	<u>70,976</u>	<u>354,877</u>	<u>330,204</u>
Total salaries	<u>889,012</u>	<u>222,143</u>	<u>1,111,155</u>	<u>1,070,306</u>
Travel and training expenses	<u>11,920</u>	<u>2,980</u>	<u>14,900</u>	<u>13,080</u>
Operating services:				
Dues and memberships	4,028	1,007	5,035	3,945
Utilities	9,253	2,313	11,566	12,543
Custodial and extermination	11,959	2,990	14,949	14,680
Printing and binding	7,511	859	8,370	10,000
Telephone	5,844	1,461	7,305	6,946
Postage	20,097	5,024	25,121	25,785
Insurance	14,917	3,729	18,646	19,071
Rentals – office equipment	5,312	1,328	6,640	4,836
Repairs and maintenance - buildings	80,947	20,237	101,184	68,880
Repairs and maintenance - office equipment	<u>3,293</u>	<u>823</u>	<u>4,116</u>	<u>10,263</u>
Total operating services	<u>163,161</u>	<u>39,771</u>	<u>202,932</u>	<u>176,949</u>
Supplies	<u>17,456</u>	<u>4,364</u>	<u>21,820</u>	<u>25,604</u>
Professional services:				
Accounting and auditing	20,000	5,000	25,000	25,000
Legal	64,467	27,983	92,450	132,794
Actuarial	160,791	17,200	177,991	76,118
Other professional	<u>62,420</u>	<u>14,403</u>	<u>76,823</u>	<u>75,549</u>
Total professional services	<u>307,678</u>	<u>64,586</u>	<u>372,264</u>	<u>309,461</u>
Depreciation expense	<u>6,286</u>	<u>--</u>	<u>6,286</u>	<u>6,286</u>
Capital outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other expenses (revenues)	<u>(7,271)</u>	<u>(100)</u>	<u>(7,371)</u>	<u>(56,970)</u>
Total administrative expenses	<u>\$ 1,388,242</u>	<u>\$ 333,744</u>	<u>\$ 1,721,986</u>	<u>\$ 1,544,716</u>

See accompanying independent auditors' report.

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2014 Combined Total</u>	<u>2013 Combined Total</u>
Fixed Income:				
Fixed Income - Domestic	\$ 775,846	\$ 24,415	\$ 800,261	\$ 673,183
Fixed Income - International	<u>105,623</u>	<u>2,893</u>	<u>108,516</u>	<u>65,367</u>
Total Fixed Income	<u>881,469</u>	<u>27,308</u>	<u>908,777</u>	<u>738,550</u>
Equity Securities:				
Equities - Domestic	1,188,880	12,658	1,201,538	1,086,338
Equities - International	<u>2,493,030</u>	<u>39,399</u>	<u>2,532,429</u>	<u>2,457,896</u>
Total Equity Securities	<u>3,681,910</u>	<u>52,057</u>	<u>3,733,967</u>	<u>3,544,234</u>
Alternative Investments:				
Hedge Fund of Funds	932,943	18,077	951,020	704,521
Real Estate Investments	512,415	--	512,415	472,232
Private Equity	<u>625,000</u>	<u>--</u>	<u>625,000</u>	<u>624,999</u>
Total Alternative Investments	<u>2,070,358</u>	<u>18,077</u>	<u>2,088,435</u>	<u>1,801,752</u>
Custodian Fees	<u>126,614</u>	<u>20,684</u>	<u>147,298</u>	<u>157,248</u>
Advisor Fees	<u>128,000</u>	<u>32,000</u>	<u>160,000</u>	<u>140,000</u>
Total Investment Expenses	<u>\$ 6,888,351</u>	<u>\$ 150,126</u>	<u>\$ 7,038,477</u>	<u>\$ 6,381,784</u>

See accompanying independent auditors' report.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>CPERS Trust</u>	<u>Police Guarantee Trust</u>	<u>2014 Combined Total</u>	<u>2013 Combined Total</u>
Accounting and Auditing	\$ 20,000	\$ 5,000	\$ 25,000	\$ 25,000
Auditors - Postlethwaite & Netterville				
Legal	64,467	27,983	92,450	132,794
Legal Counsel - Akers & Wisbar LLC				
Klausner & Kaufman				
Strasburger & Price LLC				
Actuarial	160,791	17,200	177,991	76,118
Actuary - Nyhart				
Other Professionals:	62,420	14,403	76,823	75,549
Medical Examiner - D. J. Scimeca, Jr., M.D.				
Computer Consultant - Relational Systems Consultants				
Architectural Services - Cress & Lopresto Architects LLC				
 Total	\$ <u>307,678</u>	\$ <u>64,586</u>	\$ <u>372,264</u>	\$ <u>309,461</u>

A schedule of brokerage commissions paid is shown on page 82.

See accompanying independent auditors' report.

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO RETIREMENT ADMINISTRATOR
FOR THE YEAR ENDED 2014**

Agency Head Name: Jeffrey R. Yates

<u>Purpose</u>	<u>Amount</u>
Salary	\$79,071
Benefits-insurance	\$8,344
Benefits-retirement	-
Benefits-other	-
Car allowance	\$4,800
Vehicle provided by government	-
Per diem-due diligence visits	\$176
Reimbursements	\$1,088
Travel-due diligence visits	\$1,692
Registration fees	-
Conference travel	-
Continuing professional education fees	\$475
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$95,646</u>

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM



Investment Section

CP
Employees'
Retirement System





Summit Strategies Group

June 29, 2015

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

In 2014, the economy continued to improve and many were looking to the markets in order to assess the necessity for continued monetary policy intervention. The Federal Reserve decided to conclude its asset purchase program, QE3, during the fourth quarter of 2014. While the labor market and consumer base improved, monetary policy remained extremely accommodative, and the Fed continued to display "patience" regarding increasing rates. As a result of the improved economy and the maintained low interest rates, the US dollar strengthened relative to foreign currencies. This aided US equities for investors but was a headwind for international securities. In the second half of the year, energy prices became a major global conversation as crude oil prices fell over 40%. This was due to higher-than-expected supply, primarily from increased US production, and lower-than-expected global demand. This hurt many economies that are based on commodity production, such as those in the Middle East and Russia.

The S&P 500 finished the year with a return of 13.7%. Small Cap Stocks, represented by the Russell 2000 Index, were up 4.9%. On the non-U.S. side, stocks in the EAFE (Europe, Asia and Far East) Index (Net) turned in a -4.9% return for the year, while the MSCI Emerging Markets Index (Net) posted a -2.2% return. In the bond and credit markets, the Barclays Aggregate Index generated a 6.0% return, while the Barclays US Corporate High Yield Index returned 2.5%. US Treasuries generated a 5.1% return in comparison, due to lower yields on the long end of the curve. Overall, US equities and fixed income were the asset classes to be invested in given the strong US dollar and its effects on international securities.

On December 31, 2014, the CPERS portfolio had a market value of \$1,054.5 million. Assets in the Police Guarantee Trust totaled \$19.1 million. For the 12-month period, CPERS returned 5.3% and outperformed its Policy Index. For the trailing three years the fund was up 11.5%, and over the last five years the fund generated 9.5%. The fund outperformed its policy benchmark by 1.2% over the last five years. Over these same 1- and 3-year periods, the Police Guarantee Trust earned returns of 4.7% and 9.9%, respectively. For the five-year period, the PGT earned 8.2% and beat its policy benchmark by 0.4%. These calculations were prepared using a time-weighted rate of return based on market values at December 31, 2014. The two portfolios are invested similarly, but the funds' sizes dictate implementation differences, resulting in some return differences between the two.

In 2014, the United States saw continued signs of recovery with an accompanying slow-down of monetary intervention with the conclusion of the QE program. Looking forward, global uncertainties continue with changing monetary policy around the globe, varying employment, managing inflation, and fluctuating commodity prices. Recognizing, understanding and managing these uncertainties are critical in making future asset allocation decisions. 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,

Phineas W. Troy, CFA
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. The policy as represented in this document is not in complete form and has been summarized for a general understanding.

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 and utilizes 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	45%	50%	55%
US		25%	
Non-US		25%	
Private Markets	0%	5%	10%
Public Fixed Income	25%	30%	35%
Hedge Funds	0%	5%	10%
Real Estate	0%	5%	10%
Master Limited Partnerships	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 asset 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.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

Asset Class	Target Allocation	Index
US Equities	25%	Russell 3000
Non-US Equities	25%	MSCI ACWI ex-US
Private Markets	5%	Peer group comparisons where appropriate
Public Fixed Income	30%	Barclays US Aggregate
Hedge Funds	5%	HFRI, HFRX or other strategy-appropriate indices as determined by implementation
Public Real Estate	5%	NCREIF or other strategy-appropriate indices as determined by implementation
Master Limited Partnership	5%	S&P MLP Index

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 benchmarks for asset classes and strategies 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	Real Estate; NCREIF Master Limited Partnerships; S&P MLP Index Other 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 System's Staff and Investment Consultant. Written communications should be provided to CPERS at least quarterly. These reports should include a review of investment performance relative to the manager's objectives.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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.

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 commingled funds, mutual funds, exchange-traded funds and/ or limited partnerships, the prospectus 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 should have a readily attainable market value and should be readily marketable.

The stock and bond holdings of the fund may include individual debtor equity securities issued by state, federal or foreign governments, or business entities domiciled therein. These holdings may also include mutual or commingled funds comprised of stock or bond holdings as well as individual instruments which may be utilized as an alternative to stock or bond positions as specified.

Private Market investments may include illiquid debt and equity securities of private or publicly-traded companies, commonly referred to as venture capital, distressed securities, buy-outs and mezzanine funds. Private Market risk is partially mitigated by maintaining a portfolio that is well diversified by vintage years, investment stages, sectors and geography. Exposure to Private Market strategies and their sub-asset classes may be achieved by investing directly in partnerships and/or fund-of-fund managers.

The System may invest in funds or limited partnerships that invest in Real Assets. Real Assets may include but are not limited to real estate, master limited partnerships, infrastructure, commodities, oil and gas, and timber/farmland and may be domestic or international. Leverage in these vehicles is permitted, to be consistent with the strategy in accordance with the prospectus/offering document.

The System may invest in various Hedge Fund strategies to enhance investment returns and/or provide additional diversification benefits to the portfolio. Exposure to Hedge Fund Strategies and their sub-asset classes may be achieved by investing directly in partnerships and/or with fund-of-fund managers. The System understands that hedge fund managers may employ strategies such as short sales of securities, purchase and sale of options, commodities, and the use of leverage and derivatives.

Restricted Investments

For separate account managers, 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;
- Leveraged derivative securities, including but not limited to Mortgage IOs or POs, inverse floating rate notes, or structured notes are not permitted. Unleveraged floating rate securities are allowed but interest payments must be linked to indices within the portfolio's scope;
- Short sales or margin transactions;
- Investments in commodities or commodity contracts;
- Direct loans or extension lines of credit to any interested party;
- Letter stock;

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

- Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or otherwise specifically permitted by the Board);
- Cash should not comprise more than five (5) percent of the portfolio without prior written approval of 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 Fixed Income Portfolio Guidelines

The portfolio will be invested in fixed income securities, as described in "Investments". Securities are not allowed that use any form of leverage. The overall average credit quality of the fixed income portfolio must be maintained at "AA" or higher. 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). 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 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. 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. 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.

General Equity Portfolio Guidelines

The portfolio will be invested in publicly traded equities, as described in "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.

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES (CONTINUED)

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 does 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 the 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 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 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

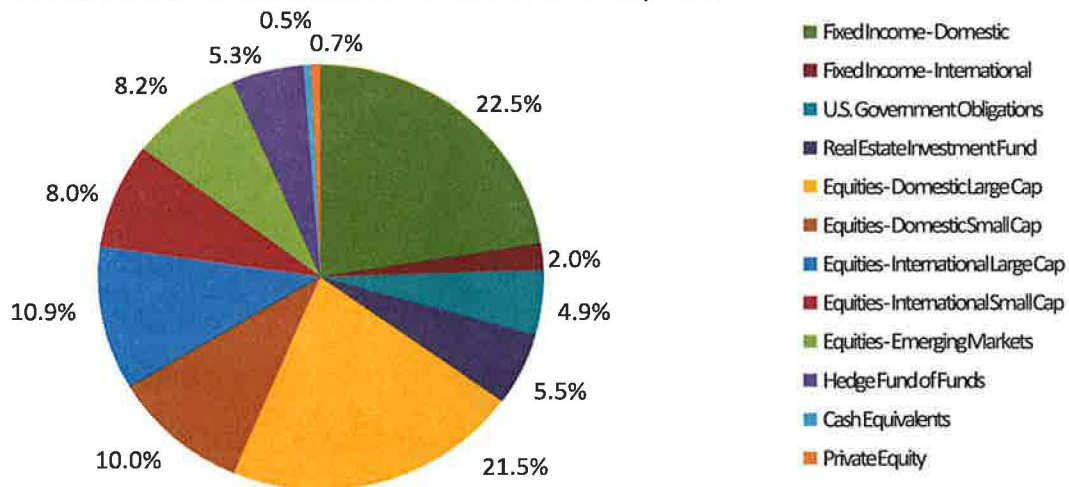
Because of the complexities and lack of public information in the area of terrorism, CPERS must rely upon federal agencies such as the Securities and Exchange Commission and the State, Commerce, Justice and Treasury Departments to provide factual information to act upon. To date this information has 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, 2014 AND 2013**

CPERS TRUST

Type of Investment:	December 31, 2014		December 31, 2013	
	Fair Value	% Total Fair Value	Fair Value	% Total Fair Value
Fixed Income:				
Fixed Income – Domestic	\$ 236,930,856	22.5%	\$ 203,584,830	19.4%
Fixed Income - International	21,687,936	2.0%	11,984,175	1.2%
U.S. Government Obligations	51,922,249	4.9%	41,448,587	3.9%
Equities:				
Equities – Domestic Large Cap	226,775,700	21.5%	294,744,116	28.0%
Equities – Domestic Small Cap	105,232,521	10.0%	83,326,643	7.9%
Equities – International Large Cap	114,570,946	10.9%	129,445,180	12.3%
Equities – International Small Cap	84,856,022	8.0%	91,195,237	8.7%
Equities – Emerging Markets	86,250,176	8.2%	84,565,863	8.0%
Alternative Investments:				
Hedge Fund of Funds	55,853,494	5.3%	45,305,668	4.3%
Real Estate Investment Fund	57,892,372	5.5%	53,921,564	5.1%
Private Equity	7,371,482	0.7%	1,047,721	0.1%
Cash Equivalents	5,340,708	0.5%	11,750,086	1.1%
Total Investments	\$ 1,054,684,462	100.0%	\$ 1,052,319,670	100.0%

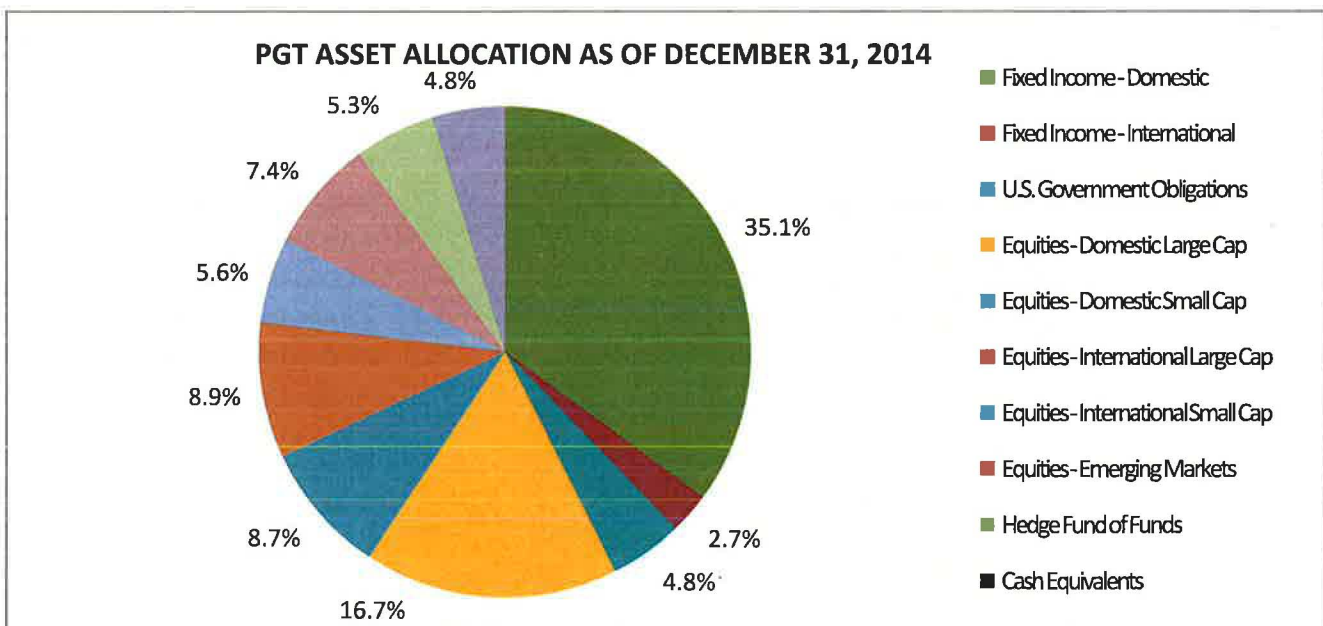
CPERS ASSET ALLOCATION AS OF DECEMBER 31, 2014



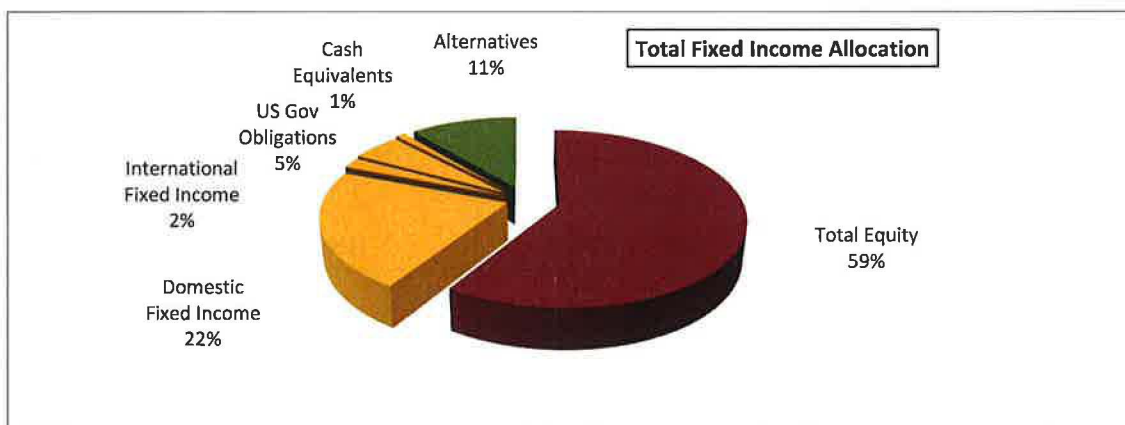
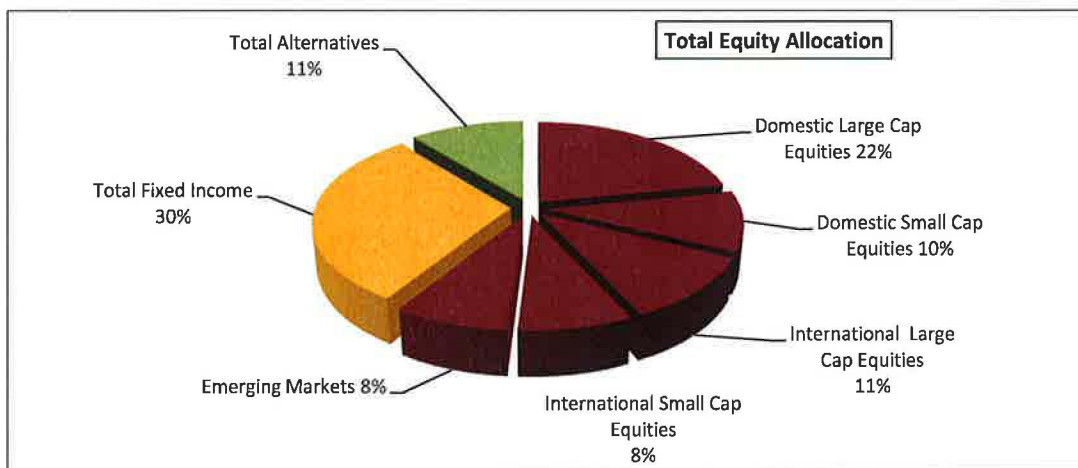
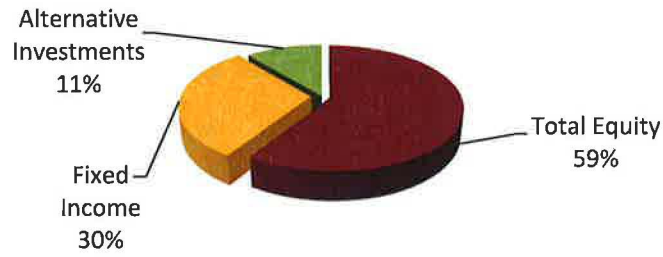
**INVESTMENT SUMMARY
AS OF DECEMBER 31, 2014 AND 2013**

POLICE GUARANTEE TRUST

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Fair Value</u>	<u>% Total Fair Value</u>	<u>Fair Value</u>	<u>% Total Fair Value</u>
Type of Investment:				
Fixed Income:				
Fixed Income - Domestic	\$ 6,697,183	35.1%	\$ 6,499,331	32.8%
Fixed Income - International	521,139	2.7%	367,432	1.9%
U.S. Government Obligations	917,237	4.8%	802,683	4.0%
Equities:				
Equities – Domestic Large Cap	3,174,915	16.7%	4,668,982	23.5%
Equities – Domestic Small Cap	1,665,832	8.7%	1,257,516	6.3%
Equities – International Large Cap	1,705,548	8.9%	2,069,537	10.4%
Equities – International Small Cap	1,059,218	5.6%	1,469,563	7.4%
Equities – Emerging Markets	1,420,427	7.4%	1,311,092	6.6%
Alternative Investments:				
Hedge Fund of Funds	1,001,096	5.3%	987,110	5.0%
Cash Equivalents	904,917	4.8%	415,195	2.1%
Total Investments	\$ 19,067,512	100.0%	\$ 19,848,441	100.0%



ASSET ALLOCATION AS OF DECEMBER 31, 2014



**CPERS LIST OF INVESTMENTS
AS OF DECEMBER 31, 2014**

FIXED INCOME

LARGEST FIXED INCOME HOLDINGS BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE
DOMESTIC FIXED INCOME				
LEHMAN BROTHERS HLD ESCROW	0.000%	08/22/2009	\$ 21,000	\$ 3,045
GSAA HOME EQUITY TRUST	VARIES	12/25/2036	4,033	2,010
LEHMAN BROTHERS HLD ESCROW	0.000%	12/30/2016	5,000	725
WAMU ASSET-BACKED CERT	VARIES	04/25/2037	130	65
FNMA POOL #0250111	8.500%	08/01/2024	25	29
TOTAL DOMESTIC FIXED INCOME			<u>\$ 30,188</u>	<u>\$ 5,874</u>

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	3,739,453	\$ 67,104,479
DOMESTIC FIXED INCOME – CORE	4,196,543	85,728,280
DOMESTIC FIXED INCOME – CORE PLUS	4,600,231	84,092,223
US TREASURY INFLATION PROTECTED SECURITIES	4,193,560	51,922,249
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	<u>16,729,787</u>	<u>\$288,847,231</u>

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	1,026,002	\$ 18,411,616
INTERNATIONAL FIXED INCOME – CORE PLUS	179,230	3,276,320
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	<u>1,205,232</u>	<u>\$ 21,687,936</u>

EQUITIES

LARGEST DOMESTIC EQUITY SECURITIES BY FAIR VALUE – NON POOLED ACCOUNTS

DESCRIPTION	SHARES	FAIR VALUE
SUNEDISON INC	47,061	\$ 918,160
PRA GROUP INC	14,686	850,760
MICROSEMI CORP	29,521	837,806
PEBBLEBROOK HOTEL TRUST	15,174	692,390
OLD DOMINION FREIGHT LINE INC	8,576	665,841
VCA INC	12,671	617,965
KAR AUCTION SERVICES INC	17,818	617,394
TRUECAR INC	26,708	611,613
RENTRAK CORP	8,315	605,498
TRINET GROUP INC	18,625	582,590
OTHER EQUITY SECURITIES-DOMESTIC	842,388	20,483,461
TOTAL DOMESTIC EQUITY SECURITIES	<u>1,041,543</u>	<u>\$ 27,483,478</u>

**CPERS LIST OF INVESTMENTS (CONTINUED)
EQUITIES (CONTINUED)**

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
SMALL CAP VALUE FUND	12,995	\$ 28,224,097
RUSSELL 1000 FUND	761,644	111,174,414
S&P 500 FUND	4,660,463	115,601,286
MASTER LIMITED PARTNERSHIP	1,129,261	49,524,946
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	6,564,363	\$ 304,524,743

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	970,589	\$ 57,093,906
INTERNATIONAL GROWTH EQUITY FUND	3,300,189	57,477,040
INTERNATIONAL SMALL CAP FUND	4,191,504	84,856,022
EMERGING MARKETS FUND	2,423,332	86,250,176
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	10,885,614	\$285,677,144

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	36,861	\$ 55,853,494
REAL ESTATE INVESTMENT FUND	49,707	57,892,372
PRIVATE EQUITY	7,216,928	7,371,482
	7,303,496	\$121,117,348

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	\$ 5,340,708
TOTAL CPERS INVESTMENTS	\$ 1,054,684,462

A complete list of portfolio holdings is available upon request.

**PGT LIST OF INVESTMENTS
AS OF DECEMBER 31, 2014**

FIXED INCOME

DOMESTIC FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
DOMESTIC FIXED INCOME – ABSOLUTE RETURN	88,966	\$ 1,596,492
DOMESTIC FIXED INCOME – CORE	145,270	2,967,630
DOMESTIC FIXED INCOME – CORE PLUS	116,688	2,133,061
US TREASURY INFLATION PROTECTED SECURITIES	74,082	917,237
TOTAL DOMESTIC FIXED INCOME – POOLED ACCOUNTS	425,006	\$ 7,614,420

INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL FIXED INCOME – ABSOLUTE RETURN	24,410	\$ 438,033
INTERNATIONAL FIXED INCOME – CORE PLUS	4,546	83,106
TOTAL INTERNATIONAL FIXED INCOME – POOLED ACCOUNTS	28,956	\$ 521,139

EQUITIES

EQUITIES – DOMESTIC POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
RUSSELL 1000 LARGE CAP FUND	10,650	\$ 1,554,621
S&P 500 LARGE CAP FUND	65,322	1,620,294
RUSSELL 2000 VALUE INDEX PLUS SMALL CAP FUND	8,125	370,086
RUSSELL 2000 GROWTH INDEX PLUS SMALL CAP FUND	11,480	382,728
MASTER LIMITED PARTNERSHIP	20,795	913,018
TOTAL EQUITIES – DOMESTIC POOLED ACCOUNTS	116,372	\$ 4,840,747

EQUITIES – INTERNATIONAL POOLED ACCOUNTS

DESCRIPTION	UNITS	FAIR VALUE
INTERNATIONAL VALUE EQUITY FUND	14,398	\$ 846,972
INTERNATIONAL GROWTH EQUITY FUND	49,297	858,576
INTERNATIONAL SMALL CAP FUND	52,321	1,059,218
EMERGING MARKETS FUND	39,745	1,420,427
TOTAL EQUITIES – INTERNATIONAL POOLED ACCOUNTS	155,761	\$ 4,185,193

ALTERNATIVE INVESTMENTS

DESCRIPTION	UNITS	FAIR VALUE
HEDGE FUND OF FUNDS	661	\$ 1,001,096

PGT LIST OF INVESTMENTS (CONTINUED)

CASH EQUIVALENTS

DESCRIPTION	FAIR VALUE
COLLECTIVE U.S. GOVERNMENT SHORT TERM INVESTMENT FUND	<u>\$ 904,917</u>
TOTAL PGT INVESTMENTS	<u>\$ 19,067,512</u>

A complete list of portfolio holdings is available upon request.

INVESTMENT PERFORMANCE MEASUREMENTS

	<u>Rate of Return</u>	<u>Rank*</u>
Comparative Rates of Return on Total Fund – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	5.28%	78
Police Guarantee Trust	4.73%	88
Median Total Fund	6.64%	50
Comparative Rates of Return on Domestic Equities – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	12.91%	17
Police Guarantee Trust	12.52%	21
Median Domestic Equity Composite	10.89%	50
Russell 3000	12.56%	20
Comparative Rates of Return on International Equities – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	(3.25)%	66
Police Guarantee Trust	(3.36)%	70
Median International Equity Composite	(2.34)%	50
MSCI ACWI ex US (Net)	(3.87)%	78
Comparative Rates of Return on Fixed Income Securities – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	5.29%	65
Police Guarantee Trust	5.57%	59
Median Bond Composite	5.76%	50
Barclays Capital Aggregate Index	5.97%	47
Comparative Rates of Return on Real Estate – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	13.16%	55
Police Guarantee Trust	N/A	N/A
Median Real Estate Fund	13.61%	50
NCREIF Property Index	11.82%	69
Comparative Rates of Return on Hedge Fund – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	7.97%	N/A
Police Guarantee Trust	7.82%	N/A
HFRI Fund of Funds Comp. Index	3.38%	N/A
Comparative Rates of Return on Master Limited Partnership – Since Inception August 2014		
City-Parish Employees' Retirement System	0.73%	4
Police Guarantee Trust	0.74%	4
Median Master Limited Partnership	(3.62)%	50
S&P MLP Index	(5.68)%	93
Comparative Rates of Return on Private Equity – Year Ended December 31, 2014		
City-Parish Employees' Retirement System	13.65%**	N/A
Police Guarantee Trust	N/A	N/A

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

** These calculations were prepared using a money-weighted rate of return based on market values at December 31st.

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, 2014	5.28%
Two-year period ending December 31, 2014	10.38%
Three-year period ending December 31, 2014	11.53%
Four-year period ending December 31, 2014	8.03%
Five-year period ending December 31, 2014	9.53%

ANNUAL RATES OF RETURN

	ANNUALIZED					3 YRS.	5 YRS.
	2010	2011	2012	2013	2014		
TOTAL FUND							
City-Parish Emp. Retirement System	15.8%	(1.8)%	13.9%	15.7%	5.3%	11.5%	9.5%
Police Guarantee Trust	13.5%	(1.5)%	12.9%	12.3%	4.7%	9.9%	8.2%
Median Total Fund	12.8%	0.4%	12.8%	17.0%	6.6%	12.1%	9.9%
Inflation (CPI)	1.5%	3.0%	1.8%	1.5%	0.7%	1.3%	1.7%
DOMESTIC EQUITY							
City-Parish Emp. Retirement System	22.2%	1.2%	17.5%	35.3%	12.9%	21.6%	17.3%
Police Guarantee Trust	20.5%	1.5%	16.2%	34.1%	12.5%	20.6%	16.5%
Median Domestic Equity Fund	17.8%	0.1%	16.5%	33.9%	10.9%	20.0%	15.4%
Russell 3000	16.9%	1.0%	16.4%	33.6%	12.6%	20.5%	15.6%
INTERNATIONAL EQUITY							
City-Parish Emp. Retirement System	15.8%	(15.9)%	18.7%	14.7%	(3.3)%	9.7%	5.1%
Police Guarantee Trust	16.5%	(15.2)%	19.0%	15.3%	(3.4)%	9.8%	5.5%
Median International Equity Fund	12.5%	(12.6)%	18.4%	18.0%	(2.3)%	11.0%	6.3%
MSCI ACWI ex US (Net)	7.8%	(12.1)%	16.8%	15.3%	(3.9)%	9.0%	4.4%
FIXED INCOME							
City-Parish Emp. Retirement System	8.8%	7.2%	7.4%	(1.6)%	5.3%	3.6%	5.3%
Police Guarantee Trust	9.8%	5.6%	8.9%	(0.3)%	5.6%	4.6%	5.8%
Median Bond Fund	8.6%	7.7%	7.9%	(1.8)%	5.8%	4.0%	5.8%
Barclays Capital Aggregate Index	6.5%	7.8%	4.2%	(2.0)%	6.0%	2.7%	4.5%
REAL ESTATE							
City-Parish Emp. Retirement System	19.2%	18.7%	10.9%	12.8%	13.2%	12.3%	14.9%
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Real Estate Fund	10.2%	13.9%	10.8%	12.4%	13.6%	13.0%	12.3%
NCREIF Property Index	13.1%	14.3%	10.5%	11.0%	11.8%	11.1%	12.1%
HEDGE FUND OF FUNDS							
City-Parish Emp. Retirement System	N/A	N/A	N/A	4.6%	8.0%	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	4.6%	8.0%	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	8.7%	3.4%	N/A	N/A
MASTER LIMITED PARTNERSHIP (since inception August 2014)							
City-Parish Emp. Retirement System	N/A	N/A	N/A	N/A	0.7%	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	N/A	0.7%	N/A	N/A
Median MLP	N/A	N/A	N/A	N/A	(3.6)%	N/A	N/A
S&P MLP Index	N/A	N/A	N/A	N/A	(5.7)%	N/A	N/A
PRIVATE EQUITY							
City-Parish Emp. Retirement System	N/A	N/A	N/A	N/A	18.0%	N/A	N/A
Police Guarantee Trust	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Median Private Equity	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, 2014**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income – Domestic	\$ 288,853,105	\$	775,846
Fixed Income – International	21,687,936		105,623
Equity Securities:			
Equities – Domestic	332,008,221		1,188,880
Equities – International	285,677,144		2,493,030
Alternative Investments:			
Hedge Fund of Funds	55,853,494		932,943
Real Estate Investments	57,892,372		512,415
Private Equity	7,371,482		625,000
Total Investment Managers' Fees			<u>6,633,737</u>
Custodian Fees			126,614
Advisor Fees			<u>128,000</u>
Total Investment Expenses		\$	<u><u>6,888,351</u></u>

**SCHEDULE OF PGT INVESTMENT FEES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Assets Under Management</u>		<u>Investment Service Fees</u>
Fixed Income:			
Fixed Income – Domestic	\$ 7,614,420	\$	24,415
Fixed Income – International	521,139		2,893
Equity Securities:			
Equities – Domestic	4,840,747		12,658
Equities – International	4,185,193		39,399
Alternative Investments:			
Hedge Fund of Funds	1,001,096		<u>18,077</u>
Total Investment Manager's Fees			<u>97,442</u>
Custodian Fees			20,684
Advisor Fees			<u>32,000</u>
Total Investment Expenses		\$	<u><u>150,126</u></u>

**SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	
		<u>Dollar Amount</u>	<u>Per Share</u>
Merlin Securities	1,150,599	\$ 15,303	\$.0133
Instinet Corporation	331,778	9,879	.0298
Piper Jaffray & Co.	437,165	5,855	.0134
JonesTrading Institutional Services	133,517	3,954	.0296
Gordon, Haskett & Co.	123,881	3,933	.0317
Sidoti & Co., LLC	108,136	3,600	.0333
O'Neil, William & Co.	98,342	3,027	.0308
D. A. Davidson & Co.	78,487	2,861	.0365
Liquidnet Inc.	133,005	2,660	.0200
Stifel, Nicolaus & Co.	81,531	2,647	.0325
Cantor Fitzgerald & Co.	100,007	2,609	.0261
Suntrust Capital Markets, Inc.	63,344	2,343	.0370
Raymond James & Associates, Inc.	62,562	2,214	.0354
Northland Securities Inc.	87,232	2,115	.0242
Dougherty Co.	62,741	2,060	.0328
Bloomberg Tradebook	60,775	1,989	.0327
Citigroup Global Markets Inc.	65,491	1,982	.0303
Robert W. Baird & Co.	82,383	1,948	.0236
Stephens Inc.	52,168	1,896	.0363
Craig-Hallum	55,417	1,826	.0330
B. Riley & Co.	59,102	1,778	.0301
Deutsche Bank Securities Inc.	47,175	1,657	.0351
Needham & Co.	51,226	1,643	.0321
Oppenheimer & Co	47,216	1,496	.0317
Knight Equity Markets	67,777	1,485	.0219
William Blair & Co.	44,859	1,477	.0329
Canaccord Genuity Inc.	42,255	1,404	.0332
J P Morgan Securities Inc.	35,371	1,179	.0333
USCA Securities	44,264	1,101	.0249
Jefferies & Co. Inc.	38,825	847	.0218
Sterne, Agee & Leach	20,151	746	.0370
Goldman, Sachs & Co.	30,508	737	.0242
FBR Capital Markets & Co.	23,461	731	.0312
Wells Fargo Securities	22,528	705	.0313
RBC Capital Markets	47,506	699	.0147
Investment Technology Group	34,712	694	.0200
BTIG	51,416	670	.0130
Cowen & Co.	21,822	667	.0306
Weeden & Co.	29,165	650	.0223
Other (24 Firms) *	255,312	6,529	.0256
Total	4,383,212	\$ 101,596	\$.0232

* Firms that had less than \$650 commissions paid.

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM



Actuarial Section CPERS Trust

CP
Employees'
Retirement System



June 24, 2015

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, 2015. 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 January 1, 2015, the amortization approach was changed to use a level percentage of payroll 30-year closed method, starting January 1, 2015, and reducing the period in successive years until reaching a 15-year open period. As of January 1, 2015, the unfunded liability was \$452,699,197 and the amortization of this amount was \$26,981,751.

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 2015 valuation will apply to the year 2016. The 2014 valuation was the basis for the 2015 contribution rate.

The City contribution rate for the 2015 year is set to 28.10%. This reflects a 0.87% increase from the 2014 rate.

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Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 24, 2015

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, 2014 is \$1,106,575,866.

In performing the January 1, 2015 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, 2014 and January 1, 2015 actuarial valuations 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 Board approved changes to the actuarial assumptions for the January 1, 2015 valuation based upon an experience study: changes included adjustments to the interest rate, inflation rate, mortality rates, retirement rates, disability rates, and amortization period. At January 1, 2015 the actuarial asset 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, 2015 valuation. The amortization approach for the January 1, 2015 valuation was changed to use a level percentage of payroll, 30-year closed method, reducing the period in successive years until reaching a 15-year open period. 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 are, in the actuary's opinion, reasonable and represent a reasonable expectation of future experience under the plan. Funding calculations have been made in accordance with generally accepted actuarial principles and practice. The actuarial assumptions and methods used for accounting purposes are, in the actuary's opinion, reasonable and compliant with the parameters set forth by the Government Accounting Standards Board (GASB) Statement Nos. 27, 67, and 68.



Board of Trustees
Employees' Retirement System
City of Baton Rouge and
Parish of East Baton Rouge
Page 3
June 24, 2015

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 2014 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Schedule of Funding Progress, 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 Nos. 25 and 67, which includes the Statement of Fiduciary Net Position, Statement of Changes In Fiduciary Net Position, Schedule of Changes in Net Pension Liability, Discount Rate and Net Pension Liability sensitivity, Schedule of Employers' Net Pension Liability, and Schedule of Contributions.

Sincerely,

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

DDH/di
500201/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS
(Source: 2015 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)	(1) Full retirement: 25 years of service, regardless of age. (2) Minimum eligibility: Age 55 with 10 years of service, or 20 years of service, regardless of age.
Service Retirement Benefits: (1:265A-1, 1:265A-3)	Full Retirement: 3.0% of Final Compensation for each year of Creditable Service. Minimum Eligibility: 2.5% of Final Average Compensation for each year of Creditable Service. Maximum of 90% of Final Average Compensation.
Early Service Retirement: (1:265A-2)	If not eligible for full retirement: Benefits are reduced by 3% per year for each year under age 55.

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS (CONTINUED)

Disability: (1:265D)	<p><u>Ordinary Disability:</u> 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.</p> <p><u>Service-Connected:</u> 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.</p> <p>Benefits are offset by Workers' Compensation (1:264F).</p> <p>Benefits are offset by Earned Income (1:265G).</p>
Survivor Benefits: (1:270)	<ol style="list-style-type: none"> (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)	<p>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.</p>
Optional Allowances: (1:264C)	<p>Normal form is joint and 50% contingent survivor. For members entitled to Service Retirement Benefits, actuarially equivalent to regular retirement allowance:</p> <p>Option 1: Refund of excess of Member's contributions over aggregate benefits paid;</p> <p>Option 2: 100% Joint & Survivor to designated contingent annuitant; any other form, approved by the Board.</p>
Retirement Benefit Adjustments: (1:269)	<p>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.</p>

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)	<p>Prior to July 1, 1991:</p> <p><u>Eligibility:</u> If eligible to retire with an immediate service retirement allowance and between 25 and 30 years of Creditable Service.</p> <p><u>Duration:</u> The lesser of 5 years, or 32 years minus Creditable Service at DROP entry.</p> <p><u>Benefits:</u> 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.</p> <p>Upon retirement and termination of DROP participation (or death), the Member (or beneficiary) may elect one of the following:</p> <ul style="list-style-type: none">(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. <p>Normal survival benefits payable to survivors of retirees are paid upon death of the Member while a DROP participant.</p>
Deferred Retirement Option Plan (DROP): (1:271)	<p>On and after July 1, 1991:</p> <p>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.</p> <p>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.</p>
Compensated Absences: (1:262)	<p>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:</p> <ul style="list-style-type: none">(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. <p>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.</p>
Changes Since Prior Valuation:	None.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

(Source: 2015 Actuarial Report)

Valuation Date:	December 31, 2014
Valuation Method:	<p>Entry Age Normal Actuarial Cost Method. This method produces a normal cost as a level percentage of pay over the service life of each participant and amortization of the Unfunded Actuarial Accrued Liability (UAAL). Gains and losses are reflected in the UAAL and are included in its amortization. <i>(Adopted March 25, 2010)</i></p> <p>Starting January 1, 2015, the UAAL is amortized over a 30-year period using an annual total payroll growth assumption. The period will be reduced in successive years until reaching a 15-year open period. <i>(Adopted February 26, 2015)</i></p>
Actuarial Value of Assets:	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.
Investment Return and Expense:	7.25% compounded annually. <i>(Adopted February 26, 2015)</i> . The rate of return on assets is assumed to be net of investment expense. <i>(Adopted October 18, 2004)</i>
Inflation:	2.75% per year <i>(Adopted February 26, 2015)</i>
Salary Increases:	Inflation plus: <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: RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019, producing following specimen rates *(Adopted February 26, 2015)*:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0326%	.0180%
30	.0686%	.0277%
40	.1295%	.0829%
50	.2278%	.1854%
60	.7237%	.4089%
70	2.0079%	1.4815%

Disabled Mortality: RP-2000 Disabled Mortality Projected with Scale BB to 2019. *(Adopted February 26, 2015)*

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

Probabilities of turnover are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System based on Table T-5. The turnover rates are modified as follows, based on years of service. *(Adopted October 18, 2004)*

<u>Year</u>	<u>BREC, Regular</u>	<u>Fire, Police</u>
0-1	400%	110%
2	270%	85%
3	220%	45%
4-10	180%	45%
11-15	70%	25%
16+	50%	15%

Type of Disability: Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. The disability rates for all members are increased by 100%. A percentage of disabilities is assumed to be ordinary disabilities, as shown below:

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

	<u>Before 25 years of creditable service</u>		<u>After 25 years of creditable service</u>	
	<u>Age</u>	<u>Retirement</u>	<u>Service</u>	<u>Retirement</u>
	55-60	10%	25	20%
	61-63	20%	26	30%
	64	25%	27	40%
	65+	100%	28+	100%

(Adopted March 2, 1995)

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

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

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>
Marital Status:	80% of employees are assumed to be married with males three years older than female spouses. <i>(Adopted March 2, 1995)</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>
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 perpetuity.
Sources of Data:	Membership and asset data as of December 31, 2014 was furnished by Retirement Office staff.
Changes Since Prior Valuation:	<p>Changes <i>(Adopted February 26, 2015)</i>:</p> <p>Investment return to 7.25% from 7.50%</p> <p>Annual inflation to 2.75% from 3.50%</p> <p>Healthy mortality to RP2000 Healthy Combined Blue Collar Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years</p> <p>Disabled mortality to RP2000 Disabled Mortality Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years</p> <p>Service-related multipliers to turnover rates increased</p> <p>Retirement rates adjusted</p> <p>Multiplier to disability rates increased for Regular and BREC to 100% from 25%</p> <p>Amortization method for unfunded liability to 30-year closed (phasing down to 15-year open) from 30-year open</p>

SCHEDULE OF FUNDING PROGRESS
(Source: 2015 Actuarial Report)

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)
12/31/05	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%
12/31/13	1,074,038,336	1,471,977,274	397,938,938	73.0%	137,789,518	288.8%
12/31/14	1,106,575,866	1,559,275,063	452,699,197	71.0%	135,556,888	334.0%

*Based on the actuarial method and assumptions used for funding purposes, this schedule was prepared using the annual covered payroll rolled forward from the previous year to produce liability results.

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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) -%-
12/31/05	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
12/31/13	271,758,390	2,267,254	831,113,713	366,837,917	1,074,038,336	100.0	100.0	96.3	0.0
12/31/14	284,306,327	2,236,906	932,088,088	340,643,742	1,106,575,866	100.0	100.0	88.0	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

ANALYSIS OF FINANCIAL EXPERIENCE

(Source: 2015 Actuarial Report)

**GAINS AND LOSSES IN UNFUNDED ACTUARIAL LIABILITY DURING YEARS ENDED 2010 – 2014
RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUAL EXPERIENCE**

	\$ Gain or (Loss) For Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Investment Return	\$ (20,396,885)	\$ (35,231,052)	\$ (20,304,794)	\$ (3,486,533)	\$(8,520,730)
Salary Increases	7,087,550	(623,723)	3,017,967	12,896,696	4,046,219
Retirements	26,986,427	15,933,989	3,351,339	(398,081)	(1,433,818)
Mortality	(9,830,807)	(14,988,684)	(3,643,276)	1,047,985	467,752
Disability	(570,786)	(10,597)	148,348	(698,808)	185,079
Turnover	(10,119,063)	1,878,566	571,654	(1,710,221)	1,375,127
New Members	(1,461,549)	(1,671,178)	(2,204,660)	(1,417,682)	(570,624)
Contribution Differences	N/A	N/A	N/A	N/A	N/A
Leaves, Transfers, Etc.	<u>(3,055,745)</u>	<u>702,493</u>	<u>3,124,006</u>	<u>0</u>	<u>(2,869,596)</u>
Gain or (Loss) from Financial Experience	(11,360,858)	(34,010,186)	(15,939,416)	6,233,356	(7,320,591)
Non Recurring Elements:					
Data (Optional Forms)	--	--	--	(12,509,006)	
Valuation Software	--	--	5,306,905	13,556,351	
Assumption Changes	--	--	--	--	(47,540,972)
Asset Method Changes	--	--	--	--	--
Plan Amendment	--	--	--	--	--
Composite Gain/(Loss) During Year	<u>\$ (11,360,858)</u>	<u>\$ (34,010,186)</u>	<u>\$ (10,632,511)</u>	<u>\$ 7,280,701</u>	<u>\$(54,861,563)</u>

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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> -%-
12/31/05	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
12/31/13	3,283	1.8	137,789,518	41,971	(1.5)
12/31/14	3,181	(3.1)	135,556,888	42,615	1.5

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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>					
12/31/05	171	4,053,408	46	2,403	5.5	44,991,929	8.0	18,723
12/31/06	192	4,543,484	64	2,531	5.3	48,492,647	7.8	19,159
12/31/07	195	5,114,419	89	2,637	4.2	51,529,267	6.7	19,541
12/31/08	158	3,275,314	84	2,711	2.8	53,542,755	3.9	19,750
12/31/09	195	4,109,206	105	2,801	3.3	56,248,442	5.1	20,082
12/31/10	167	4,401,513	92	2,876	2.7	59,685,550	6.1	20,753
12/31/11	173	4,400,751	79	2,970	3.3	62,858,848	5.3	21,165
12/31/12	191	4,904,590	103	3,058	3.0	66,155,451	5.2	21,634
12/31/13	156	4,753,829	88	3,126	2.2	69,516,758	5.0	22,238
12/31/14	144	4,349,774	89	3,181	1.8	72,462,363	4.2	22,780

TOTAL MEMBERSHIP DATA
(Source: 2015 Actuarial Report)

Actives:

	2014		2013	
	Count	Average Salary	Count	Average Salary
BREC	423	\$36,687	419	\$35,011
Regular	2,209	40,334	2,307	39,510
Fire	523	55,778	527	56,947
Police	26	67,998	30	65,315
Total/Average	3,181	\$42,615	3,283	\$41,971

Annuitants:

	2014		2013	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	2,977	\$23,281	2,924	\$22,717
Disabilities	204	15,475	202	15,309
DROP	332	42,831	302	40,621
Total/Average	3,513	\$15,529	3,428	\$23,858

Inactive Members:

	2014		2013	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	22	\$12,289	24	\$12,485

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

CP
Employees'
Retirement System



June 25, 2015

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, 2015. 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 2015 valuation will apply to the year 2016.

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 2009-2014 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 2014, there is an unfunded liability in the PGT of \$14,140,362, as of December 31, 2014.

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Board of Trustees
Employees' Retirement System - Police Guarantee Trust
City of Baton Rouge and
Parish of East Baton Rouge
Page 2
June 25, 2015

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, 2014 is \$23,382,542.

In performing the January 1, 2015 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, 2014 and January 1, 2015 actuarial valuations and supporting schedules of these certifications 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, 2015 valuation of the Employees' Retirement System, of which the Board approved changes based on an experience study. The funding method used is the Aggregate Cost Method. The actuarial assumptions and methods used for funding purposes are, in the actuary's opinion, reasonable and represent a reasonable expectation of future experience under the plan. Funding calculations have been made in accordance with generally accepted actuarial principles and practice. The actuarial assumptions and methods used for accounting purposes are, in the actuary's opinion, reasonable and compliant with the parameters set forth by the Governmental Accounting Standards Board (GASB) Statement No. 25, 67, and 68. 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 25, 2015

Additional information is provided in the Summary of Actuarial Assumptions. 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 2014 Comprehensive Annual Financial Report - specifically the Summary of Principal System Provisions, Summary of Actuarial Assumptions and Methods, Schedule of Funding Progress, 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 Nos. 27 and 67, which includes the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Changes in Net Pension Liability, Discount Rate and Net Pension Liability sensitivity, Schedule of Employers' Net Pension Liability, and Schedule of Contributions.

Sincerely,

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

DDH/di
500401/734

SUMMARY OF PRINCIPAL SYSTEM PROVISIONS

(Source: 2015 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: 2015 PGT Actuarial Report)

Valuation Date:	December 31, 2014		
Valuation Method:	Aggregate Actuarial Cost Method.		
Actuarial Value of Assets:	Market Value as of January 1, 2000 and January 1, 2001. Beginning January 1, 2002, Expected Value Method, with 20% of unrealized gains (or losses) recognized each year.		
Investment Return:	7.25% compounded annually, net of investment expenses. <i>(Adopted February 26, 2015)</i>		
Inflation:	2.75% per year <i>(Adopted February 26, 2015)</i>		
Salary Increases:	Inflation plus: <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.		
MPERS COLA	2.00% compounded annually		
Non-Disabled Mortality:	RP-2000 Healthy Combined Blue Collar Projected with Scale to 2019, producing following specimen rates: <i>(Adopted February 26, 2015)</i>		
	<u>Age</u>	<u>Male</u>	<u>Female</u>
	20	.0326%	.0180%
	30	.0686%	.0277%
	40	.1295%	.0829%
	50	.2278%	.1854%
	60	.7237%	.4089%
	70	2.0079%	1.4815%
Disabled Mortality:	RP-2000 Disabled Mortality Projected with Scale BB to 2019 <i>(Adopted February 26, 2015)</i>		
Type of Disability:	75% service connected, 25% ordinary. <i>(Adopted February 26, 2000)</i>		

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS (CONTINUED)

Turnover and Disability: In accordance with the following specimen rates: Turnover rates *(Adopted February 26, 2000)* Disability rates *(Adopted February 26, 2015)*

<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

Probabilities of disability are in accordance with the Eleventh Actuarial Valuation of the Railroad Retirement System. The disability rates for all members are increased by 100%. Turnover is based on Table T-5. The turnover rates are modified as follows, based on years of employment *(Adopted February 26, 2015)*.

<u>Year</u>	<u>%</u>
0-1	110
2	85
3	45
4-10	45
11-15	25
16+	15

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

Retirement Rates: Upon attaining 25.5 years of service or age 61 and 11 years of service, the following rates:*(Adopted October 18, 2004)*

<u>Prior to 25 years of creditable service</u>		<u>After 25 years of creditable service</u>	
<u>Age</u>	<u>Retirement</u>	<u>Service</u>	<u>Retirement</u>
55-60	10%	25	20%
61-63	20%	26	30%
64	25%	27	40%
65+	100%	28+	100%

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)

Marital Status:	80% of employees are assumed to be married. Female spouses are assumed to be 3 years younger than males (<i>Adopted February 26, 2000</i>)
Interest on Future MPERS DROP Accounts:	7.25%, compounded annually for three years, payable at DROP exit. . (<i>Adopted February 26, 2015</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>)
Ancillary Benefits:	MPERS ancillary benefits (turnover, disability, death) are 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, 2014 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 assumed to be the same as the prior year.
Administrative Expense Load	There is not an expense load added to the cost of the Plan.
Changes Since Prior Valuation:	Changes: (<i>Adopted February 26, 2015</i>) Investment return to 7.25% from 7.50% Annual inflation to 2.75% from 3.50% Healthy mortality to RP2000 Healthy Combined Blue Collar Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years Disabled mortality to RP2000 Disabled Mortality Projected to 2019 (Scale BB) from 1994 GAM set forward 2 years Service-related multipliers on turnover rates increased Retirement rates adjusted

SCHEDULE OF FUNDING PROGRESS*
(Source: 2015 PGT Actuarial Report)

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)
12/31/05	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%
12/31/13	23,314,114	34,614,160	11,300,046	67.4%	14,282,440	79.1%
12/31/14	23,382,542	35,574,753	12,192,211	65.7%	14,066,159	86.7%

*The Police Guarantee 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

**Based on the actuarial method and assumptions used for funding purposes, this schedule was prepared using the annual covered payroll rolled forward from the previous year to produce liability results.

**SUMMARY OF ACTUARIAL ACCRUED LIABILITIES AND PERCENTAGE
COVERED BY ACTUARIAL VALUE OF ASSETS/SOLVENCY TEST
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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)
	-\$-	-\$-	-\$-	-\$-		-%-	-%-	-%-	-%-
12/31/05	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
12/31/13	18,493,361	3,800,666	11,641	9,745,773	23,314,114	100.0	100.0	100.0	10.3
12/31/14	20,632,861	2,755,604	12,763	9,604,613	23,382,542	100.0	99.8	0.0	0.0

* Including DROP accounts.

** Including DROP participants' future benefits.

**ACTIVE MEMBERSHIP DATA
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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> -%-
12/31/05	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
12/31/13	198	(9.2)	14,282,440	72,134	1.9
12/31/14	188	(5.1)	14,066,159	74,820	3.7

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED
FOR THE TEN YEARS ENDED DECEMBER 31, 2014
(Source: 2015 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> -\$-					
12/31/05	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
12/31/13	2	41,792	0	--	23	9.5	163,835	34.2	7,123
12/31/14	0	--	6	18,242	17	(26.1)	145,593	(11.1)	8,564

* 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: 2015 PGT Actuarial Report)

Actives:

	2014		2013	
	Count	Average Salary	Count	Average Salary
Police	188	\$74,820	198	\$72,134

Annuitants:

	2014		2013	
	Count	Average Annuity	Count	Average Annuity
Retirees and Survivors	15	\$43,551	22	\$41,614
Disabilities	2	15,297	1	17,697
DROP	57	68,094	63	67,092
Total/Average	74	\$61,692	86	\$60,000

Inactive Members:

	2014		2013	
	Count	Average Deferred Annuity	Count	Average Deferred Annuity
Deferred Vested	4	\$24,963	5	\$22,883

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

Statistical Section

CP
Employees'
Retirement System



STATISTICAL SECTION NARRATIVE

The objective of the Statistical Section is to provide financial statement users with a source of information regarding the system's economic condition by providing information on historical financial trends, demographic trends, and operating information.

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.

Financial Trends

The schedules listed below provide financial trend information that assists users in understanding and assessing how the retirement system's position has changed over time:

- Schedule of Changes in Net Position (CPERS)
- Schedule of Changes in Net Position (PGT)

Demographic Trends

The schedules listed below provide information to assist the users in understanding the system's socioeconomic environment and to facilitate comparisons for financial statement information over time:

- Schedule of Participating Employers for 2014 and 2005
- Number of Active Members
- Number of Retirees, Beneficiaries, Vested Terminated, and Deferred Retirees
- Schedule of Retired Members by Type of Benefit (CPERS)
- Number of Refunds of Contributions
- Retirees at December 31, 2014

Operational Information

The schedules listed below provide information about the system's operations and uses of resources as well as to provide a context for understanding and assessing its economic condition:

- Number of Administrative Staff Positions
- Number of Retirees and Benefit Expenses
- Number of Retired Deferred Retirement Option Plan Participants and Payments
- Schedule of Benefit Expenses by Type (CPERS)
- Average Monthly Service Retiree Benefit (CPERS)
- Average Monthly Service Retiree Benefit (PGT)
- Number of Excess Benefit Plan Participants and Benefit Expenses

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.

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>
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%
2013	12	0.00%
2014	12	0.00%

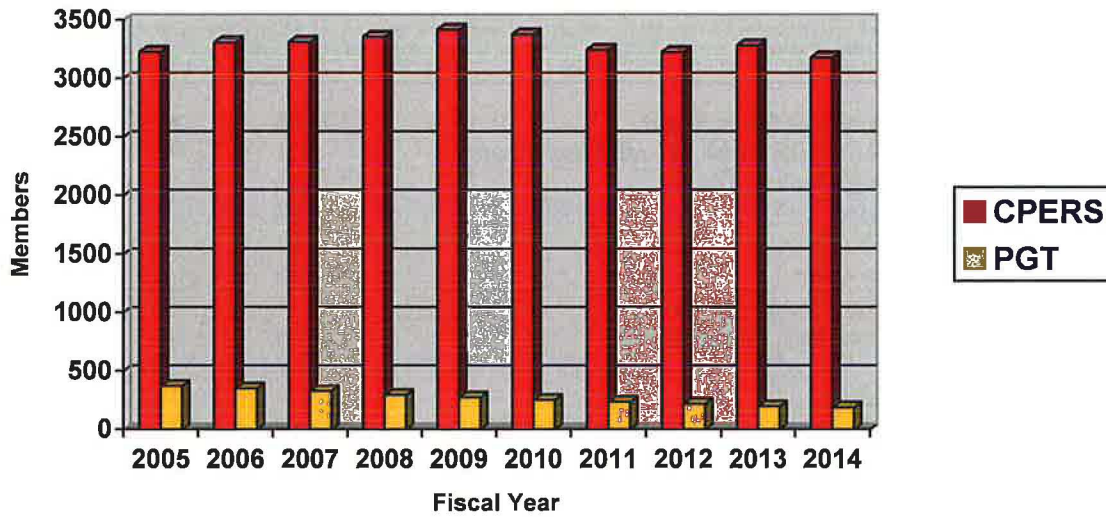
SCHEDULE OF PARTICIPATING EMPLOYERS FOR 2014 AND 2005

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2014</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,636	1	82.87%
Recreation and Park Commission for the Parish of East Baton Rouge	423	2	13.30%
District Attorney of the Nineteenth Judicial District	76	3	2.39%
East Baton Rouge Parish Juvenile Court	15	4	.47%
Office of the Coroner of East Baton Rouge Parish	13	5	.41%
East Baton Rouge Parish Family Court	12	6	.38%
Brownsfield Fire Protection District	4	7	.12%
St. George Fire Protection District	1	8	.03%
Eastside Fire Protection District	1	9	.03%
2014 Total	3,181		100.00%

<u>Participating Employer</u>	<u>Covered Active Employees</u>	<u>Rank</u>	<u>Percentage of System Membership</u>
<u>2005</u>			
City of Baton Rouge and Parish of East Baton Rouge	2,698	1	83.56%
Recreation and Park Commission for the Parish of East Baton Rouge	371	2	11.49%
District Attorney of the Nineteenth Judicial District	65	3	2.01%
St. George Fire Protection District	34	4	1.05%
East Baton Rouge Parish Juvenile Court	23	5	.71%
East Baton Rouge Parish Family Court	12	6	.37%
Office of the Coroner of East Baton Rouge Parish	9	7	.28%
East Baton Rouge Parish Fire Protection District No. 6	6	8	.19%
Central Fire Protection District	5	9	.16%
Brownsfield Fire Protection District	4	10	.12%
Eastside Fire Protection District	2	11	.06%
2005 Total	3,229		100.00%

NUMBER OF ACTIVE MEMBERS

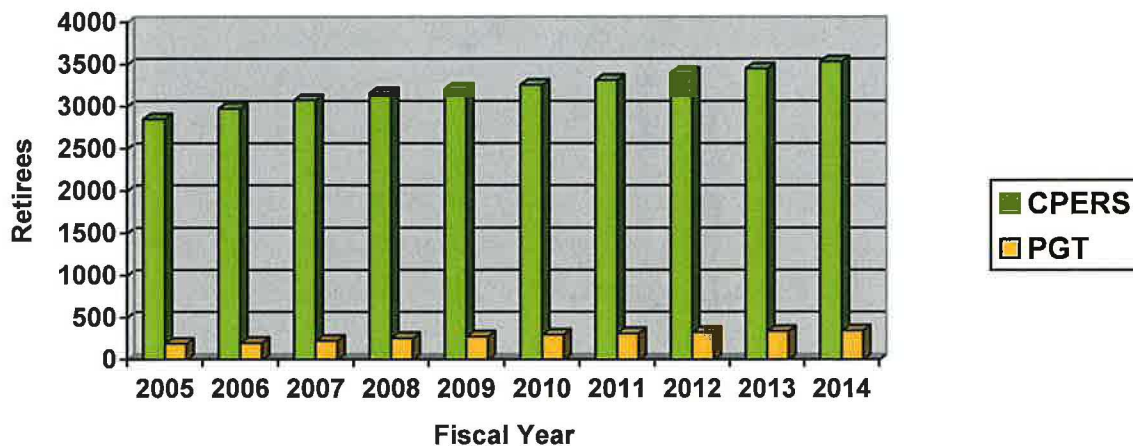
Fiscal Year	CPERS		PGT	
	Members	% Increase Each Year	Members	% Increase Each Year
2005	3,229	(2.6) %	372	(3.4) %
2006	3,309	2.5 %	350	(5.9) %
2007	3,313	0.1 %	329	(6.0) %
2008	3,357	1.3 %	297	(9.7) %
2009	3,419	1.8 %	275	(7.4) %
2010	3,379	(1.2) %	252	(8.4) %
2011	3,245	(4.0) %	235	(6.7) %
2012	3,226	(0.6) %	218	(7.2) %
2013	3,283	1.8 %	198	(9.2) %
2014	3,181	(3.1) %	188	(5.1) %



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
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%
2013	3,452	1.5%	340	4.0%
2014	3,535	2.4%	348	2.4%

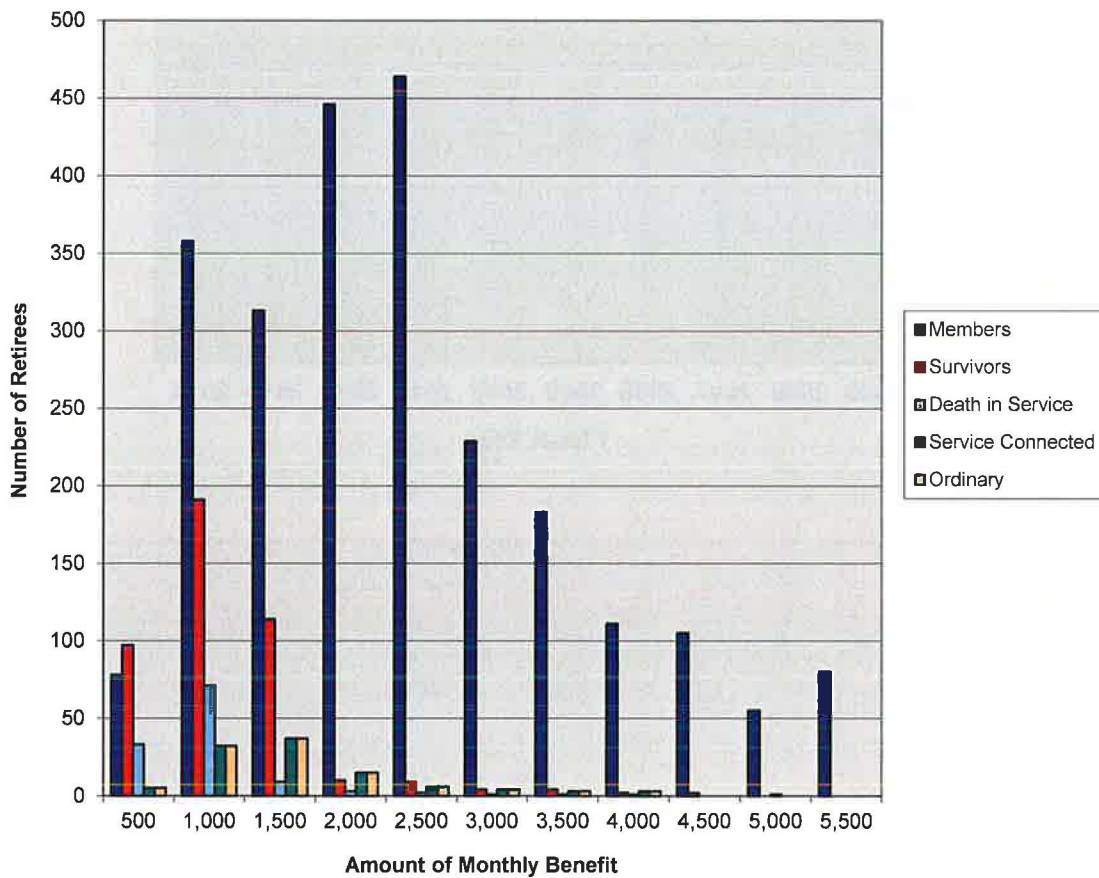
* Includes annuitants who participated in the PGT but receive monthly retirement benefits from MPERS.



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (CPERS)

Amount of Monthly Benefit	Number of Retirees *	Types of Retirement				
		Service Benefits			Disability Benefits	
		Members	Survivors	Death in Service	Service Connected	Ordinary
\$1-500	217	78	97	33	5	4
501-1,000	677	358	191	71	32	25
1,001-1,500	526	313	114	9	37	53
1,501-2,000	485	446	10	3	15	11
2,001-2,500	486	464	9	2	6	5
2,501-3,000	239	229	4	1	4	1
3,001-3,500	191	183	4	1	3	--
3,501-4,000	117	111	2	1	3	--
4,001-4,500	107	105	2	--	--	--
4,501-5,000	56	55	--	1	--	--
Above \$5,000	80	80	--	--	--	--
Totals	3,181	2,422	433	122	105	99

* Does not include deferred retirees



NUMBER OF RETIREES AND BENEFIT EXPENSES

<u>Fiscal Year</u>	<u>CPERS*</u>		<u>PGT*</u>	
	<u>Retirees</u>	<u>Benefit Expenses</u> \$	<u>Retirees**</u>	<u>Benefit Expenses</u> \$
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
2013	3,126	69,710,050	23	156,783
2014	3,181	72,940,687	17	160,795

* Does not include deferred retirees

** Includes only retirees receiving monthly benefits from PGT

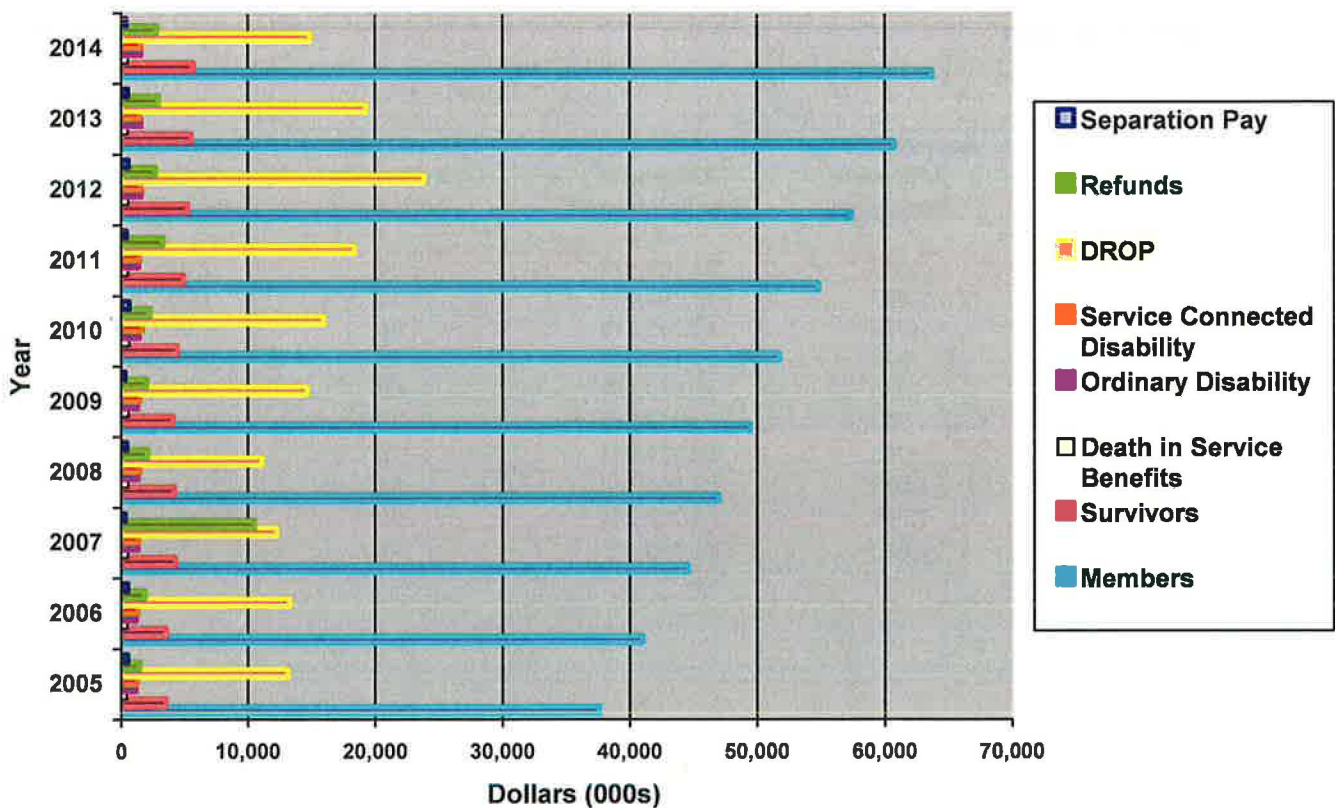
NUMBER OF RETIRED DEFERRED RETIREMENT OPTION PLAN PARTICIPANTS AND PAYMENTS

<u>Fiscal Year</u>	<u>CPERS</u>		<u>PGT</u>	
	<u>Retired Deferred Retirement Participants</u>	<u>Retired Deferred Retirement Benefit Expenses</u> \$	<u>Retired Deferred Retirement Participants</u>	<u>Retired Deferred Retirement Benefit Expenses</u> \$
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
2013	1,060	19,249,264	90	2,488,063
2014	1,085	14,859,565	98	1,211,521

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			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
2013	60,737,119	5,524,687	501,727	1,523,176	1,423,341	19,249,264	2,940,900	478,543	92,378,757
2014	63,720,199	5,673,581	523,267	1,525,387	1,498,253	14,859,565	2,806,619	342,378	90,949,249

* 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						
		0-5	6-10	11-15	16-20	21-25	26-30	>30
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
2013	Avg. Monthly Benefit - \$	1,043.82	722.62	1,204.13	1,653.42	3,109.03	4,440.71	5,436.28
	Avg. Final Average Salary - \$	2,087.64	2,731.54	3,373.51	3,695.25	4,332.62	5,531.39	6,060.31
	Number of Retirees	2	16	21	23	37	42	1
2014	Avg. Monthly Benefit - \$	0.00	739.40	1,219.88	2,071.86	3,837.78	4,043.91	5,813.26
	Avg. Final Average Salary - \$	0.00	2,757.72	3,322.29	4,753.06	5,238.71	4,998.69	6,459.18
	Number of Retirees	0	7	22	8	29	36	1

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

AVERAGE MONTHLY SERVICE RETIREE BENEFIT (PGT) *

Retirement Date		Years of Service Credit						
		0-5	6-10	11-15	16-20	21-25	26-30	>30
2005	Avg. Monthly Benefit - \$	0.00	0.00	0.00	2,330.46	3,156.34	3,453.85	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	4,719.92	4,465.28	4,239.70	0.00
	Number of Retirees	0	0	0	1	19	8	0
2006	Avg. Monthly Benefit - \$	0.00	0.00	1,276.23	1,902.19	3,432.54	3,284.44	0.00
	Avg. Final Average Salary - \$	0.00	0.00	3,293.50	3,757.42	4,549.80	4,194.79	0.00
	Number of Retirees	0	0	1	1	11	3	0
2007	Avg. Monthly Benefit - \$	0.00	857.10	1,163.48	1,548.25	3,443.26	4,008.64	0.00
	Avg. Final Average Salary - \$	0.00	3,265.13	3,339.72	5,272.88	4,777.73	4,969.05	0.00
	Number of Retirees	0	1	2	1	12	6	0
2008	Avg. Monthly Benefit - \$	0.00	0.00	0.00	0.00	3,555.51	4,214.18	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	0.00	4,839.38	5,135.65	0.00
	Number of Retirees	0	0	0	0	9	8	0
2009	Avg. Monthly Benefit - \$	0.00	0.00	1,155.54	2,031.22	3,628.04	4,459.57	0.00
	Avg. Final Average Salary - \$	0.00	0.00	3,773.18	4,410.15	5,251.01	5,513.89	0.00
	Number of Retirees	0	0	1	3	9	6	0
2010	Avg. Monthly Benefit - \$	0.00	0.00	0.00	1,865.62	3,988.69	5,106.03	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	3,910.14	5,265.59	6,362.39	0.00
	Number of Retirees	0	0	0	2	2	7	0
2011	Avg. Monthly Benefit - \$	0.00	0.00	1,936.06	0.00	4,018.47	4,526.42	0.00
	Avg. Final Average Salary - \$	0.00	0.00	4,996.27	0.00	5,302.09	5,532.60	0.00
	Number of Retirees	0	0	1	0	4	8	0
2012	Avg. Monthly Benefit - \$	0.00	0.00	1,112.61	1,663.87	4,031.54	4,544.92	0.00
	Avg. Final Average Salary - \$	0.00	0.00	3,423.41	4,443.05	5,909.51	5,649.90	0.00
	Number of Retirees	0	0	1	2	3	11	0
2013	Avg. Monthly Benefit - \$	0.00	0.00	0.00	0.00	3,860.89	5,432.66	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	0.00	5,819.45	6,607.35	0.00
	Number of Retirees	0	0	0	0	6	9	0
2014	Avg. Monthly Benefit - \$	0.00	0.00	0.00	0.00	4,056.75	5,434.89	0.00
	Avg. Final Average Salary - \$	0.00	0.00	0.00	0.00	5,397.17	6,707.29	0.00
	Number of Retirees	0	0	0	0	4	8	0

* Includes service and disability retirees with effective retirement dates as shown. Does not include survivor or beneficiary annuitants. The data represents members that retired in the years listed and the creditable service and average salary that was used to compute pensions for those members. Note that these members are paid by the Municipal Police Employees' Retirement System of Louisiana and the pensions computed are not paid by Police Guarantee Trust (PGT).

**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>
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
2013	12	179,524	N/A	N/A
2014	12	167,932	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> %
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
2013	239	8.64	2	200.00
2014	238	(.42)	2	0.00

SCHEDULE OF CHANGES IN NET POSITION (CPERS)

<u>Fiscal Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>Net Investment Income</u>	<u>Total Additions to Net Position</u>
	\$	\$	\$	\$
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
2013	14,888,376	38,392,495	140,442,726	193,723,597
2014	14,907,221	39,363,171	50,531,109	104,801,501

<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>
	\$	\$	\$	\$	\$
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
2013	89,437,857	2,940,900	1,188,598	93,567,355	100,156,242
2014	88,142,630	2,806,619	1,388,242	92,337,491	12,464,010

* 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>
	\$	\$	\$	\$
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
2013	85,817	696,918	2,277,503	3,060,238
2014	90,774	763,873	796,414	1,651,061

<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>
	\$	\$	\$	\$	\$
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)
2013	3,327,491	0	356,118	3,683,609	(623,371)
2014	1,662,603	16,903	333,744	2,013,250	(362,189)

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Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

City of Baton Rouge and Parish of East Baton Rouge
EMPLOYEES' RETIREMENT SYSTEM

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2015.

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.

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.

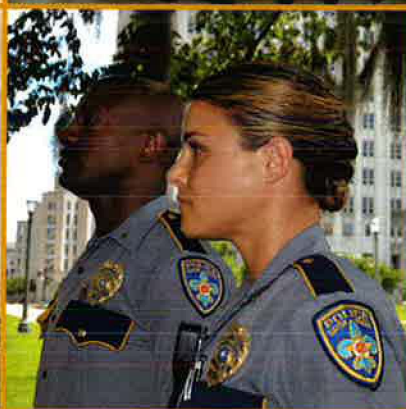
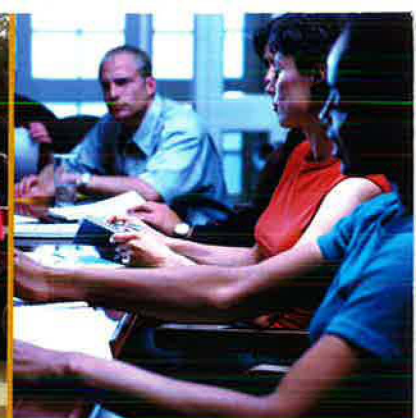
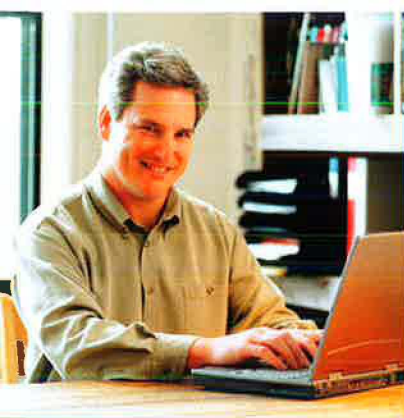
Postlethwaite & Netterville

Baton Rouge, Louisiana
June 25, 2015



CP
Employees'
Retirement System





CP Employees' Retirement System



209 St. Ferdinand Street
Baton Rouge, LA 70802

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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 the Parish of East Baton Rouge, LA